

N.A.S.D. AWARD

NATIONAL ASSOCIATION OF SECURITIES DEALERS

In the Matter of the Arbitration Between

Name of Claimants

Robert E. and Marilyn B. Riecks

94-01028

Name of Respondents

Alex, Brown & Sons, Incorporated
Roy Gardner Warren
Laffer, Warren and Co., Inc.

REPRESENTATION

For Claimants, Robert E. and Marilyn B. Riecks ("Riecks"): H. Douglas Powell, Esq.,
Plantation, Florida.

For Respondent, Alex, Brown & Sons, Incorporated ("Alex Brown"): Daniel J. Donovan, esq.,
Baltimore, Maryland.

For Respondents, Roy G. Warren and Laffer, Warren and Co., Inc. ("Laffer Warren"): Ronald
D. Schindler, Esq., Miami, Florida.

CASE INFORMATION

Statement of Claim filed: March, 17, 1994.

Claimant's Submission Agreement signed on: March 10, 1994.

Statement of Answer filed jointly by Respondents Alex, Brown & Sons, Inc., Roy G. Warren
and Laffer, Warren and Co., Inc. on: July 15, 1994

Respondents' Submission Agreement signed on: June 8, 1994.

HEARING INFORMATION

On August 22, 23, and 24, 1996, and on May 29, 30, and 31, 1996 and on September 13, 14,
and 15, 1995, in Fort Lauderdale, Florida hearings lasting seventeen (17) sessions were
conducted.

CASE SUMMARY

Claimants alleged that they were victims of a scheme by Respondents to defraud them of the value of their "five name" joint investment account. Claimants alleged that their investment objective was to seek income through quality growth. Claimants alleged that during the time this account was held at Alex Brown the account was not a discretionary account but was controlled entirely by the Respondents Alex Brown and Roy Warren as account executive. Claimants alleged that: it was impossible for Alex Brown to have complied with NASD Article III, Section 2 and the NYSE Rule, 405; the account purchased only Initial Public Offerings and O-T-C stocks that Alex Brown was recommending; Claimants were not informed that these investments were high risk investments; and excessive unsupervised trading occurred and large losses were attributed to the issues that were purchased while the Claimants' account was at Alex Brown. Claimants alleged that on or about July 1992 Claimants' account was transferred to Laffer Warren where Roy Warren continued the scheme of excessive trading of IPO's and principal trades without formally creating a discretionary account for the Riecks. Unauthorized margin leverage was used without explanation to the Claimants and the risk factors exploded against account values. Claimants demanded that their account be closed due to the fact that the investment objectives were not being met and that Roy Warren had not kept his promise. The Claimants alleged that they had received no income nor growth from this account. Claimants further alleged that, at Respondent Warren's recommendation, Claimants joined the VMS class action suit and were never informed that they had an individual cause of action or the alternative remedy of suing Warren directly and individually for their losses. Claimants alleged: Negligence/ Gross Negligence, Common Law Fraud, Respondeat Superior, Breach of Contract, Rescission and Cancellation of all Unauthorized Trades, Violations of NASD and NYSE Rules, Breach of Fiduciary duty, Failure to Supervise, Churning, Violation of Section 10(b) and Rule 10(b)5 of the SEC Act of 1934, Conspiracy, Florida RICO Chapter 895, Federal Rico and Fraudulent Inducement. Claimants' claim for violation of Florida Statute Section 517 was withdrawn.

Respondents denied each of the claims asserted by the Claimants. Respondents alleged that: Claimants were experienced investors who opened a self-described "trading account", representing approximately 5% of their net worth, in an effort to secure short term profits; Claimants maintained control over the account at all times; the transactions in the Riecks account, each of which was approved by Mr. Riecks, were consistent with the Riecks' stated investment objectives and reasonable in light of their income and net worth. Respondents alleged that, to the extent such transactions were based on recommendations made by Mr. Warren while he was at Alex Brown, such recommendations had a reasonable basis and were consistent with Claimants' stated investment objectives. Respondents also alleged that, it was clear that Claimants' primary relationship was with broker Roy Warren, who serviced the Riecks account before and after his tenure at Alex Brown. Claimants' decision to stay with Mr. Warren when Mr. Warren left Alex Brown to form Laffer, Warren evidences the Claimants' satisfaction with that relationship. Respondents alleged that Claimants failed to meet their burden of proving the claims against Alex Brown and, therefore, their claims should be dismissed.

RELIEF REQUESTED

Claimants requested the following damages:

1. Actual Damages from Respondents Alex Brown and Roy Warren, jointly and severally, in the amount of \$303,688.00, inclusive of interest.
2. Actual Damages from Respondents Laffer Warren and Roy Warren, jointly and severally, in the amount of \$66,807.00, inclusive of interest.
3. Costs, punitive damages, attorney's fees, and treble damages.

Respondents requested that the panel deny Claimants' claim for damages, that no relief be entered against Respondent or in favor of the Claimant, that the decision of the panel be rendered in favor of Respondents, Alex Brown and Laffer Warren and Roy Warren, and that all fees and costs of the arbitration be assessed against the Claimants.

OTHER ISSUES CONSIDERED & DECIDED

The parties have agreed that the Award in this matter may be executed in 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(s) remain on file with the NASD.

AWARD

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

1. Respondents, Roy Warren and Laffer, Warren are found liable, jointly and severally, and shall pay to the Claimants the amount of \$12,038.00 for actual damages.
2. Respondents, Roy Warren and Alex, Brown are found liable, jointly and severally, and shall pay to the Claimants the amount of \$30,468.00.
3. Claimants' request for interest, costs, attorney's fees, punitive and treble damages are denied.

OTHER COSTS

Other than the forum fees noted below, the parties shall each bear all other costs and expenses incurred by them in connection with this proceeding.

