

AWARD

NASD REGULATION, INC., OFFICE OF DISPUTE RESOLUTION

In the matter of the Arbitration Between

Name of Claimant and Counter-Respondent

Refco Securities, Inc.

v.

Arbitration No.

92-03685

Name of Respondent and Counter-Claimant

City of Orange

REPRESENTATION

For Claimant:

Scott E. Hershman, Esq.
Graubard, Mollen & Miller
New York, New York

For Respondent:

Michael Willoughby, Esq.
Borchard & Willoughby
Irvine, California

CASE INFORMATION

Statement of Claim filed: October 29, 1992

Refco Securities, Inc.'s Submission Agreement signed: October 29, 1992

Statement of Answer and Counter-Claim
filed by City of Orange: March 3, 1993

City of Orange's Submission Agreement signed: March 1, 1993

Refco Securities, Inc.'s Reply and Defenses
to Statement of Counter-Claims filed: April 16, 1993

Refco Securities, Inc.'s Amended Reply and Defenses
to Statement of Counter-Claims filed: October 7, 1994

HEARING INFORMATION

Pre-Hearing Conference Dates / Sessions:

June 22, 1994 (1 Session)
October 3, 1994 (1 Session)
March 9, 1995 (1 Session)

Hearing Dates / Sessions:

July 6, 1994 (2 Sessions)
July 7, 1994 (2 Sessions)
July 8, 1994 (2 Sessions)

July 13, 1994 (2 Sessions)
July 14, 1994 (2 Sessions)
July 15, 1994 (2 Sessions)

July 19, 1994 (2 Sessions)
July 20, 1994 (2 Sessions)

July 22, 1994 (2 Sessions)

August 8, 1994 (2 Sessions)
August 9, 1994 (2 Sessions)

August 11, 1994 (2 Sessions)
August 12, 1994 (2 Sessions)

October 11, 1994 (2 Sessions)
October 12, 1994 (2 Sessions)
October 13, 1994 (2 Sessions)
October 14, 1994 (1 Session)

October 25, 1994 (2 Sessions)
October 26, 1994 (2 Sessions)
October 27, 1994 (2 Sessions)

December 7, 1994 (2 Sessions)
December 8, 1994 (2 Sessions)
December 9, 1994 (2 Sessions)

December 14, 1994 (2 Sessions)
December 15, 1994 (2 Sessions)
December 16, 1994 (2 Sessions)

January 24, 1995 (2 Sessions)
January 25, 1995 (2 Sessions)

January 26, 1995 (2 Sessions)
January 27, 1995 (1 Session)

February 7, 1995 (2 Sessions)
February 8, 1995 (2 Sessions)
February 9, 1995 (2 Sessions)
February 10, 1995 (2 Sessions)

March 22, 1995 (2 Sessions)*
March 23, 1995 (2 Sessions)*
March 24, 1995 (2 Sessions)*

April 4, 1995 (2 Sessions)*
April 5, 1995 (2 Sessions)*
April 6, 1995 (2 Sessions)*
April 7, 1995 (2 Sessions)*

May 23, 1995 (2 Sessions)*
May 24, 1995 (2 Sessions)*
May 25, 1995 (2 Sessions)*

June 6, 1995 (2 Sessions)
June 7, 1995 (2 Sessions)
June 8, 1995 (2 Sessions)

June 27, 1995 (2 Sessions)
June 28, 1995 (2 Sessions)
June 29, 1995 (1 Session)

October 24, 1995 (2 Sessions)
October 25, 1995 (2 Sessions)

December 12, 1995 (2 Sessions)
December 13, 1995 (2 Sessions)
December 14, 1995 (2 Sessions)
December 15, 1995 (2 Sessions)

January 10, 1996 (2 Sessions)
January 11, 1996 (2 Sessions)
January 12, 1996 (1 Session)

April 9, 1996 (2 Sessions)
April 10, 1996 (2 Sessions)
April 11, 1996 (2 Sessions)

May 14, 1996 (2 Sessions)

May 29, 1996 (1 Session)

