

NASD REGULATION AWARD

NASD REGULATION, INC.

In the Matter of the Arbitration Between

Name of Claimant

Elizabeth D. Karl

96-03205

Name of Respondents

A.G. Edwards & Sons, Inc.
First Albany Corporation
Franklin L. Grey

REPRESENTATION

For Claimant, Elizabeth D. Karl ("Claimant"), appeared Michael P. DeGroat, Esq., of the law firm Eaton, Griffith, DeGroat & Northrup located in Walton, New York.

For Respondent A.G. Edwards & Sons, Inc. ("A.G. Edwards") appeared Norman S. Bucknar, Esq., in-house counsel for A.G. Edwards.

For Respondent First Albany Corporation appeared David M. Cherubin, Esq. of the law firm of Crane Kelley Green and Parente located in Albany, New York.

Respondent Franklin L. Grey did not enter an appearance in this matter.

CASE INFORMATION

Statement of Claim filed on August 26, 1996.

Claimant's Submission Agreement was signed on July 22, 1996.

Claimant's Response to Respondent A.G. Edwards & Sons, Inc.'s Motion for Summary Judgment dated March 10, 1997.

Claimant's Response to Respondent First Albany Corporation's Motion to Dismiss dated March 10, 1997.

A Statement of Answer was filed by Respondent A.G. Edwards & Sons, Inc. on October 9, 1996.

Respondent A.G. Edwards & Sons, Inc.'s Motion for Summary Judgment dated March 4, 1997.

Respondent A.G. Edwards & Sons, Inc. did not file a Submission Agreement as required by Rule 10314(b) of the Code of Arbitration Procedure.

Respondent, Franklin L. Grey, ("Grey") did not file a Statement of Answer.

Respondent Grey did not file a Submission Agreement as required by Rule 10314(b) of the Code of Arbitration Procedure.

HEARING INFORMATION

Hearing dates/sessions: March 25, 1997 - One Session

The hearings were held at the Marriott at Albany, New York.

CASE SUMMARY

Claimant alleged that she was a widow and in November 1981 when she established an investment account with the Respondent Grey, a registered representative with First Albany Corporation (FAC), a brokerage house. Claimant further alleged that, in April of 1990, Grey solicited and received a personal loan from her for \$60,000.00 in return for a promissory note with interest at 13% per annum payable at the end of six years. Claimant also alleged that in 1991 Grey left FAC and started working for A.G. Edwards & Sons, Inc. ("AGES"). Claimant asserted that in November 1991 Grey became continuously late on his payments on the note and in August 1995 Grey defaulted on the note.

Respondent First Albany denied all allegations of wrongdoing asserted against it. Respondent First Albany denied that it is responsible for the actions of Respondent Grey in procuring a personal loan made by claimant to respondent Grey. Respondent First Albany further maintained that the loan to respondent Grey by claimant was not made to respondent Grey in his capacity as an employee, agent or broker of First Albany Corporation.

Respondent A.G. Edwards denied all allegations of wrongdoing asserted against it. Respondent maintained that claimant makes no allegations that Grey nor anyone else at A.G. Edwards mishandled claimant's account. Respondent A.G. Edwards further maintained that the only connection between the loan and A.G. Edwards was a letter from Grey on A.G. Edwards stationery, which Grey wrote assuring claimant that he would pay off the balance of the loan in 1995.

Respondent Franklin L. Grey did not enter an appearance in this matter.

RELIEF REQUESTED

Claimant requested damages based on the unpaid balance of the promissory note.

Respondent First Albany requested that the claim be dismissed in its entirety.

Respondent A.G. Edwards requests that the Statement of Claim be dismissed in its entirety.

OTHER ISSUES CONSIDERED AND 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.

Claimant's claims against A.G. Edwards & Sons, Inc. and First Albany Corporation were settled prior to the hearing in this matter.

