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BEFORE THE ARIZONA CORPORATION COMMISSION

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COMMISSIONERS:

MARC SPITZER, Chairman
WILLIAM A. MUNDELL
JEFF HATCH-MILLER
MIKE GLEASON
KRISTIN K. MAYES

2004 JUL -9 P 4: 07

AZ CORP COMMISSION
DOCUMENT CONTROL

Arizona Corporation Commission

DOCKETED

JUL - 9 2004

DOCKETED BY	
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In the matter of:

VICTOR MONROE STOCKBRIDGE
[CRD # 1233627] and G. IRENE
STOCKBRIDGE (husband and wife)

61 Rufous Lane
Sedona, Arizona 86336-7177

Respondents.

DOCKET NO. S-03465A-02-0000

RESPONDENTS' MOTION TO STAY
AND/OR TO EXTEND THE INDEFINITE
CONTINUANCE

PRELIMINARY STATEMENT

Respondents Victor Monroe and G. Irene Stockbridge ("Stockbridge"), by and through their attorneys, respectfully submit this motion for a temporary stay of all proceedings against them in this matter pending resolution of the parallel civil proceedings (Civil Case No. CV2003-019069; *Jean Ruffin Lilly, as Trustee of the Susan N. Coleman Revocable Trust v. The American Foundation for Charitable Support, Inc., et al.* in the Maricopa County Superior Court, the "Civil Case") and the arbitration pending before the NASD Dispute Resolution, Inc., Arbitration No. 03-05612 (the "NASD Arbitration") (collectively the "Parallel Proceedings").

The basis for this motion is that the above-referenced Parallel Proceedings involve the same factual issues alleged in the Notice of Opportunity for Hearing filed by the Securities Division of the Arizona Corporation Commission (the "Division"). As a result, Stockbridge cannot defend this action without incurring substantial prejudice and substantial cost. In addition, staying this administrative proceeding will conserve judicial resources, increase the possibility for settlement, and will not prejudice the Division. Therefore, Stockbridge respectfully requests that

1 this proceeding be stayed pending resolution of the Parallel Proceedings, or until further order of
2 the Hearing Officer.

3 **BACKGROUND**

4 A year and a half ago, on December 30, 2002, the Division filed its Notice of Opportunity
5 for Hearing. The Stockbridge Answer was filed on January 31, 2003. On February 4, 2003, a
6 pre-hearing conference was held and a hearing date of May 12, 2003 was scheduled.
7 Unfortunately, Division counsel became ill. On April 14, 2003, a Stipulated Motion to Continue
8 was filed as a result of that illness. On April 17, 2003, an indefinite continuance was granted at the
9 Division's request.
10

11 The Civil Case was initiated on or about October 6, 2003. The Amended Complaint was
12 filed on January 12, 2004. A Motion to Dismiss, or in the Alternative, Motion to Stay was filed on
13 February 17, 2004. However, the Plaintiffs' claims in that action against Stockbridge, and the
14 other securities industry Defendants, are subject to arbitration.¹ On May 7, 2004, the Plaintiffs and
15 the remaining securities Defendants reached a joint stipulation that the Civil Case be stayed as to
16 them. The Plaintiffs intend to continue prosecuting their claims against The American Foundation
17 for Charitable Support, Inc. (the "Foundation") and the Schaub in the Civil Case. On June 1,
18 2004, the Court approved the Stipulation to Stay the Civil Case as to the securities Defendants,
19 including Stockbridge.
20

21 In addition, the Court ordered that the Foundation could not use any of the proceeds
22 contained in the Plaintiffs' Foundation's accounts without first receiving the Court's permission to
23
24

25 ¹ The civil case names SunAmerica Securities, Inc., Stockbridge's broker-dealer, Smith Financial Services, Inc. and
26 Laverne Smith, Stockbridge's supervisor, as Defendants. The Division has not filed proceedings against SunAmerica
27 Securities, Inc. and Laverne Smith although the Division has stated its intent to do so *after* the Stockbridge proceeding
concludes. Stockbridge retired in March 2002. Ironically, the Division seeks to pursue a proceeding against a retired
individual while deferring proceedings against a currently licensed entity and representative.

1 do so.

2 Along with the Civil Case, on November 20, 2003, the NASD Arbitration was filed against
3 Smith Financial Services, Inc. ("Smith Financial"), Laverne Smith and SunAmerica Securities,
4 Inc. ("SunAmerica"). Attached to that pleading was a copy of the Division's Notice of
5 Opportunity for Hearing in this matter. On January 28, 2004, an Amended Statement of Claim
6 was filed naming Jean Ruffin Lilly as the new Trustee due to a recent death of Elizabeth Mooney.
7 A copy of the Division's Notice was attached to that pleading. On April 13, 2004, a Second
8 Amended Statement of Claim was filed which named Stockbridge as a Respondent. A third copy
9 of the Division's Notice was attached to that pleading. Stockbridge anticipates that the Claimants'
10 lawyers will continue to make much of the Division's proceeding against Stockbridge in an
11 attempt to bolster their claims in the NASD Arbitration.

