

## **NASD AWARD**

**NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.**

---

**In the Matter of the Arbitration Between**

**Name of Claimant**

Deborah Hodson St. Charles

and

NASD Case Number: 94-2354

**Name of Respondents**

Prudential Securities, Inc., and  
Stephen G. Edmondson

---

### **REPRESENTATION OF PARTIES**

Claimant, Deborah Hodson St. Charles was represented by O. Wayne Davis, Esq. of Henderson Daily Withrow & Devoe located in Indianapolis, Indiana.

Respondents, Prudential Securities, Inc. and Stephen G. Edmondson were represented by Christopher P. Nelson, Esq. of Cahill Gordon & Reindel located in New York, New York.

### **CASE INFORMATION**

The Statement of Claim was filed with the National Association of Securities Dealers ("NASD") on or about June 20, 1994.

The Amended Statement of Claim was filed with the NASD on or about July 24, 1995.

Claimant's Submission Agreement was signed on June 7, 1994.

A Joint Statement of Answer and Counterclaims was filed with the NASD by Respondents, Prudential Securities, Inc. and Stephen G. Edmondson on or about October 7, 1994.

Respondent Prudential Securities, Inc.'s Submission Agreement was signed on October 3, 1994 by Eric Schwimmer, Vice President and Associate General Counsel of Prudential Securities, Inc.

Respondent, Stephen G. Edmondson does not have a Submission Agreement on file with the NASD.

An Amended Statement of Answer and Counterclaims was filed with the NASD on or about October 21, 1994 by Respondents, Prudential Securities, Inc. and Stephen G. Edmondson

Claimant's Answer to Counterclaims was filed with the NASD on or about November 17, 1994.

### **HEARING INFORMATION**

The hearings were held on:

October 23, 1995 for two (2) sessions.  
October 24, 1995 for two (2) sessions.  
October 25, 1995 for three (3) sessions.  
October 26, 1995 for three (3) sessions.

The hearings were held in Indianapolis, Indiana.

### **CASE SUMMARY**

Claimant Deborah Hodson St. Charles ("Claimant") alleged that she was injured after the dissolution of a partnership between herself and another broker, Respondent Stephen G. Edmondson ("Edmondson") because of Edmondson's wrongful conduct and because Respondent Prudential Securities, Inc. ("PSI") improperly favored the interests of Edmondson to her detriment. Claimant further contended that PSI constructively discharged her by creating a hostile work environment.

Claimant was a registered representative employed by Respondent PSI. Claimant alleged that she entered into a partnership with Respondent Edmondson, who was also a registered representative with PSI. Claimant contended that when she was attending a seminar in California, Edmondson and Douglas Damrow, branch manager of Claimant's PSI branch office, sent a letter to partnership clients and prospects stating that the partnership would be dissolved and that any client of the partnership would be considered Edmondson's client exclusively unless the client specifically told PSI in writing that the client wished to be considered a client of the Claimant. Claimant alleged that when she returned from the seminar and learned for the first time that Edmondson wished to dissolve the partnership, she requested permission to send her own letter. Claimant maintained that Damrow refused to provide her with the required authorization to send such a letter. Claimant alleged that Respondents began a campaign to isolate her from partnership clients and prevent her from earning a living. Claimant alleged that Respondents: denied her access to files; tampered with the office telephone system, so that calls from the Claimant's clients went to Edmondson; and that Damrow and Edmondson eliminated Claimant's access to computerized client information by ordering changes to the office computer system. Claimant alleged that she left PSI when conditions became intolerable. Claimant maintained that after she

terminated her employment with PSI, Edmondson and PSI continued their improper activities. Claimant contended that Edmondson continued to make misleading and defamatory statements to former partnership clients that had chosen Claimant. Claimant also alleged that clients of Claimant who contacted PSI about transferring their accounts to Claimant's new employer Dean Witter, were informed that such transfers were not possible or that the transfer was difficult because of Claimant's purported incompetence.

Accordingly, the Claimant alleged the following claims against Respondents: that Respondent Edmondson breached his fiduciary duty to the Claimant; that Respondent PSI wrongfully discharged her from her employment at PSI because Claimant is a woman and was in the last months of a pregnancy; that Respondent PSI interfered with the Contractual and fiduciary relationships between Claimant and the partnership clients, as well as between the Claimant and Respondent Edmondson; that Respondent PSI prevented Claimant's former PSI claimants from transferring their assets to Claimant's new employer Dean Witter in order to harass the Claimant and her clients; and that Respondent PSI is liable for damages under Title VII of the Civil Rights Act of 1964.

