

NASD Dispute Resolution, Inc.

In the Matter of the Arbitration Between

Name of Claimant

Stephen B. Sawtelle

Case No. 97-03642
(Master Case - Consolidated
for hearing with 99-05327)

Name of Respondents

Waddell & Reed, Inc.
Estate of Larry Anderson
Steven Anderson
Edward Blonski
Robert Gjerlow
Robert Lee Hechler
Andrew Kahn
Paula Levy
Richard Moro
Janet Dember Nichols
Dennis Charles Ritchie
David J. Ross
Scott Lee Uzzel
Robert James Williams
Robert John Worrell

In the Matter of the Arbitration Between

Name of Claimant

Waddell & Reed, Inc.

Case 99-5327
(Subordinate case
consolidated with
99-03642)

Name of Respondent
Hackett Associates, Inc.

Hearing Site: New York, New York

REPRESENTATION OF PARTIES

Claimant, Stephen B. Sawtelle ("Claimant"): Jeffrey L. Liddle, Esq. and Michael E. Grenert, Esq. of the law firm of Liddle & Robinson, L.L.P., New York, NY.

Respondents, Waddell & Reed, Inc. ("Waddell & Reed"), Estate of Larry Anderson, Steven Anderson, Edward Blonski, Robert Gjerlow, Robert Lee Hechler, Andrew Kahn, Paula Levy, Richard Moro, Janet Dember Nichols, Dennis Charles Ritchie, David J. Ross, Scott Lee Uzzel, Robert James Williams, and Robert John Worrell, hereinafter collectively referred to as "Respondents": Theodore Sonde, Esq., Jennifer E. Coon, Esq., Dennis J. Lawson, Esq., and Jay Messenger, Esq., Dechert Price & Rhoads, Washington, DC.

Also appearing on behalf of Respondents was Hugh F. Keefe, Esq., Lynch, Traub, Keefe and Errante, P.C., New Haven, CT.

In April 2000, Respondents' counsel notified NASD Dispute Resolution, Inc. ("NASD-DR") that the Estate of Larry Anderson should be substituted in as a party for Larry Anderson and that Respondents' counsel would continue as counsel for the Estate of Larry Anderson ("L. Anderson").

In case 99-05327, Respondent Hackett Associates, Inc. ("Hackett") was represented by Thomas J. Kavalier, Esq., Cahill Gordon & Reindel, New York, New York.

CASE INFORMATION

Pleadings filed in Case 97-03642:

Claimant signed his Uniform Submission Agreement on: September 18, 1997
Statement of Claim filed on or about: July 22, 1997
Amended Statement of Claim was filed on or about: September 5, 1997
Claimant's reply to Waddell & Reed's Answer and Counterclaim was filed on or about: December 2, 1997.

Waddell & Reed signed the Uniform Submission Agreement: October 21, 1997
Larry Anderson signed his Uniform Submission Agreement on: October 22, 1997
Steven Anderson ("S. Anderson") signed his Uniform Submission Agreement on: October 22, 1997
Edward Blonski ("Blonski") signed his Uniform Submission Agreement on: October 22, 1997
Robert Gjerlow ("Gjerlow") signed his Uniform Submission Agreement on: October 22, 1997
Robert Lee Hechler ("Hechler") signed his Uniform Submission Agreement on: October 21, 1997
Andrew Kahn ("Kahn") signed his Uniform Submission Agreement on: October 22, 1997

Paula Levy ("Levy") signed her Uniform Submission Agreement on: October 22, 1997
Richard Moro ("Moro") signed his Uniform Submission Agreement on: October 17, 1997
Janet Dember Nichols ("Nichols") signed her Uniform Submission Agreement on: October 23, 1997
Dennis Charles Ritchie ("Ritchie") signed his Uniform Submission Agreement on: October 22, 1997
David J. Ross ("Ross") signed his Uniform Submission Agreement on: October 22, 1997
Scott Lee Uzzel ("Uzzel") signed his Uniform Submission Agreement on: October 22, 1997
Robert James Williams ("Williams") signed his Uniform Submission Agreement on: October 24, 1997
Robert John Worrell ("Worrell") signed his Uniform Submission Agreement on: October 23, 1997
Statement of Answer by Respondents and Counterclaim of Waddell & Reed filed on or about: October 27, 1997

Pleadings filed in Case 99-05327:

Claimant Waddell & Reed signed the Uniform Submission Agreement: November 23, 1999
Statement of Claim filed on or about: November 24, 1999

Statement of Answer and Motion to Dismiss filed by Hackett on or about: February 7, 2000.
Respondent Hackett did not file a uniform submission agreement.

