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By K. P. ...

WORLD

CITY CALENDAR

April

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- Today's Events
- Full Calendar

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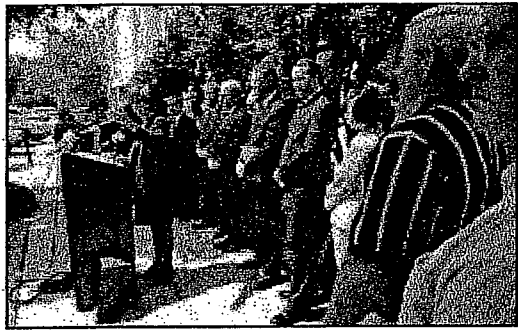
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WHAT'S NEW

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Georgia Secretary of State Cathy Cox speaks during a news conference on behalf of Augusta Procter and Gamble employees who were victims of investor fraud by A.G. Edwards & Sons Inc. in front of the municipal building on Monday. Andrew Davis Tucker/Staff

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A.G. Edwards to pay

Brokerage firm ordered to reimburse \$700,000

Web posted Monday, April 19, 2004
By Vicky Eckenrode | Columbia County Bureau

Brokerage firm A.G. Edwards & Sons Inc. will pay the state \$700,000 in penalties and expenses and open its operations to outside review now that 123 area investors have settled their claims against the firm's Augusta branch.

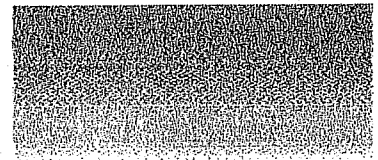
Georgia Secretary of State Cathy Cox on Monday announced the consent order, which outlined reports of financial mishandling by the branch's former manager William Gibbs Sr. and his sales assistant Susan Saccone.

The 119 settlements totaled more than \$27 million, the largest in the state's history of securities enforcement. Three other investors settled with the firm before the state became involved, and one Harlem man received nearly \$950,000 from a New York Stock Exchange arbitration hearing.

"This group of investors ... were trying to do the smart thing with their money," Ms. Cox said while surrounded by 20 of the investors during a news conference in Augusta. "They went to a legitimate, nationally recognized brokerage firm."

Ms. Cox's office has ordered A.G. Edwards to pay the office \$200,000 to reimburse investigative costs and \$500,000 in civil penalties, the largest amount allowed under state law.

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The brokerage firm also must allow an independent consultant to review recruitment, hiring, training, supervision and sales policies in A.G. Edwards' 23 Georgia branches and implement the recommendations.

Gwen Brown, who lost half the \$980,000 she and her husband took to Mr. Gibbs, said the couple thought they were investing in a conservative program.

"We were devastated when this happened and afraid that we weren't going to get anything done," she said.

Ms. Cox said her office is still looking into disciplinary actions against Mr. Gibbs and Ms. Saccone, which could include revoking their brokerage licenses or levying fines against them. Mr. Gibbs retired in 2002, and Ms. Saccone no longer works at the Augusta branch.

She also said that now that her office has finished its investigation, it will forward the information to Augusta prosecutors who can decide whether they want to pursue criminal charges against the two.

According to the consent order, Mr. Gibbs in 1996 or 1997 began holding seminars in the area about the Dow Theory.

The brokers promised returns of at least 20 percent by investing according to the strategy, based on buying specific blue-chip stocks.

A number of claimants were employees of area manufacturing plants who had amassed large amounts of company stock options. According to the order, the workers were encouraged to retire early, and Mr. Gibbs liquidated their portfolios, which for some reached \$1 million or more.

Mr. Gibbs and Ms. Saccone deviated from the Dow Theory with their accounts and in early 2000 sank about \$8 million of more than 70 clients' money in a technology stock for Citrix, the order says.

It states that the two later sold off the stock and made a sweeping order in another technology stock for the company PSINet, which eventually filed for bankruptcy.

"And yet, the investing approach of Gibbs and Saccone became progressively more speculative, including options trading and other risky transactions," Ms. Cox said.

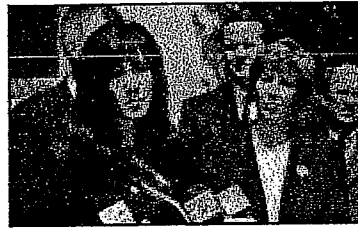
Not telling customers about the PSINet trade until afterward, making a block order without regard to individual portfolios and investing "conservative/growth" older investors in risky technology stocks violated a number of security regulations, the order stated.

Ed Dovin, an Atlanta attorney who represented many of the claimants, said involvement from the Secretary of State's Office was instrumental in getting A.G. Edwards to pay the settlements.

Reach Vicky Eckenrode at (706) 868-1222, ext. 115, or vicky.eckenrode@augustachronicle.com.

-From the Tuesday, April 20, 2004 printed edition of the Augusta Chronicle

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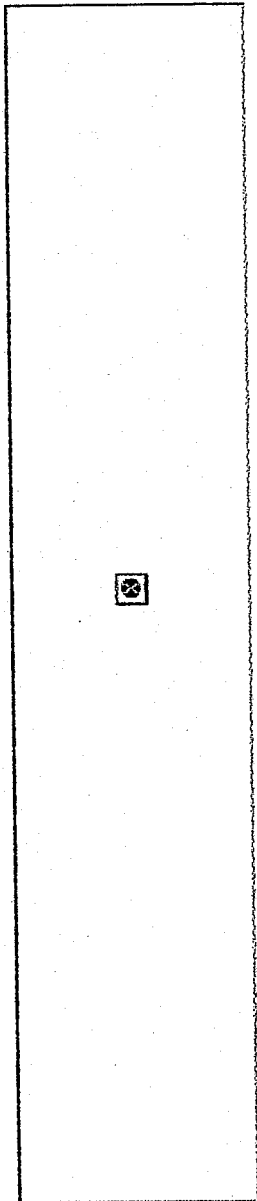
Procter and Gamble employee Gwen Brown (left), of Augusta, describes at the news conference how she was a victim of investor fraud by the company.
Andrew Davis Tucker/Staff

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