

# Client wins first round against brokerage

The arbitration panel that heard the first of about 75 cases against the Augusta office of the brokerage firm **A.G. Edwards & Sons Inc.** has awarded the former client in the case nearly \$1 million.



Wendell A. Gresham, a factory worker at **The Procter & Gamble Co.** (NYSE: PG), was awarded \$950,000 July 9 by a panel of three arbiters appointed by the **New York Stock Exchange Inc.** Some \$400,000 of the award was punitive, a rare finding for a securities arbitration panel.

The panel found fraud and breach of fiduciary duty against A.G. Edwards

and Gresham's former brokers, William Gibbs and Susan Saccone. Gibbs has since retired on disability; Saccone remains in the Augusta office of A.G. Edwards.

The attorney representing the brokerage, Peter J. Anderson, a partner at **Sutherland Asbill & Brennan LLP** in Atlanta, referred phone calls to A.G. Edwards' public relations office in St. Louis. "We strongly disagree with the panel's decision and are evaluating our options," said Margaret Welch, a spokeswoman.

Gresham was represented by attorneys Edward Dovin, Sandra Malkin and

any other equities besides the company stock he was given, said Brian Smiley, a partner at Gard Smiley. Gresham had a portfolio of about \$1.4 million, in large part due to appreciation of P&G's stock price.

Then Gresham attended seminars put on by Gibbs about an investment practice known as the "Dogs of the Dow." The seminars showed returns in excess of 20 percent were being brought in using the theory, which is a stock-picking strategy devoted to selecting high-dividend stocks.

Gresham had his entire plan transferred to A.G. Edwards.

The problem, Gresham's attorneys said, was Gibbs neither followed Dogs of the Dow nor diversified the portfolio. Instead, he put them largely into technology stocks, which ultimately had very poor results.

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Meredith Jordan

Brian Smiley of **Gard Smiley Bishop & Dovin LLP** in Atlanta.

In addition to the punitive award, the panel awarded Gresham the following: \$284,908 in damages to replace the \$260,000 he lost, plus interest, attorneys' fees of \$239,718 and \$25,000 in costs accrued in the case.

The punitive award is what sets this particular ruling apart. Punitive awards are found in less than 5 percent of all arbitration cases, said Richard Ryder, editor of Securities Arbitration Commentator, a newsletter based in Maplewood, N.J. "They are more common today than they used to be but certainly very rare."

Gresham, who worked at P&G for more than 30 years, was an unsophisticated investor and hadn't invested in

"It's fair to discern that [the arbiters] were upset not just by the treatment of our client, but at the seeming lack of remorse of the brokerage," said Ed Dovin, who also is a partner at Gard Smiley.

The next case is scheduled to begin in August.