CASE SUMMARY

Case Number 97-03642

Claimant asserted the following causes of action: tortious interference with business expectancy and violation of the Connecticut Unfair Trade Practices Act ("CUTPA"). Claimant alleged that the causes of action relate to Respondents Waddell & Reed, L. Anderson, S. Anderson, Blonski, Gjerlow, Hechler, Kahn, Levy, Moro, Nichols, Ritchie, Ross, Uzzel, Williams, and Worrell improper interference with Claimant's business as a securities broker after he was terminated by Waddell & Reed.

Unless specifically admitted in its Answer, Respondents Waddell & Reed, L. Anderson, S. Anderson, Blonski, Gjerlow, Hechler, Kahn, Levy, Moro, Nichols, Ritchie, Ross, Uzzel, Williams, and Worrell denied all allegations of wrongdoing asserted in the Statement of Claim and asserted the following defenses: as a matter of law, Claimant cannot recover for tortious interference with business expectancy because the customers at issue were customers of Waddell & Reed and not Claimant; during most of the time period relevant to his claims, Claimant was transacting business on behalf of his current brokerage firm from an office which was not properly registered with the Connecticut Department of Banking, and, thus Claimant cannot claim damages for lost business allegedly sustained during this period; and, Claimant's claim under CUTPA must fail because Claimant has not identified any injury for which he may recover

from Respondents.

Respondent Waddell & Reed asserted a counterclaim that alleged the following causes of action: Claimant is liable to Waddell & Reed to the extent that it has incurred and in the future will incur damages as a result of Claimant's improper and possible illegal activities while a registered representative of Waddell & Reed; and, that Waddell & Reed has suffered damages as a result of Claimant's negligence and failure, in breach of his division manager's agreement with Waddell & Reed, to monitor and supervise the activities of David Stevenson while Claimant was Stevenson's division manager.

Claimant in his answer to the counterclaim denied all allegations of wrongdoing.

Case Number 99-05327

Waddell & Reed asserted the following causes of action: violations of CUTPA, tortious interference with business relations, and defamation. Waddell & Reed's claim is based on the doctrines of respondeat superior, agency and apparent authority for alleged wrongdoing by Stephen B. Sawtelle ("Sawtelle"). Sawtelle is Claimant in case number 97-03642.

Hackett denied all allegations of wrongdoing asserted by Waddell & Reed and asserted the following affirmative defenses: Waddell & Reed's claims against Hackett are part of its efforts to harass Sawtelle; Hackett is not liable for the alleged torts of Sawtelle based on respondeat superior or agency because he is an independent contractor; Hackett is not liable for the alleged torts of Sawtelle based on his alleged apparent authority to act for Hackett; Hackett had no knowledge of the events underlying Waddell & Reed's claims; and, Waddell & Reed has suffered no damages.

RELIEF REQUESTED

Case Number 97-03642

Claimant, in his statement of claim, sought damages based on Respondents' alleged tortious interference with Claimant's business expectancy and violations of CUTPA. In his statement of claim, Claimant requested the following damages:

Compensatory Damages	amount unspecified
Punitive Damages	amount unspecified
Interest	amount unspecified
Attorneys' Fees	amount unspecified
Costs	amount unspecified

Respondents, in their answer, requested that Claimant's claim be dismissed in its entirety and requested an Award on Waddell & Reed's counterclaim requesting that Claimant be directed

to reimburse Waddell & Reed by way of contribution and/or indemnification for the losses resulting from Claimant's negligence and breach of contract in an amount to be determined at the hearing.

Case Number 99-05327

Waddell & Reed, in its Statement of Claim, sought damages against Hackett based on Sawtelle's violation of CUTPA and for his liability to Waddell & Reed for its lost business and harm to reputation and also for Sawtelle's libel and slander and Hackett's liability therefore. Waddell & Reed's damages are as follows:

Compensatory Damages	amount unspecified
Punitive Damages	amount unspecified
Interest	amount unspecified
Attorneys' Fees	amount unspecified
Costs	amount unspecified

Hackett, in its Answer and Motion to Dismiss, requested that Waddell & Reed's claim be dismissed with prejudice and that Waddell & Reed be required to pay any forum fees incurred by Hackett in defending this action.

OTHER ISSUES CONSIDERED AND DECIDED

Hackett did not file with NASD Dispute Resolution, Inc. a properly executed submission to arbitration but is required to submit to arbitration pursuant to the Code of Arbitration Procedure ("Code") and, having answered the claim, appeared and testified, is bound by the determination of the arbitration panel (Panel) on all issues submitted.

