

N.A.S.D. AWARD

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

In the matter of the Arbitration Between

Name of Claimant

Frank Aldrich
Gail Aldrich

vs.

NASD Arbitration
No. 95-00339

Name of Respondent

A.G. Edwards & Sons, Inc.
Frank Amelio
Thomas Green

REPRESENTATION

For Claimants: Paul J. Delmore, Esq., Edwards, White & Sooy, San Diego, California

For Respondents A.G. Edwards and Thomas Green:

Jeff Jamieson, Esq., A.G. Edwards & Sons, Inc., St. Louis, Missouri

For Respondent Frank Amelio:

Dirk T. Metzger, Esq., San Diego, California

CASE INFORMATION

Statement of Claim filed: January 23, 1995

Claimants' Submission Agreement signed:

December 30, 1994

Joint Statement of Answer filed by A.G. Edwards & Sons and Thomas Green:

April 4, 1995

Statement of Answer filed by Frank Amelio:
March 21, 1995

Respondents' Submission Agreements signed:

A. G. Edwards & Sons:	April 4, 1995
Thomas Green:	March 30, 1995
Frank Amelio:	March 21, 1995

HEARING INFORMATION

The evidentiary hearing was held in San Diego, California, as follows:

June 4, 1996	-	2 sessions
June 5, 1996	-	2 sessions
June 6, 1996	-	2 sessions
June 7, 1996	-	1 session

CASE SUMMARY

Claimants alleged unsuitability, fraud, misrepresentation, failure to supervise, and breach of fiduciary duty arising from their investment in a company called the Legacy Group, Inc., a private securities transaction not approved by A. G. Edwards & Sons.

Respondents A. G. Edwards & Sons and Thomas Green denied the allegations of wrongdoing, and asserted that Claimant Frank Aldrich entered into an agreement with Legacy Group, Inc., for the purpose of acknowledging a loan to Legacy by Frank Aldrich. The agreement further stated that Legacy agreed to employ Frank Aldrich as a special consultant. Respondents A. G. Edwards & Sons and Thomas Green are not parties to the agreement. Respondents further asserted that Claimants agreed to make an additional loan to Legacy to be used to repay another Legacy loan as well as for operating capital. Respondents A. G. Edwards & Sons and Thomas Green are not parties to this second loan, and they denied participation in or knowledge of Mr. Amelio's activities regarding the Legacy Group, Inc. Respondents also stated Mr. Amelio's activities relating to Legacy were outside the course and scope of his employment with A. G. Edwards & Sons.

Respondent Amelio denied the claimants' allegations of wrongdoing, and alleged that the claimants contacted the Legacy Group, a company owned by Mr. Amelio's parents, on their own initiative and made the loans to Legacy without his advance knowledge or participation.

RELIEF REQUESTED

Claimants requested general damages of \$170,000.00 plus pre-judgement interest, punitive damages of \$100,000.00, and costs of arbitration.

Respondents each requested dismissal of all claims.

OTHER ISSUES CONSIDERED AND DECIDED

The parties stipulated that the transcript taken by Candace M. Sharkey of Sarnoff Deposition Service is to be the official record of the hearing in this matter.

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 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. The claims asserted against A. G. Edwards & Sons and Thomas Green are dismissed in their entirety.
2. Respondent Frank Amelio is liable for and shall pay to Claimants the sum of \$25,000.00 as compensatory damages arising from his misconduct and breach of fiduciary duty in recommending to Claimants that they invest such sum in, or lend such sum to, Gilbert Amelio or an under-capitalized start-up company controlled by him (Legacy Group), and failing to disclose the highly speculative nature of the investment. The amount awarded shall not bear interest prior to the date of the award.
3. The claim for punitive damages is dismissed.
4. The parties shall bear their respective costs, including attorney's fees.

FORUM FEES

Pursuant to Section 43(c) of the Code of Arbitration Procedure, the NASD shall retain the

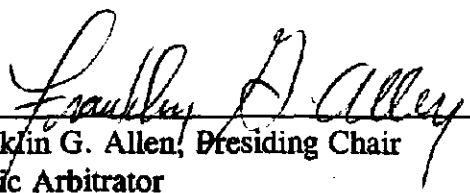
\$200.00 non-refundable filing fee paid by Claimants Frank Aldrich and Gail Aldrich. Forum fees are to be assessed equally to Claimants and Respondent Frank Amelio.

Total Fees:

7 hearing sessions @ \$750/session	\$ 5250.00
Claimant's one-half share	\$ 2625.00
Credit for deposit	<u>\$ 750.00</u>
Balance Due:	\$ 1875.00
Respondent Amelio's one-half share:	<u>\$ 2625.00</u>

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

Date signed:



Franklin G. Allen, Presiding Chair
Public Arbitrator

7-8-96

Robert W. Vernon
Public Arbitrator

Donald E. Berryman
Industry Arbitrator

Date Served: 7/15/96

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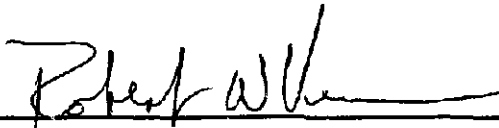
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Industry Arbitrator

7-9-96

Date Served: 7/15/96