The arbitrators made the following rulings concerning respondent Franklin L. Grey who failed to submit a Submission Agreement and did not appear at the hearing session conducted in this matter:

1. Pursuant to rule 10101 of the Code of Arbitration Procedure (the "Code"), the panel found subject matter jurisdiction over the entire controversy.
2. The panel found that Franklin L. Grey was an associated person of a member of the NASD Regulation, Inc. at the time the controversy arose and therefore, the panel found personal jurisdiction over Franklin L. Grey pursuant to Rule 10301 of the Code.
3. In view of (1) and (2) above, the panel found that Franklin L. Grey was required to file with the NASD a properly executed Submission Agreement and Statement of Answer pursuant to Rule 10314(b) of the Code.
4. In accordance with Rules 10310, 10315 and 10318 of the Code, the panel found that the NASD Regulation, Inc. provided Franklin L. Grey with due notice of the hearing conducted in this matter by regular and certified mail. The panel determined to proceed with the hearing without respondent Franklin L. Grey, whose absence was unexcused.

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. Respondent Franklin L. Grey be and hereby is liable and shall pay to the Claimant Elizabeth D. Karl \$65,850.00 with interest thereon in the amount of 9% per annum from April 4, 1996.
2. All other requests for relief are denied.

FORUM FEES

Pursuant to Rule 10332 of the Code of Arbitration Procedure, the arbitrators have determined that NASD Regulation, Inc. shall retain the \$150.00 non-refundable filing fee previously deposited by the Claimant and have assessed the following forum fees:

1 Hearing Sessions x \$500 = \$500.00

Claimant, Elizabeth D. Karl, is hereby liable and shall pay to NASD Regulation Inc. \$250.00 representing one-half of the total amount of forum fees assessed. Claimant previously deposited \$500.00 dollars to NASD Regulation, Inc. Therefore, Claimant owes nothing by way of forum fees.

Respondent, Franklin L. Grey is liable for \$250.00 representing one-half of the forum fees assessed. Therefore, Respondent, Franklin L. Grey, shall pay to NASD Regulation, Inc. the sum of \$250.00 representing one-half of the total amount of forum fees assessed and shall reimburse the Claimant, Elizabeth D. Karl, \$250.00.

Fees are payable to NASD Regulation, Inc.

ARBITRATORS' SIGNATURES

I, Lorraine I. Remo, Esq., do hereby affirm, pursuant to article 7507 of the Civil Practice Law and Rules, that I am the individual described herein, and who executed this instrument which is my award.

Lorraine I. Remo
Lorraine I. Remo, Esq.

I, Robert L. Spangler, do hereby affirm, pursuant to article 7507 of the Civil Practice Law and Rules, that I am the individual described herein, and who executed this instrument which is my award.

Robert L. Spangler

I, Malcolm P. Maples, do hereby affirm, pursuant to article 7507 of the Civil Practice Law and Rules, that I am the individual described herein, and who executed this instrument which is my award.

Malcolm P. Maples

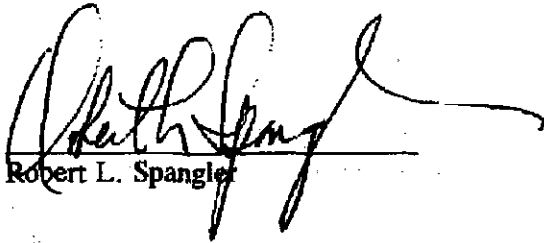
Date of Decision: June 10, 1997

ARBITRATORS' SIGNATURES

I, Lorraine I. Remo, Esq., do hereby affirm, pursuant to article 7507 of the Civil Practice Law and Rules, that I am the individual described herein, and who executed this instrument which is my award.

Lorraine I. Remo, Esq.

I, Robert L. Spangler, do hereby affirm, pursuant to article 7507 of the Civil Practice Law and Rules, that I am the individual described herein, and who executed this instrument which is my award.



Robert L. Spangler

I, Malcolm P. Maples, do hereby affirm, pursuant to article 7507 of the Civil Practice Law and Rules, that I am the individual described herein, and who executed this instrument which is my award.

Malcolm P. Maples

Date of Decision: June 10, 1997