During the hearing in this consolidated action, the Panel considered Respondent Hackett & Associates, Inc.'s Motion to Dismiss Claimant's claims in Case No. 99-05327 and all responses thereto. On September 11, 2000, the parties were notified that the Panel had granted Hackett's motion and all claims against Hackett were dismissed.

During the pendency of Case No. 97-03642, the following motions were made by the parties and all were denied: Summary Judgment by Claimant; Motion to Dismiss Claims filed by Respondents; and, Motion for the Panel to Recuse Itself filed by Respondents.

The parties at the hearing agreed that the Panel may either execute a handwritten copy of the Award or that each arbitrator may execute a counterpart copy of the Award.

AWARD

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

1. That Respondents Waddell & Reed, L. Anderson, S. Anderson, Blonski, Gjerlow, Hechler, Kahn, Levy, Moro, Nichols, Ritchie, Ross, Uzzel, Williams and Worrell are jointly and severally liable to the Claimant and shall pay to the Claimant the sum of \$1,827,499.00; post judgment interest is awarded on this amount from September 4, 2001 until the date the Award is paid at a rate of 8% compound interest per annum.
2. That Respondents Waddell & Reed and Hechler violated Connecticut Unfair Trade Practices Act §§42 - 110a, *et seq.* and are jointly and severally liable to the Claimant for punitive damages in the amount of \$25,000,000.00. The Panel awards punitive damages under CUTPA as it found that Respondents Waddell & Reed and Hechler through agents of Waddell & Reed demonstrated reprehensible conduct that warrants an award of punitive damages. The Panel further found that after Claimant was terminated Respondents orchestrated a campaign of deception which included, among other things, giving the impression to clients that Claimant had mishandled their investments, Claimant was untrustworthy, Claimant was no longer in business, Claimant was not authorized to do business, and Claimant was in some way involved with the embezzling of client funds. The Panel also found that Waddell & Reed, through its agents, re-routed Claimant's mail and his telephone lines, as a result, telephone calls and mail intended for Claimant were received by Waddell & Reed and its agents.
3. That Respondents Waddell & Reed, L. Anderson, S. Anderson, Blonski, Gjerlow, Hechler, Kahn, Levy, Moro, Nichols, Ritchie, Ross, Uzzel, Williams and Worrell are jointly and severally liable to Claimant for attorneys' fees and shall pay to Claimant the sum of \$747,000.00.
4. That Waddell & Reed's counterclaim for damages against Claimant in Case No. 97-03642 is denied in its entirety.
5. As reflected in Other Issues Considered and Decided *supra*, Case No. 99-05327 was dismissed on motion by the Panel prior to the conclusion of this matter.
6. That the Panel hereby orders certain information provided by Waddell & Reed on Claimant's Form U-5 filed on March 4, 1997 and signed by Margie Webber on said date be expunged (Claimant Exhibit 89 was introduced at the hearing and is

attached to this Award as Attachment A). The expungement is ordered based on the defamatory nature of the information in the CRD system, specifically:

- a. Item 12 will be changed to indicate the Reason for Termination as "Voluntary" and not the indicated "Discharged." The notation of "Personality Differences" will be deleted;
 - b. Item 14 will be changed to indicate "No" and the present indication of "Yes" will be deleted;
 - c. Item 15 will be changed to indicate "No" and the present indication of "Yes" will be deleted; and,
 - d. The three Disclosure of Reporting Pages (DRP-5) attached to this Form U-5 will be expunged.
7. That all other costs and fees, except as Fees are addressed specifically below, shall be borne by the respective parties.
8. That any and all requests for relief not specifically addressed herein are denied in their entirety.

FEES

Pursuant to the Code, the following fees are assessed:

Filing Fees

NASD Dispute Resolution, Inc. will retain or collect the non-refundable filing fees for each claim:

Initial claim filing fee	= \$500
Counter claim fee	= \$500

Member Fees

Member fees are assessed to each member firm that is a party in these proceedings or to the member firm that employed the associated persons at the time of the events giving rise to the dispute. In this matter, the member firm is a party

Member surcharge	= \$1,500
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Adjournment Fees

Pursuant to Rule 10332(e) of the Code, the Panel determined that forum fees should be

\$1,000 and not \$600. Nonetheless, in accordance with Rule 10319(b) of the Code, the initial fee for an adjournment by a party is based on the initial deposit of hearing sessions that in this instance is \$600. All subsequent requests or assessments for adjournment by that Party are assessed at the amount of \$1,000.

