

## A Rare Win for Wounded Investors

A.G. Edwards is settling with a group of P&G retirees featured in a BW report

**F**OR MANY INVESTORS WHO lost their shirts after the tech bubble burst in 2000, the past few years have been spent in a special kind of hell called arbitration. Last year, *BusinessWeek* chronicled the plight of one group seeking justice: the roughly 90 former workers at a Procter & Gamble Co. detergent factory in Augusta, Ga. (BW—Feb. 24, 2003). They said they were lured into the stock market by William F. Gibbs Sr., a charismatic broker who was the local branch manager for A.G. Edwards & Sons Inc.

Gibbs's pitch was simple, but seductive: If the workers—most of them in their late 50s or 60s—quit their jobs and handed him control of their generous P&G-funded retirement accounts, he would earn them 20% annual returns by investing in undervalued blue-chip stocks. But after Gibbs shifted into risky tech and Internet stocks a few months before the bust, many workers lost big chunks of their life savings. Initially, Edwards pointed to the big drop in the market and said Gibbs's clients understood the risks they were taking.

Now the saga is drawing to a surprising close. Since January, St. Louis-based Edwards has agreed to settle with more than 100 of Gibbs's former clients, including dozens of ex-P&G workers, and so far has paid out more than \$23 million. The payments roughly match what the workers lost but don't cover foregone pay or the 35% contingency fees they owe their lawyers. Also, Edwards is negotiating a separate settlement with Georgia Secretary of State Cathy Cox in which the firm, without admitting any guilt, will pay a \$500,000 fine and open its broker-training and compliance programs to outside review for as long as two years.

The move toward a broad settlement started in July when arbitrators hearing the first P&G case handed down a ruling that hit Edwards hard and got Cox's attention. The panel awarded \$950,000 to Wendell A. Gresham, compensating him not only for \$265,000 in stock losses but also giving him \$240,000 for legal fees and \$400,000 in punitive damages. Cox urged Edwards to settle the other cases. But frustrated by what she saw as the firm's foot-dragging, Cox says she warned Edwards last fall that she would "use all our guns"—including the right to revoke its license in Georgia—if the firm didn't quickly resolve all the claims. "That was huge," says Edward J. Dovin, an Atlanta attorney who represented many of Gibbs's ex-clients.

An Edwards spokeswoman says the firm felt "it [was] important that we resolve these matters," and notes that the problems "were isolated to one branch and a limited number of financial consultants." Through his wife, Gibbs, who retired in January, 2002, for health reasons, declined to comment.

The former Procter & Gamble workers say the payments have helped them put their lives back together. "It's given me the peace of mind that I'll have enough for the rest of my retirement," says Mattie Luchey, 68. All the same, many former workers still feel cheated that they never got a chance to go to arbitration—and potentially recover legal fees and punitive damages as Gresham did.







But the law firm defending Edwards had taken a go-slow approach, agreeing to handle only 11 cases a year. For some, that would have meant waits of as many as eight years—a prospect that left a settlement as the only practical option. "It seems the system protects the [brokerage firms], the lawyers, and the arbitrators," complains Ronnie Robinson, one of Gibbs's former clients. "Edwards should have paid my lawyers' fees." Maybe so, but at least Robinson won't have to spend his golden years going to arbitration hearings. ■

—By Dean Foust in Atlanta



### Making Them Whole

Last year *BusinessWeek* reported on the plight of former Procter & Gamble workers who lost retirement savings in accounts managed by an A.G. Edwards broker in Augusta, Ga. (Feb. 24, 2003). Now, the firm has settled many of the cases. Here's how six of the workers fared:

	<b>BENNIE HOLMES</b> TRADING LOSSES \$300,000 SETTLEMENT \$253,455		<b>RONNIE ROBINSON</b> TRADING LOSSES \$202,247 SETTLEMENT \$215,872
	<b>MATTIE LUCHEY</b> TRADING LOSSES \$600,000* SETTLEMENT \$357,247		<b>TERRY SHELL</b> TRADING LOSSES \$1,000,000* SETTLEMENT \$686,758
	<b>ANDREW GREEN</b> TRADING LOSSES \$600,000 SETTLEMENT \$752,584		<b>WILBUR OWENS</b> TRADING LOSSES \$298,000 SETTLEMENT \$290,188

\*Figure includes claim for lost wages and other items  
Data: Georgia Secretary of State, Gard Smiley Bishop & Dovin, LLP