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N.A.S.D. AWARD

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NATIONAL ASSOCIATION OF SECURITIES DEALERS

In the Matter of the Arbitration Between

Name of Claimant

Kohn Financial Corporation

95-04315

Name of Respondent

Danny L. Phipps, Jr.

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Securities Dealers, Inc.

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REPRESENTATION

Claimant Kohn Financial Corporation ("Claimant") was represented by Joseph J. Dehner, Esq., Frost & Jacobs, Cincinnati, OH.

Respondent Danny L. Phipps, Jr. ("Respondent") was represented by Paul D. Dorger, Esq., Keating Muething & Kiekamp, Cincinnati, OH.

CASE INFORMATION

The Statement of Claim was filed September 11, 1995.

The Answer to the Counterclaim was filed December 29, 1995.

Claimant's Uniform Submission Agreement was signed August 25, 1995.

Respondent's Statement of Answer and Counterclaim was filed December 13, 1995.

Respondent's Uniform Submission Agreement was signed December 11, 1995.

HEARING INFORMATION

Hearing Date/Sessions: May 24, 1996/two sessions

Hearing Location: Marriott Hotel  
Cincinnati, OH

CASE SUMMARY

Claimant alleged, among other things, that Respondent discussed Respondent's interest in having an investment group, D.P. Southsun, Inc. ("DPS"), invest in American Entertainment Group, Inc. ("AETG"). Claimant alleged that Respondent presented a proposal for DPS to make a substantial financial position in AETG. Claimant alleged that Respondent received and reviewed substantial information about AETG, and that Respondent understood the risks involved in the DPS-AETG transaction. Claimant alleged that the agreement envisioned DPS lending AETG \$1 million for a three year term. Claimant alleged that among other terms, AETG agreed to give DPS an option to purchase 425,000 shares of AETG common stock for one cent (\$.01) a share. Claimant alleged that on June 20,

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1995 Respondent came to Claimant's office and ordered twenty thousand (20,000) AETG shares, thirty thousand (30,000) AETG shares, five thousand (5,000) AETG shares and two thousand (2,000) AETG shares for Respondent's personal account. Claimant alleged that Respondent assured Claimant that funds to cover the transactions would be promptly transferred from another firm. Claimant alleged that on June 29, 1995, Respondent called Claimant and requested that Claimant's shares in AETG be sold. Claimant alleged that Respondent was informed that the sale of Respondent's shares, as well as those of Respondent's friend, would be attempted, but at market price. Claimant alleged that Respondent was informed on June 30, 1995 that, not only had the share price fallen below that which Respondent wished to sell for, the clearing broker refused to accept the sell-out because Respondent had not paid for the stock purchased on June 20, 1995. Claimant alleged that Respondent continually refused to pay the sum of \$19,632.64 for the AETG shares ordered by Respondent on June 20, 1995.

Respondent denied, in his Statement of Answer and Counterclaim, the allegations of wrong-doing in the Statement of Claim. Respondent maintained that Claimant induced Respondent to submit a proposal to make an investment in AETG. Respondent maintained that Claimant convinced Respondent to incorporate so that Respondent would appear to be a legitimate investor. Respondent maintained that Respondent signed the agreement documents only after being induced by Claimant through a series of misrepresentations. Respondent maintained that Claimant persuaded Respondent to purchase the positions in AETG in June, 1995. Respondent maintained that Claimant had been informed that Respondent did not have the funds to pay for the AETG shares ordered, but Respondent was reassured that it was not a problem. Respondent maintained that Claimant was told, on several occasions, to sell Respondent's positions in AETG and Claimant refused to do so.

In the Counterclaim, Respondent reiterated that the Claimant induced Respondent, with material misrepresentations, to incorporate DPS and invest in AETG. Respondent alleged that Claimant received a five percent (5%) finder's fee for the deal as well as a commission. Respondent alleged that Claimant guaranteed the immediate repurchase of the stock options agreed to in the transaction agreement. Respondent alleged that Claimant guaranteed \$12,500.00 which AETG agreed to pay in the agreement, if the AETG common stock did not trade at \$1.1875 for at least one day. Respondent alleged that the AETG stock did not trade at a price of \$1.1875 for at least one day. Respondent maintained that Claimant continued to misrepresent the future and risks of AETG. Respondent alleged that Claimant was requested on several occasions from June 21, 1995 to sell Respondent's positions in AETG. Respondent maintained that during this time the price of AETG fell dramatically.

