

N.A.S.D. AWARD

NATIONAL ASSOCIATION OF SECURITIES DEALERS

In the Matter of the Arbitration Between

Name of Claimant(s)

Joan Lee Flowers and Wade G. Flowers

93-03574

Name of Respondent(s)

Shearson Lehman Brothers, Inc.
Fred Ronald Brown
Matthew Harrison Merritt, Sr.
Bruce Harrington Cox
Josephine R. Esquivel

REPRESENTATION

For Claimants Joan Lee Flowers and Wade G. Flowers: James Stuart Youngblood, Esq., Atlanta, GA.

For Respondents Shearson Lehman Brothers, Inc., Fred Ronald Brown, Matthew Harrison Merritt, Sr. and Bruce Harrington Cox: Linda R. Alpert, Esq. in-house counsel at Shearson Lehman Brothers, Inc.

CASE INFORMATION

Statement of Claim filed: September 10, 1993.

Claimants' Submission Agreement signed on: September 7, 1993.

Joint Statement of Answer and Motion to Dismiss by Respondents Shearson Lehman Brothers, Inc. Fred Ronald Brown, Matthew Harrison Merritt, Sr., Bruce Harrington Cox and Josephine R. Esquivel dated: November 29, 1993.

Respondent Shearson Lehman Brother, Inc.'s Submission Agreement signed on: December 15, 1993.

Respondent Fred Ronald Brown's Submission Agreement signed on: December 8, 1993.

Respondent Matthew Harrison Merritt, Sr.'s Submission Agreement signed on: October 21, 1993.

Respondent Bruce Harrington Cox's Submission Agreement signed on: December 8, 1993.

Respondent Josephine R. Esquivel's Submission Agreement signed on: December 13, 1993.

Respondent Shearson Lehman Brothers, Inc.'s Submission Agreement signed on: December 15, 1993.

HEARING INFORMATION

Hearing Dates/Sessions: October 20, 1994 / Two Sessions
 October 21, 1994 / Two Sessions

Hearing Location: NASD offices located in Atlanta, GA.

CASE SUMMARY

Claimants alleged that Respondents made misrepresentations to Claimants with regard to their purchase of shares of stock in Lida Inc. and made untrue statements of material facts and omitted to state material facts to Claimants. Claimants further alleged Respondents breached the fiduciary duties owed to Claimants. Claimants further alleged Respondents failed to enter an order to sell 3,000 shares of Lida Inc. and alleged Respondent Shearson Lehman Brothers, Inc. manipulated the price of Lida Inc. stock as managing underwriters. Claimants further alleged the investments were unsuitable for them and Respondents failed to properly supervise its employees. Claimants further alleged the actions of the Respondents were in violation of federal securities laws and Georgia state law and the Respondents' actions constituted a pattern of racketeering activity. Claimants further alleged the Respondents were stubbornly litigious and/or litigated in bad faith.

Respondents maintained all of the recommendations in the Claimants' account were suitable; Respondents denied all allegations of unauthorized trading; Respondents maintained the Claimants authorized, approved and/or ratified each and every transaction in the account; Respondents did not make any misrepresentations, omissions or misstatements with respect to the investments made in Claimants' account; to the extent any losses or diminution in the value of Claimants' account has occurred, such losses were within the risk Claimants assumed and are the result of unforeseen market fluctuations; the Claimants are not entitled to punitive damages as New York law which governs this dispute precludes a party from recovering punitive damages in an arbitration proceeding; Respondents' recommendations were good faith expressions of opinion, and as such, were not actionable; Respondents had no duty to disclose publicly available information and Claimant Joan Lee Flowers is an experienced investor and, at all relevant times, had or should have had full knowledge of all material facts concerning the investments she made, including the nature of investments, as well as the associated risks.