Adjournments requested during these proceedings:

October 26, 27, and 28, 1998, adjourned by Claimant	= \$ 600
March 29, 30, and 31, 1999, adjourned by Claimant	= \$1,000
January 4, 5, 6, and 7, 2000, adjournment assessed against Respondents, jointly and severally (such fee was paid by Waddell & Reed)	= \$ 600
November 29, 30, and 31, 2000, adjourned by Respondents	= \$1,000
March 28, 29, and 30, 2001, adjourned by Respondents	= \$1,000

Forum Fees and Assessments

The Panel has the authority to assess forum fees for each hearing session conducted. A hearing session is any meeting between the parties and the arbitrator(s), including a pre-hearing conference with the arbitrator(s), that lasts four (4) hours or less. Fees associated with these proceedings are:

One (1) Pre-hearing session with a single arbitrator x \$300	= \$ 300
Pre-hearing conference: February 5, 1999 1 session	
Two (2) Pre-hearing sessions with Panel x \$1,000	= \$ 2,000
Pre-hearing conferences: January 19, 1998 1 session	
March 25, 1999 1 session	
One hundred and eight (108) Hearing sessions x \$1,000	= \$108,000
Hearing Dates:	
January 4, 1999	2 sessions
January 5, 1999	2 sessions
January 6, 1999	2 sessions
January 19, 1999	2 sessions
January 20, 1999	2 sessions
January 21, 1999	2 sessions
February 16, 1999	2 sessions
February 17, 1999	2 sessions
June 24, 1999	2 sessions
June 25, 1999	2 sessions
June 28, 1999	2 sessions
June 29, 1999	2 sessions
June 30, 1999	1 session
July 1, 1999	2 sessions
September 13, 1999	2 sessions

September 14, 1999	2 sessions
September 15, 1999	2 sessions
September 16, 1999	1 session
October 19, 1999	2 sessions
October 20, 1999	2 sessions
October 21, 1999	2 sessions
November 3, 1999	2 sessions
November 4, 1999	2 sessions
December 10, 1999	1 session
January 10, 2000	2 sessions
January 11, 2000	2 sessions
January 12, 2000	2 sessions
March 28, 2000	2 sessions
March 29, 2000	3 sessions
March 30, 2000	2 sessions
August 1, 2000	2 sessions
August 2, 2000	2 sessions
August 3, 2000	2 sessions
September 6, 2000	2 sessions
September 7, 2000	2 sessions
September 8, 2000	2 sessions
October 25, 2000	2 sessions
October 26, 2000	2 sessions
October 27, 2000	2 sessions
November 8, 2000	2 sessions
November 9, 2000	2 sessions
November 10, 2000	2 sessions
November 20, 2000	2 sessions
November 21, 2000	2 sessions
December 12, 2000	2 sessions
December 13, 2000	2 sessions
December 14, 2000	2 sessions
January 26, 2001	2 sessions
January 29, 2001	2 sessions
March 2, 2001	2 sessions
April 10, 2001	2 sessions
April 11, 2001	2 sessions
April 12, 2001	2 sessions
May 10, 2001	2 sessions
May 11, 2001	2 sessions

Total Forum Fees

- \$110,300

The Panel has assessed the forum fees of \$110,300, jointly and severally against Respondents

Waddell & Reed, L. Anderson, S. Anderson, Blonski, Gjerlow, Hechler, Kahn, Levy, Moro, Nichols, Ritchie, Ross, Uzzel, Williams and Worrell.

Administrative Costs

Administrative costs are expenses incurred due to a request by a party for special services including, but not limited to, additional copies of arbitrator awards beyond those provided without charge, copies of audio transcripts, retrieval of documents from archives, interpreters, and security.

Claimant, tape duplication, \$60

Case Number 99-05327

Filing Fees

NASD Dispute Resolution, Inc. will retain or collect the non-refundable filing fees for each claim:

Initial claim filing fee = \$500

Member Fees

Member fees are assessed to each member firm that is a party in these proceedings or to the member firm that employed the associated persons at the time of the events giving rise to the dispute. In this matter, the member firm is a party

Member surcharge assessed to Waddell & Reed	= \$1,200
Member surcharge assessed to Hackett	= \$1,200
Pre Hearing Processing Fee assessed to Waddell & Reed	= \$ 200
Pre Hearing Processing Fee assessed to Hackett	= \$ 200