Claimant responded to the Counterclaim by maintaining that Respondent did not deny ordering the shares of AETG. Claimant maintained that Respondent represented to Claimant that Respondent's net worth exceeded \$1 million and that Respondent was President of Northstar Printing & Graphics. Claimant maintained that Respondent represented that Respondent had more than five years of investment experience in stocks, bonds and mutual funds at the time he became a client of Claimant. Claimant maintained that Respondent met with Claimant on several occasions to discuss a possible transaction, involving AETG and that Respondent received documentation which Respondent reviewed with Respondent's attorney and other persons. Claimant alleged that the terms of the agreement were revised several times during the negotiation prior to being signed by Respondent on behalf of DPS. Claimant alleged that Respondent signed a disclaimer, which was attached to the agreement, indicating that Respondent had reviewed the AETG corporate information and understood the risks involved as well as confirmed Respondent's reliance on independent counsel. Claimant maintained that DPS did not receive the \$12,500.00 advance payment because DPS refused to close the transaction.

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### RELIEF REQUESTED

Claimant requested \$19,632.64 in damages; pre-award interest from August 16, 1995 to the date of the award and reimbursement of all costs and expenses of this arbitration including expert witness fees and attorney's fees.

Claimant requested that the Counterclaim be dismissed with the full costs of the proceedings be paid by Respondent.

Respondent requested in the Statement of Answer, that the Statement of Claim be dismissed and that Claimant be ordered to pay for the costs and expenses of the arbitration, including reasonable attorneys' fees and all other costs.

Respondent requested in the Counterclaim \$12,500.00; punitive damages; and indemnification from Claimant for any amount alleged to be owed in the Statement of Claim.

### 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 arbitrator(s) has/have decided in full and final resolution of the issues submitted for determination as follows:

1. Respondent is liable to and shall pay to Claimant the sum of \$19,632.64.
2. The Counterclaim is denied.
3. Each party shall bear its own costs and expenses, including attorney's fees.
4. Any request for relief not specifically addressed herein is denied.

### FORUM FEES

Pursuant to Section 43(c) of the Code of Arbitration Procedure, the following Forum Fee(s) are assessed:

2 sessions x \$600.00 = \$1,200.00

Forum Fees are assessed against Claimant and Respondent equally. Claimant is to receive credit for the \$300.00 hearing session deposit previously submitted, leaving a net assessment for Claimant of \$300.00. Respondent is to receive credit for the \$80.00 hearing session deposit previously submitted to the NASD leaving a net assessment for Respondent of \$520.00.

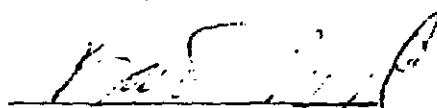
Fees are payable to the National Association of Securities Dealers, Inc.

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DATE

CONCURRING ARBITRATORS' SIGNATURES

7/2/96

  
Benjamin B. Segel, Presiding  
Public Arbitrator

  
Amelia F. Adams  
Public Arbitrator

  
Dwight W. Smith  
Industry Arbitrator

Date Decision Served by NASD:

June 20, 1996

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DATE

CONCURRING ARBITRATORS' SIGNATURES

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Benjamin B. Segel, Presiding  
Public Arbitrator

6/12/96

Amelia F. Adams

Amelia F. Adams  
Public Arbitrator

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Dwight W. Smith  
Industry Arbitrator

Date Decision Served by NASD:

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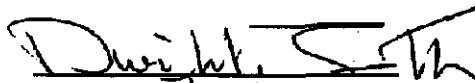
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Benjamin B. Segel, Presiding  
Public Arbitrator

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Amelia F. Adams  
Public Arbitrator

6/17/96

  
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Dwight W. Smith  
Industry Arbitrator

Date Decision Served by NASD:

*June 20, 1996*