RELIEF REQUESTED

Claimants requested:

1. Judgment against the Respondents for a rescission of sales on 3,000 shares of Lida, Inc. at a) the purchase price of 12 3/4 or b) the price of the shares on June 25, 1992 which was 14 3/8 and return of all funds invested or a judgment of not less than net decrease to net worth due to these investments to be based on the net decrease in net worth on the date of judgment and sale of these investments, pursuant to all allegations.
2. Judgment against the Respondents for all costs including arbitration filing fees and hearing fees.
3. Judgment against the Respondents for interest on losses or on Claimants' loss of use of funds, from the date of investment to the date of judgment at a rate to be set by the arbitrators.
4. Judgment against the Respondents for triple damages of loss of use of funds or not less than triple the decrease to net worth, due to these investments, on the date of judgment and disposition of said investments.

5. Judgment against the Respondents for punitive damages of \$10,000,000.00 pursuant to all applicable federal and state securities laws.
6. Judgment against the Respondents for punitive damages of \$5,000,000.00 for being stubbornly litigious and/or litigating in bad faith as defined and permitted under the laws of the State of Georgia.
7. Attorneys' fees in the sum of \$13,000.00.
8. For any other and further relief the arbitrators deem appropriate considering all the facts and circumstances herein.

Respondents requested that the Statement of Claim be in all respects, dismissed and that costs be assessed against the Claimants.

OTHER ISSUES CONSIDERED AND DECIDED

Respondents alleged the Claimants have no claims pertaining to Josephine Esquivel since the research reports she authored were accurate reports of operating data and good faith expressions of opinion and predictions about Lida Inc.'s future and such reports were not guarantees and cannot be the basis of any recovery to Claimants.

Respondents further alleged that Respondent Matthew Merritt, Sr. should be dismissed as a Respondent as the Claimants have not stated a claim as to him as a matter of law and there is no allegation that the municipal floating rate bonds that Claimants purchased from Respondent Matthew Merritt, Sr. were unsuitable, or that these trades were unauthorized and further alleged Matthew Merritt, Sr. has been named as a Respondent solely for harassment purposes.

In response, the Claimants withdrew with prejudice all claims against Respondents Josephine Esquivel and Matthew Merritt, Sr.

In addition, the Claimants affirmatively stated their intent to opt out of the Class Action litigation involving Lida Securities, Inc.

Furthermore, Claimants had originally included allegations of wrongdoing concerning their purchase of shares of stock of SPI Corp. but withdrew those claims prior to the first hearing session.

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. Prior to the commencement of the first hearing session the arbitration panel was informed that the Claimants were withdrawing with prejudice all claims against Respondents Matthew Merritt, Sr., and Josephine Esquivel.
2. During the hearing the arbitration panel was informed that the Claimant was withdrawing with prejudice all claims against Respondent Fred Ronald Brown.
3. All claims against Respondents Shearson Lehman Brothers, Inc., and Bruce Cox be and hereby are dismissed in all respects.
4. Each party shall bear their respective costs including attorneys' fees.

FORUM FEES

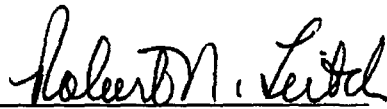
Pursuant to Section 43c of the Code of Arbitration Procedure, the following Forum Fees are assessed.

4 sessions x \$1,500.00 = \$6,000.00 less Claimant's hearing session deposit (\$1,500.00) = net \$4,500.00 due.

The Claimants be and hereby are liable and shall pay to the NASD the sum of \$4,500.00 representing forum fees.

Fees are payable to the National Association of Securities Dealers, Inc.

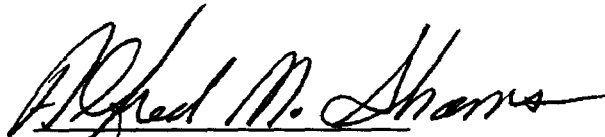
ARBITRATORS' SIGNATURE



Robert N. Leitch, Esq.
Public Arbitrator



Hartwell D. Hooper
Public Arbitrator



Alfred M. Shams
Industry Arbitrator

Date of Decision: November 25, 1994