Forum Fees

No forum fees were assessed to the parties in connection with this arbitration. All forum fees were assessed on Case No. 99-03642

Fee Summary

Case Number 97-03642

Claimant is assessed the following fees:

Initial Filing Fee	= \$ 500
Adjournment Fee	= \$ 1,600
Administrative Costs	= \$ 60
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Total Fees	= \$ 2,160
Less payments	= \$ 23,600
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Refund Due to Claimant from NASD-DR	= \$ 21,440

Waddell & Reed is assessed the following fees:

Filing Fee	= \$ 500
Member Fees	= \$ 1,200
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Total Fees	= \$ 1,700
Less payments	= \$ 1,700
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Balance Due NASD Dispute Resolution, Inc.	= \$ 0

Respondents, Waddell & Reed, L. Anderson, S. Anderson, Blonski, Gjerlow, Hechler, Kahn, Levy, Moro, Nichols, Ritchie, Ross, Uzzel, Williams and Worrell, are assessed the following fee:

Forum Fee	= \$110,300
Adjournment Fees	= \$ 2,600
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Total Fees	= \$ 112,900
Less payments	= \$ 26,400
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Balance Due NASD Dispute Resolution, Inc.	= \$ 86,500

Case Number 99-05327

Waddell & Reed is assessed the following fees:

Filing Fee	= \$ 500
Member Fees	= \$ 1,400
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Total Fees	= \$ 1,900

Less payments = \$ 1,900

Balance Due NASD Dispute Resolution, Inc. = \$ 00

Hackett is assessed the following fee:

Member Fee = \$ 1,400
Less Payments = \$ 1,200

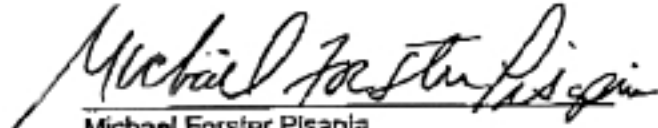
Balance Due NASD Dispute Resolution, Inc. = \$ 200

All balances are due to NASD Dispute Resolution, Inc.

ARBITRATION PANEL

Michael Forster Pisapia, Chairperson - *Public Arbitrator*
Anne Cugliani, Panelist - *Public Arbitrator*
Robina Fedora Asti, Panelist - *Non-Public Arbitrator*

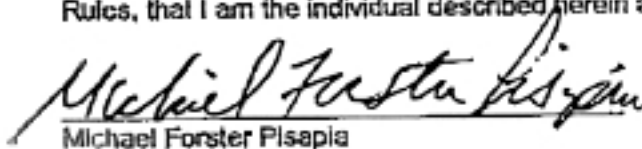
Concurring Arbitrators' Signatures



Michael Forster Pisapia
Public Arbitrator, Presiding Chairperson

August 6th 2001
Signature Date

I, Michael Forster Pisapia, 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 is which is my award.



Michael Forster Pisapia

Anne Cugliani
Public Arbitrator, Panelist

Signature Date

I, Anne Cugliani, 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 is which is my award.

Anne Cugliani

Robina Fedora Asti
Non-Public Arbitrator, Panelist

Signature Date

I, Robina Fedora Asti, 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 is which is my award.

Robina Fedora Asti

August 7, 2001
Date of Service (For NASD-DR office use only)

Concurring Arbitrators' Signatures

Michael Forster Pisapia
Public Arbitrator, Presiding Chairperson

Signature Date

I, Michael Forster Pisapia, 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 is which is my award.

Michael Forster Pisapia



Anne Cugliani
Public Arbitrator, Panelist

8/3/01
Signature Date

I, Anne Cugliani, 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 is which is my award.



Anne Cugliani

Robina Fedora Asti
Non-Public Arbitrator, Panelist

Signature Date

I, Robina Fedora Asti, 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 is which is my award.

Robina Fedora Asti

August 7, 2001
Date of Service (For NASD-DR office use only)

Concurring Arbitrators' Signatures

Michael Forster Pisapia
Public Arbitrator, Presiding Chairperson

Signature Date

I, Michael Forster Pisapia, 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 is which is my award.

Michael Forster Pisapia

Anne Cugliani
Public Arbitrator, Panelist

Signature Date

I, Anne Cugliani, 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 is which is my award.

Anne Cugliani

Robina Fedora Asti
Robina Fedora Asti
Non-Public Arbitrator, Panelist

Signature Date

I, Robina Fedora Asti, 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 is which is my award.

Robina Fedora Asti
Robina Fedora Asti

August 7, 2001
Date of Service (For NASD-DR office use only)