May 30, 1996 (1 Session)

June 11, 1996 (2 Sessions)

June 12, 1996 (2 Sessions)

June 13, 1996 (1 Session)

August 27, 1996 (2 Sessions)

August 28, 1996 (2 Sessions)

August 29, 1996 (2 Sessions)

August 30, 1996 (1 Session)

October 1, 1996 (2 Sessions)

October 2, 1996 (2 Sessions)

October 4, 1996 (2 Sessions)

October 5, 1996 (2 Sessions)

October 29, 1996 (1 Session)

October 31, 1996 (2 Sessions)

November 1, 1996 (2 Sessions)

November 19, 1996 (2 Sessions)

November 20, 1996 (2 Sessions)

January 20, 1997 (2 Sessions)

February 20, 1997 (2 Sessions)

May 19, 1997 (2 Sessions)

May 20, 1997 (2 Sessions)

May 21, 1997 (2 Sessions)

May 22, 1997 (2 Sessions)

Hearing Location:

All hearings took place in Los Angeles, California, except for those dates marked with an asterisk, which took place in Lompoc, California.

CASE SUMMARY

On April 8, 1992, the City of Orange filed a Complaint in Case Number 92-2141SVW (6HKx) in the United States District Court for the Central District of California. The Complaint named various defendants, including Refco Securities, Inc. ("Refco"). Refco then filed a Motion to stay the court case and compel the City of Orange to arbitrate its claims. The Federal District Court, by Order dated October 21, 1992, enforced the arbitration agreement between Orange and Refco compelling arbitration.

On October 29, 1992, Refco filed a Statement of Claim naming the City of Orange as the Respondent. Refco alleged that it was not responsible for any of the City of Orange's losses.

The City of Orange filed a Counter-Claim and Answer alleging that it was the victim of a massive conspiracy by Steven D. Wymer ("Wymer") and Refco to defraud investors. The City of Orange alleged that the conspiracy spanned over four years and resulted in the theft of over 100 million dollars from nineteen different investors. The City of Orange further alleged that it lost its entire 7 million dollar investment in the fraudulent scheme. The City of Orange alleged that the scheme was pursued for personal gain by Wymer and Refco, which realized high commission profits from commission business Wymer directed to Refco.

The City of Orange alleged that Refco violated NASD Rules of Fair Practice and Federal securities laws, participated in a fraudulent scheme to defraud the City of Orange, commingled customer securities and funds, issued false audit confirmations to the City of Orange's auditors, failed to supervise its employees, executed unauthorized trades, failed to communicate directly with the City of Orange, violated its responsibility to ensure that the trades in question were suitable for a California municipality, and failed to maintain books and records in conformity with applicable laws, rules, and regulations. The City of Orange further alleged that Refco violated Section 10(b) and Rule 10(b)-5 under the 1934 Act, the Racketeer Influenced Corrupt Organization Act, and State securities laws. The City of Orange also alleged that Refco was negligent and breached its fiduciary duty to the City of Orange.

Refco denied the allegations of wrongdoing found in the City of Orange's Statement of Counter-Claim.

RELIEF REQUESTED

In Refco's Statement of Claim, it requested that the Arbitration Panel declare that Refco Securities, Inc. is not liable to the City of Orange for any part of Orange's alleged loss of 7 million dollars resulting from defalcations by Wymer and the Wymer Companies. Refco also requested that the Panel award it the costs and attorney's fees of the arbitration.

In the City of Orange's Counter-Claim, the City of Orange requested compensatory damages of \$5,713,660.58 plus prejudgment interest of \$1,973,579.72, for a total of \$7,687,240.30. The City of Orange also requested an award of punitive damages, treble damages, and attorney's fees pursuant to the Racketeer Influenced Corrupt Organization Act.

In the City of Orange's Answer to Refco's Statement of Claim, the City of Orange requests that Refco's request that Refco be not liable to the City of Orange for any part of Orange's loss be denied, that Refco take nothing from the City of Orange, that the arbitrators award the City of Orange the damages set forth in its Statement of Counter-Claim, and that the arbitrators award the City of Orange its costs and reasonable attorney's fees incurred herein.