12 Stockbridge is no longer in the securities business. He is retired and has been for some
13 time. He does not have any clients. The Division's pursuit of a hearing date serves no purpose as
14 to Stockbridge's continuation in the securities business. Furthermore, the Division has taken
15 virtually no action in this matter for more than one year. There has been no prejudice to the
16 Division as a result of this delay, nor will there be any prejudice to the Division if the stay is
17 granted.
18

19
20 However, Stockbridge will be substantially prejudiced if forced to defend this proceeding
21 while defending the NASD Arbitration as well.

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ARGUMENT

**A STAY OF THIS ADMINISTRATIVE PROCEEDING UNTIL
THE CONCLUSION OF THE PARALLEL PROCEEDINGS IS
NECESSARY TO PREVENT RESPONDENTS FROM BEING
SUBJECTED TO UNDUE PREJUDICE.**

The Supreme Court has held that a court does have the inherent authority to stay a civil case when the interests of justice so require. See Landis v. North American Co., 299 U.S. 248, 254-55 (1936); see also SEC v. Dresser Industries, 628 F.2d 1368, 1375 (D.C. Cir.), cert. denied, 449 U.S. 993 (1980). Many of the cases dealing with the stay of parallel proceedings arise where a civil and criminal case are pending at the same time. These cases are instructive as to why this administrative proceeding should be stayed.

The determination of whether to stay a civil proceeding pending a criminal action requires the Court to consider the particular circumstances and balance the interests involved in the case. Dresser Indus., 628 F.2d at 1375. Some of the factors the Court may consider in making such a determination include:

- (1) the extent to which the issues in the criminal case overlap with those presented in the civil case;
- (2) the status of the case, including whether the defendants have been indicted;
- (3) the private interests of the plaintiffs in proceeding expeditiously weighed against the prejudice to plaintiffs caused by the delay;
- (4) the private interests of and burden on the defendants;
- (5) the interests of the courts; and
- (6) the public interest.

Trustees of the Plumbers and Pipefitters National Pension Fund v. Transworld Mechanical, Inc., 886 F.Supp. 1134, 1139 (S.D.N.Y. 1995) (citations omitted).

As outlined herein, good cause exists to stay this administrative proceeding. Likewise, the factors considered routinely by courts deciding whether to stay a civil proceeding are instructive. Some of the factors that courts have considered in determining whether to grant a stay are prejudice to the movant, commonality of issues among the two proceedings, the court's interests in

1 judicial economy, and the public interest. See e.g., Milton Pollack, Parallel Civil and Criminal
2 Proceedings, 129 F.R.D. 201, 203 (S.D.N.Y. 1990) (hereinafter “Parallel Proceedings”).

3 **A. A Stay of this Administrative Proceeding is Appropriate Because the Issues**
4 **Significantly Overlap.**

5 Several courts have held that as a threshold issue, the most important factor in determining
6 whether to grant a stay is the “degree to which the civil issues overlap with the criminal issues.”
7 Parallel Proceedings, 129 F.R.D. at 203.

8 In the instant case, as explained above, the Parallel Proceedings significantly overlap with
9 the allegations contained in the Notice of Opportunity for Hearing. In fact, the Notice has been
10 attached so far to three of the Claimant’s filings. Thus, this factor weighs in favor of granting a
11 stay to Respondents.

12 **B. A Stay of this Administrative Proceeding is Necessary to Prevent Respondents**
13 **From Suffering Undue Prejudice.**

14 Citing the Ninth Circuit decision in Keating v. Office of Thrift Supervision, 45 F.3d at
15 324-25, the Healthsouth Corp. court enumerated the same set of factors identified above by other
16 courts as relevant to the decision of whether to grant a stay, including “the interest of the plaintiff
17 in proceeding expeditiously with this litigation and the potential prejudice to the plaintiffs from
18 delay, the burden any particular aspect of the proceedings may impose on the defendant, the
19 efficient use of judicial resources, the interests of persons not parties to the civil litigation and the
20 interest of the public in the pending civil and criminal litigation.” Healthsouth Corp., 261 F.
21 Supp.2d at 1326 (citing Keating, 45 F.3d at 324-25).
22

23 Further, while the Healthsouth Corp. court found that the plaintiff SEC had an interest in an
24 expeditious resolution of the civil case, the court also found that the harm to the defendant greatly
25 outweighed the prejudice to the SEC. A similar harm confronts Stockbridge in this case and surely
26

27

1 overshadows whatever interest the Division may have in resolution of this administrative
2 proceeding before the Parallel Proceedings conclude.

3 **C. The Division Will Not Be Unduly Prejudiced by a Stay of the Administrative**
4 **Proceeding Against Respondents.**

5 The Division will not be unduly prejudiced by a stay of these proceedings against
6 Respondents. In fact, a stay will more likely benefit the Division because the resolution of the
7 NASD Arbitration will sharpen the issues, preserve evidence, and may increase the possibility of
8 attaining a settlement.