Respondents, PSI and Edmondson denied any liability to the Claimant. Respondents alleged that Edmondson terminated the partnership because the Claimant was no longer committed to fulfilling her obligations to the partnership. Moreover, Respondents alleged Claimant began engaging in conduct that was calculated to, and did, seriously injure Edmondson, the partnership and PSI. Respondents contended that Edmondson terminated the partnership in part, due to a call from a client who complained that the Claimant had made numerous disparaging personal remarks about Edmondson and because Claimant has withdrawn from participating in the joint business. Respondents alleged that after the partnership was terminated, PSI wanted the Claimant to remain with PSI, and that PSI acted to set up the Claimant as a Financial advisor apart from Edmondson. Respondents contended that the Claimant then conducted an organized campaign to remove and copy proprietary information belonging to PSI.

Respondents alleged counterclaims against Claimant including: breach of fiduciary duty; misappropriation of proprietary information; and violation of Article III, Section I of the NASD Rules of Fair Practice and Conduct Inconsistent with Just and Equitable Principals of Trade.

### **RELIEF REQUESTED**

Claimant requested an award in the amount of \$107,500.00 per year for the next five (5) years, representing future income to the Claimant in an amount in excess of \$537,500.00, plus expected growth of the Client base revenue of at least ten percent (10%) per year, plus statutory interest. Claimant further requested an award in the amount of \$10,000.00 in short term disability pay that the Claimant would have received while on maternity leave had she not been discriminately fired by her employer. Claimant also requested punitive damages of

an unspecified amount. Claimant further requested that the Counterclaims asserted by Respondents be denied in their entirety.

Respondents requested that the claims asserted against them be denied in their entirety and that they be awarded judgement on their Counterclaims in amounts the Panel deems just and proper, including their costs and reasonable attorneys' fees.

### **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 originals remain on file with the NASD.

### **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. Respondents, Prudential Securities, Inc. and Stephen G. Edmondson are jointly and severally liable, and shall pay to Claimant, Deborah Hodson St. Charles compensatory damages in the amount of Three Hundred Thousand Dollars (\$300,000).
2. Respondents, Prudential Securities, Inc. and Stephen G. Edmondson are jointly and severally liable, and shall pay to Claimant, Deborah Hodson St. Charles punitive damages in the amount of One Hundred Thousand Dollars (\$100,000).
3. All Counterclaims are hereby dismissed with prejudice.
4. Respondents, Prudential Securities, Inc. and Stephen G. Edmondson shall pay all forum fees incurred in this matter.
5. Any relief not specifically enumerated is hereby denied.

### **FORUM FEES**

Forum fees are calculated at the rate of \$ 1,000 per hearing session and \$300 for each pre-hearing conference, if any. There were ten (10) sessions x \$ 1,000 = \$10,000 in forum fees. Pursuant to §43(b) a hearing session is any meeting between the parties and the

arbitrator(s), including a pre-hearing conference with an arbitrator, which lasts four (4) hours or less.

Pursuant to §43(c) of the NASD Code of Arbitration Procedure, the National Association of Securities Dealers, Inc. ("NASD") shall **retain** the non-refundable filing fee in the amount of \$500 previously deposited with the NASD by the Claimant. The NASD shall **refund** to the Claimant the hearing session deposit in the amount of \$2,000 previously deposited with the NASD by the Claimant.

The NASD shall **retain** the non-refundable filing fee in the amount of \$250 and shall **retain** as forum fees the hearing session deposit in the amount of \$600 previously deposited with the NASD by the Respondents. The NASD shall **retain** the \$200 Section 45 Member Surcharge previously deposited with the NASD by the Respondents.

Respondents, Prudential Securities, Inc. and Stephen G. Edmondson are assessed, and shall pay to the NASD forum fees in the amount of \$9,400.00

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

**Concurring Arbitrators signatures:**

Names:

Dates:

John G. Deckard

John G. Deckard, Esq.

Public Arbitrator, Presiding Chair

November 29, 1995

Donald G. Fletcher

Donald G. Fletcher

Public Arbitrator

November 28, 1995

Todd L. Barlow

Todd L. Barlow

Industry Arbitrator

November 28, 1995

For NASD use only

Date award served on the parties: November 30, 1995