

OFFICE OF DISPUTE RESOLUTION

In the Matter of the Arbitration Between

Name of Claimant

Patsy M. Lloyd

96-04788

Name of Respondents

George E. Brooks
George E. Brooks & Associates
Morehead Investment Advisors, Inc.

REPRESENTATION

For Claimant Patsy M. Lloyd, ("claimant") appeared J. Mitchell Aberman, Esq., James, McElroy & Diehl, Charlotte, N.C.

Respondents George E. Brooks ("Brooks"), George E. Brooks & Associates and Morehead Investment Advisors, Inc. ("Morehead"), (collectively "respondents") appeared pro se.

CASE INFORMATION

Statement of Claim filed: October 29, 1996.

Claimant's Submission Agreement signed on: September 24, 1996.

Joint Statement of Answer filed by Respondents Brooks, George E. Brooks & Associates and Morehead on: April 29, 1997.

Respondents Brooks, George E. Brooks & Associates and Morehead's Submission Agreements signed on: April 28, 1997.

HEARING INFORMATION

Hearing Dates/Sessions: May 7, 1997/ Two Sessions

Hearing Location: Sheraton Hotel, Charlotte, N.C.

CASE SUMMARY

Claimant alleged breach of contract, breach of duty, fraud and violation of state and federal securities laws by respondents. Claimant alleged that she transferred \$11,528.83 of her retirement funds to respondents in response to solicitations and representations of respondents that the funds would be safely and successfully handled. Claimant further alleged that she subsequently deposited an additional \$104,153.53 of her retirement funds with respondents. Claimant asserted that respondents, despite

claimant's express desire to have her funds invested conservatively, invested the retirement account almost entirely in a small number of volatile stocks, primarily Mid-Atlantic Medical Services ("Mid-Atlantic") and Integrated Device Technology ("Integrated"). Claimant further asserted that her husband met with Brooks and made it clear that claimant did not want her retirement funds invested in stocks at all. Claimant alleged that respondents were instructed to sell all the stocks in her account immediately.

Claimant also alleged that respondents failed to follow her instructions to sell all her stock and after repeated instruction, sold only her shares of Mid-Atlantic. Claimant alleged that respondents only sold her shares of Integrated after repeated instructions to do so. Claimant alleged that, as a result of respondents failure to follow her instructions, she lost at least \$27,285.55 due to the decrease in value of the Integrated stock. In addition, claimant asserted that she lost \$3,528.00 with regard to the Integrated stock due to respondents' reckless investment of almost all her funds in that one speculative stock.

Respondents maintained that they, at all times, acted with integrity and good faith to meet the objectives, goals and wishes of claimant as outlined by claimant's husband. Respondents denied that there was ever a communication made to them by claimant's husband that claimant's retirement funds were to be conservatively invested. Respondents maintained that Brooks sold the shares of Mid-Atlantic based on the discretionary authority he maintained over claimant's account and his judgment that it was timely to sell. Respondents denied that they ever received instructions from claimant or her husband to sell the shares of Integrated. Respondents maintained that Brooks was obligated to evaluate the market and the risks and make prudent decisions with regard to claimant's account because he retained sole discretionary authority over claimant's account. Respondents maintained that claimant received all statements, confirmations and individual account summaries and that there was no basis for suggesting that the retirement account was handled in other than an appropriate manner. Respondents further contended that all inquiries and instructions were followed explicitly. Respondents maintained that the decision to invest claimant's funds almost totally in one stock was based on a style of investing that had made claimant and her husband a significant amount of money in their joint account and was also consistent with claimant and her husband's goal of obtaining a better return on their investments. Respondents alleged that there were no instructions from claimant suggesting any action other than that taken by Brooks.

RELIEF REQUESTED

Claimant requested actual damages in the amount of \$30,000 plus interest; punitive damages in an amount to be ascertained at the hearing; costs and attorney's fees; the appointment of a Receiver for respondents; referral of the conduct of respondents to the Securities and Exchange Commission; and such other relief as deemed appropriate.

Respondents requested dismissal of the Statement of Claim in its entirety.

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 NASD Regulation, Inc.

AWARD

After considering the pleadings, the testimony and the evidence presented at the hearing and post hearing submissions, the undersigned arbitrators have decided in full and final resolution of the issues submitted for determination as follows:

1. The panel finds that respondents failed to timely execute a trade order submitted by claimant; therefore, Respondents George E. Brooks, Morehead Investment Advisors, Inc. and George E. Brooks & Associates be and hereby are jointly and severally liable and shall pay to claimant the sum of \$27,000 in compensatory damages together with post judgment interest from May 20, 1997 until the date of payment at the legal rate.
2. All other requests for relief are denied.
3. Each party is to bear their own costs and fees.

FORUM FEES

Pursuant to Rule 10332 of the Code of Arbitration Procedure, the arbitrators have determined that NASD Regulation, Inc. shall retain the \$120.00 non-refundable filing fee and have assessed the following Forum

Fees: 2 sessions X \$400 = \$800.00 minus hearing session deposit of \$400.00 = net \$400.00 due. Claimant be and hereby is liable for \$400.00 representing one half of the forum fees assessed. Claimant previously deposited \$400.00 with NASD Regulation, Inc. and owes nothing.

Respondents be and hereby are jointly and severally liable for the sum of \$400.00 representing one half of the forum fees assessed. Respondent owes NASD Regulation, Inc. the sum of \$400.00.

Fees are payable to NASD Regulation, Inc.

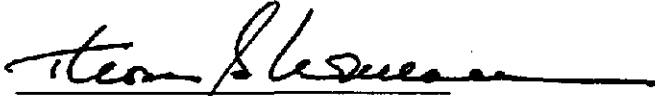
Concurring Arbitrators' Signatures

Name



Thomas S. Wallace, Esq.

I, Thomas S. Wallace, 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.



Thomas S. Wallace, Esq.

Date of decision: June 17, 1997

Concurring Arbitrators' Signatures

Name

R. Corson Rose

R. Corson Rose, Esq.

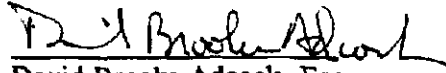
I, R. Corson Rose, do hereby affirm, pursuant to Article 7507 of the Civil Practice Law and Rules, that I am the individual described herein, and who executed this instrument which is my award.

R. Corson Rose

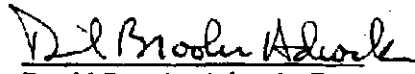
R. Corson Rose, Esq.

Date of decision: June 17, 1997

Concurring Arbitrators' Signatures
Name


David Brooks Adcock, Esq.

I, David Brooks Adcock, 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.


David Brooks Adcock, Esq.

Date of decision: June 17, 1997