

BEFORE THE

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

In the Matter of Arbitration  
Between

WILLIAM B. SAVAGE and BEATRICE S.)  
SAVAGE, as Joint Tenants and as )  
Trustees of the William B. and )  
Beatrice S. Savage Family Trust, )

Claimants,

vs.

SUTRO & CO., INCORPORATED and  
ROBERT ARRIOLA,

Respondents.

No. 95-05402

ARBITRATORS AWARD

Two full-day hearings were held in this proceeding at the Palace Hotel, San Francisco, California, on December 9 and December 10, 1996 before Arbitrators Duane W. Dresser, William G. Dempsey, and Arthur E. Pufford. Claimants William B. Savage and Beatrice S. Savage as Joint Tenants and Trustees of the William B. and Beatrice S. Savage Family Trust appeared with their counsel, Anthony M. Englese, Esq. Respondents Sutro & Co. Incorporated and Robert Arriola appeared with their counsel, Robert T. Sullwold, Esq., of Sullwold & Hughes.

Claimants sought compensatory damages of \$32,057.20 based upon allegations of misrepresentation and failure to disclose by Respondents in violation of Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 and Sections 25400 and 25401 of the California Corporations Code, intentional and negligent misrepresentations by Respondents, and breach of fiduciary duty by Respondents by engaging in unauthorized trades in disregard of Claimants' investment needs and goals, all relating to the purchase by Claimants through Respondent Arriola of non-rated municipal bonds. In addition to compensatory damages Claimants sought punitive damages and costs of suit including attorney's fees.

The Statement of Claim herein was filed on or about November 13, 1995 and the within award was rendered on December 16, 1996. The parties stipulated that the award could be executed by the Arbitrators in counterpart copies.

In April of 1993 Claimants purchased 55000 Poway California Community Facilities District bonds at 108.87.

1 10000 of these bonds were redeemed in February of 1994. In  
2 October of 1994 Respondent Sutro & Co. received information  
3 (Arbitrators Exhibit 2) reflecting, among other things, that in  
4 1993 the majority landowner in the District was delinquent on  
5 \$2.78 million in special taxes and had filed for Chapter 11  
6 bankruptcy, that as of September 1994 83.9% of the total taxes  
7 due to service the bonds were delinquent, that the City had  
8 declined to loan the District funds to make the August 1994  
9 debt service payment, and that only 52 of the 91 parcels in the  
10 District had been developed.

11 The Arbitrators find and conclude that in the exercise of  
12 ordinary care this information should have been conveyed by  
13 Sutro & Co. to the Claimants and that there was no evidence  
14 that this was done. There was also no evidence that this  
15 information was conveyed to Respondent Arriola.

16 In November of 1994 the price of the Poway bonds was  
17 85.212 so that if the Claimants had elected to sell at that  
18 time they would have realized \$38,345.40. Ultimately, after  
19 the Claimants had transferred their account to another  
20 brokerage, the Poway bonds were sold on September 15, 1995 at  
21 78.75 for a total of \$35,437.50. The Claimants are awarded as  
22 compensatory damages against Respondent Sutro & Co. the  
23 difference of \$2,907.90 together with interest at the legal  
24 rate of 10% from September 15, 1995 to December 16, 1996, or  
25 \$364.79, for a total award of \$3,271.99.

26 Claimants have deposited \$650.00 with the NASD  
27 representing \$150.00 in filing fees and \$500.00 in forum fees.  
28 An additional \$500.00 in forum fees is owing to the NASD which  
sum is assessed against Respondent Sutro & Co.

The claims against Respondent Arriola, the claims for  
punitive damages, and the claims for costs (other than the  
apportionment of fees above) including attorney's fees are  
denied.

Dated: December 16, 1996

DUANE W. DRESSER

WILLIAM G. DEMPSEY

Date Served: December 20, 1996

ARTHUR E. PUFFORD

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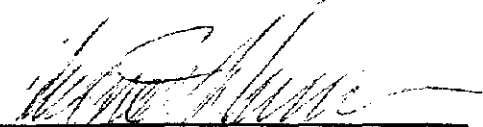
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