In Refco's Amended Reply and Defenses to the Statement of Counter-Claim of the City of Orange, it requested that the arbitrators declare that Refco is not liable to the City of Orange for any part of the City of Orange's alleged loss of 7 million dollars resulting from defalcations by Wymer and/or the Wymer Companies. Refco also requested that the Arbitration Panel dismiss the City of Orange's Statement of Counter-Claim with prejudice, and grant Refco its costs, disbursements, and attorney's fees incurred in this proceeding.

OTHER ISSUES CONSIDERED AND DECIDED

The parties have agreed that the Award in this matter may be executed in either counterpart copies or that a handwritten, signed Award may be entered. In either case, the parties have agreed to receive conformed copies of the Award while the original remains on file with the NASD Regulation, Inc., Office of Dispute Resolution.

AWARD

After considering the pleadings, the testimony, and the evidence presented at the hearing, the undersigned arbitrators have decided in full and final resolution of the issues submitted for determination as follows:

1. Refco Securities, Inc. is liable to and shall pay the City of Orange the sum of \$4,253,000.00 in compensatory damages.
2. The City of Orange's claims for treble damages and punitive damages are denied in their entirety.
3. Refco Securities, Inc.'s request for a declaration from the Panel that Refco is not liable to the City of Orange is denied in its entirety.
4. The parties shall each bear their respective costs, including attorney's fees.

FORUM FEES

Pursuant to Section 43(c) of the Code of Arbitration Procedure, the following forum fees are assessed:

Three Pre-Hearing Sessions @ \$1,500.00/Session	= \$4,500.00
One Hundred and Sixty Five Hearing Sessions @ \$1,500.00/Session	= \$247,500.00
<u>Total Fees Assessed</u>	<u>= \$252,000.00</u>

Refco Securities, Inc.'s one-half share	= \$126,000.00
Credit for Hearing Session Deposit	= (\$1,500.00)
<u>Refco Securities, Inc.'s Total Balance Due</u>	<u>= \$124,500.00</u>

City of Orange's one-half share	= \$126,000.00
Credit for Hearing Session Deposit	= (\$1,500.00)
<u>City of Orange's Total Balance Due</u>	<u>= \$124,500.00</u>

Fees are payable to NASD Regulation, Inc.

ARBITRATORS

Name	Public / Industry
George M. Wiener, Esq.	Public
Roberta Haft	Industry
Ronald L. Cameron	Public

Concurring Arbitrators' Signatures


George M. Wiener, Esq.

Ronald L. Cameron

Dissenting Arbitrator's Signature

Roberta Haft

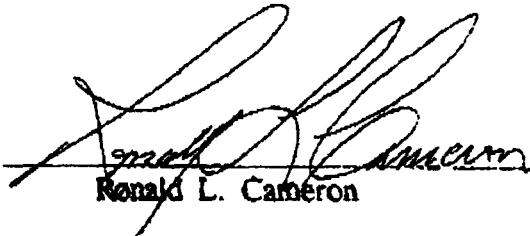
Date of Service: _____

ARBITRATORS

<u>Name</u>	<u>Public / Industry</u>
George M. Wiener, Esq.	Public
Roberta Haft	Industry
Ronald L. Cameron	Public

Concurring Arbitrators' Signatures

George M. Wiener, Esq.



Ronald L. Cameron

Dissenting Arbitrator's Signature

Roberta Haft

Date of Service: _____

ARBITRATORS

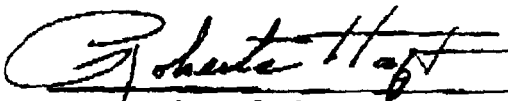
<u>Name</u>	<u>Public / Industry</u>
George M. Wiener, Esq.	Public
Roberta Haft	Industry
Ronald L. Cameron	Public

Concurring Arbitrators' Signatures

George M. Wiener, Esq.

Ronald L. Cameron

Dissenting Arbitrator's Signature



Roberta Haft

Date of Service: 7-22-97