

STIPULATED AWARD
NASD REGULATION, INC.

In the matter of the Arbitration Between

Name of Claimant(s)

Peter Bann

v.

Arbitration No.

96-04601

Name of Respondent(s)

First Associated Securities Group, Inc.

Carl Martellaro

First Securities USA, Inc.

Jay Dugan

Larry Miller

REPRESENTATION

For Claimant: Scott Bernstein, Esq.
Sacramento, California

For Respondent: Patrick Baldwin, Esq.
Menlo Park, California

CASE INFORMATION

Statement of Claim filed: October 14, 1996

Claimant's Submission Agreement signed: October 10, 1996

Joint Statement of Answer filed: April 29, 1997

Respondents' Submission Agreements signed: None Submitted

HEARING INFORMATION

Pre-hearing telephone conferences were held as follows:

September 23, 1997	-	1 session
September 26, 1997	-	1 session
May 11, 1998	-	1 session

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

April 27, 1998	-	1 session
April 28, 1998	-	2 sessions

CASE SUMMARY

Claimant alleged fraud, negligence, breach of contract, breach of fiduciary duty and rescission with respect to his investment at Respondent's recommendation, in the notes of Towers Financial Corporation.

Respondents denied all allegations of the claim and stated that all claims asserted should be dismissed pursuant to the applicable statutes of limitations. Respondents further stated that any damages suffered by Claimant were caused by the fraud of executives of Towers Financial Corporation. Respondents stated that before Claimant purchased the Towers notes, they conducted extensive due diligence on the notes, and that the notes were suitable for Claimant.

RELIEF REQUESTED

Claimant requested damages of approximately \$500,000.00, plus interest, punitive damages, costs of arbitration and attorney's fees.

Respondents requested dismissal of all claims.

OTHER ISSUES CONSIDERED AND DECIDED

After the first set of hearings in April, 1998, but before the hearings were to resume in July, 1998, the parties agreed to suspend the hearings.

Claimant and Respondent First Associated Securities Group, Inc., reached a settlement of their dispute.

Claimant and other Respondents have entered into a Stipulation which is attached as Exhibit A and made part of this Stipulated Award.

AWARD

The undersigned arbitrators, being duly appointed by the NASDR to decide this matter, have made the following determinations:

1. The matter having been settled between the Claimant and stipulating Respondents, this case is dismissed, with prejudice, against Carl Martellaro, Larry Miller, Jay Dugan and First Securities USA.
2. The NASD shall expunge from its Central Registration Depository (CRD) records maintained for stipulating Respondents Carl Martellaro, Larry Miller, Jay Dugan and First Securities USA, all references to this claim.

FORUM FEES

Pursuant to Section 10332 of the Code of Arbitration Procedure, the NASDR shall retain Claimants' \$200.00 non-refundable filing fee.

Forum fees are assessed as follows:

Total fees:

3 pre-hearing conference calls @ \$300/session	\$ 900.00
3 hearing sessions @ \$750/session	<u>\$ 2,250.00</u>
	<u>\$ 3,150.00</u>
Claimant's one-half share	\$ 1,575.00
Credit for deposit	<u>(\$ 750.00)</u>
Balance Due:	<u>\$ 825.00</u>
Respondents' joint and several one-half share	<u>\$ 1,575.00</u>
First Associated Securities Group's member surcharge outstanding	<u>\$ 350.00</u>

First Securities USA's member surcharge
outstanding

\$ 350.00

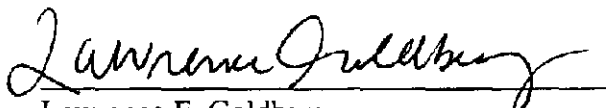
Fees are payable to the National Association of Securities Dealers Regulation, Inc.

Concurring Arbitrators Signatures:

Public/Industry

James L. Gault
Presiding Chairperson

Public



Lawrence E. Goldberg

Public

Marlyn McClaskey

Industry

Date Served:

JAN 15 1999

First Securities USA's member surcharge
outstanding

\$ 350.00

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Date Served:

JAN 15 1999

BEFORE THE NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

PETER BANN,

Case No. 96-04601

Claimant,

v.

**STIPULATION AND
PROPOSED STIPULATED
AWARD**

**FIRST ASSOCIATED SECURITIES
GROUP, INC., CARL MARTELLARO,
FIRST SECURITIES, USA, INC., JAY
DUGAN, and LARRY MILLER,**

Respondents.

I. STIPULATION

Respondents CARL MARTELLARO, LARRY MILLER, FIRST SECURITIES, USA, INC. ("FSUSA"), and JAY DUGAN (referred to collectively as "Stipulating Respondents"), on the one hand, and Claimant Peter Bann ("Claimant"), on the other hand, by and through their respective counsel, hereby enter into this Stipulation regarding the arbitration filed by Claimant against Stipulating Respondents and others before the National Association of Securities Dealers, Inc. ("NASD"), captioned Bann v. First Associated Securities Group, et. al. -- NASD Arbitration Number 96-04601 (the "Arbitration").

A. Recitals


1. Claimant filed a statement of claim with the NASD dated October 14, 1996, commencing the Arbitration against the Stipulating Respondents and others. The Stipulating Respondents, and each of them, denied any liability to Claimants. Certain Stipulating Respondents denied the jurisdiction of the NASD over them in this matter.

2. On or about June 30, 1998, the Claimant and the Stipulating Respondents entered into a formal written agreement consisting of a "Settlement and Release Agreement" and an "Installment Note" (referred to collectively as the "Settlement Agreement") settling the Arbitration as between the Claimant and all Respondents. The Settlement Agreement provided for a Stipulation and Proposed Stipulated Award since (1) all Stipulating Respondents denied liability, and (2) Stipulating Respondent Carl Martellaro became a co-obligor for the payments required by the Settlement Agreement as a result of Claimant's demand for security for payments by First Associated Securities Group, Inc., on the Installment Note. All funds paid to Claimants to fund the initial settlement payment were paid by First Associated Securities Group, Inc., and not by Stipulating Respondents. All funds to be paid on the Installment Notes will be paid by First Associated Securities Group, Inc., or, in the event of its default on any Installment Note payment, by Respondent Carl Martellaro individually. Nothing in this Stipulation, however, shall be construed at any time to change the status of Carl Martellaro as a co-obligor on that Installment Note and nothing herein shall be construed to limit the liability of Carl Martellaro to that of a mere guarantor or surety on that Note.


B. Stipulation

Pursuant to the Settlement Agreement, Claimant and the Stipulating Respondents have agreed to submit to the arbitration panel the following Proposed Stipulated Award for the panel's consideration.

So stipulated:


Scot D. Bernstein
Counsel for Claimant

Date: August 4, 1998


Patrick Baldwin
Counsel for Stipulating Respondents
and First Associated Securities Group,
Inc.

Date: 8/14/98