9 The only foreseeable issue to the Division in the granting of a stay would be delay.
10 However, the Division's interests in the resolution of this case pales in comparison to
11 Respondents' interests. The fact that the Division has paused more than a year in seeking a pre-
12 hearing conference demonstrates the lack of prejudice likely to result to the Division.
13

14 Furthermore, Stockbridge is no longer in the securities business. He has no clients, and
15 does not intend to obtain any.

16 Thus, the Division will not be unduly prejudiced by a delay. In fact, they are likely to
17 benefit from the discovery to be taken, and the enhanced possibility for settlement. Furthermore,
18 such a stay is warranted because of the risk of undue prejudice to Stockbridge, which overrides
19 any inconvenience to the Division that may result from a stay to these proceedings.
20

21 **D. Judicial Economy Warrants a Stay in the Administrative Proceeding.**

22 The concept of judicial economy is another factor which weighs in favor of granting a stay.
23 Courts, in fact, have held that the interests of judicial economy are best served by granting a stay in
24 a civil action where the civil and criminal proceedings substantially overlap because the
25 "resolution of the criminal case would moot, clarify, or otherwise affect various contentions in the
26 civil case." United States v. Mellon Bank, NA, 545 F.2d 869, 873 (3rd Cir. 1976). This is also true
27

1 here. No adverse impact will accrue to the Division or the public if this matter is stayed.
2 Furthermore, the likelihood of the necessity for a hearing will be greatly reduced if the matter is
3 stayed pending resolution of the NASD Arbitration.

4 It is obvious that the Hearing Division is over-worked and that hearings are difficult to
5 schedule. The scarce resources of the Commission's Hearing Officers should not be used at this
6 time to pursue a proceeding against an individual who has been retired for over two years. This is
7 particularly true when matters pending in other forums provide an opportunity for the issues to be
8 litigated. The only remedies the Division seeks which could not be awarded in the other forums
9 are the order, administrative penalty and license revocation. Given Mr. Stockbridge is not in the
10 securities business, the issue of whether the Division is entitled to these remedies can wait. The
11 NASD Arbitration certainly provides an efficient vehicle to determine whether the Claimant is
12 entitled to any compensatory damages, i.e. restitution or rescission. There is no need for the
13 Division to substitute the Commission for the forum the Claimant has chosen to pursue any alleged
14 damages. The NASD Arbitration process is a well-established industry mechanism to adjudicate
15 monetary disputes. Mrs. Coleman signed an agreement requiring her to arbitrate any disputes.
16 That is why the Civil Action was stayed as to the securities Defendants and that is one of the
17 reasons why this proceeding should be stayed as well (Exhibit A).
18
19

20 Because the issues raised by this proceeding and the NASD Arbitration significantly
21 overlap, a stay of this matter would serve the interests of judicial economy.

22 **E. A Stay of This Proceeding Will Not Harm the Public Interest.**

23 A stay of this proceeding also would not cause any injury to the public interest. Courts
24 have held that a substantial danger to the public interest generally involves "a threat of immediate
25 and serious harm to the public at large" that can be protected by a civil proceeding. Brock v.
26
27

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1 Tolkow, 109 F.R.D. 116, 120 (E.D.N.Y. 1985). Courts have found such threats to the public
2 interest to include, for example, the Federal Drug Administration's civil prosecution of a defendant
3 to protect consumers from misbranded drugs. United States v. Kordel, 397 U.S. 1, 11 (1970).

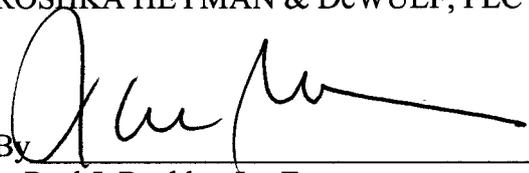
4 There is no suggestion here that any harm will accrue to the public interest if this matter is
5 stayed. As noted above, Stockbridge is no longer in the securities business. He is retired. Two
6 proceedings have been filed addressing the conduct at issue here. The public will suffer no harm if
7 this proceeding is stayed.

8
9 **CONCLUSION**

10 For the foregoing reasons, Stockbridge respectfully requests that the Hearing Officer enter
11 a Procedural Order: (1) staying all proceedings against Respondents Victor Monroe and G. Irene
12 Stockbridge in this administrative proceeding pending the resolution of the Parallel Proceedings or
13 extend the indefinite continuance the Division sought in April 2003 until further order by the
14 Hearing Officer; and (2) granting such further relief as is just and proper.

15 RESPECTFULLY SUBMITTED this 9th day of July, 2004.

16
17 ROSKA HEYMAN & DeWULF, PLC

18
19 By 

20 Paul J. Roshka, Jr., Esq.
21 James M. McGuire, Esq.
22 One Arizona Center
23 400 East Van Buren Street, Suite 800
24 Phoenix, Arizona 85004
25 Attorneys for Respondents
26 Victor Monroe Stockbridge and
27 G. Irene Stockbridge

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1 ORIGINAL and thirteen copies of the foregoing
hand-delivered this 9th day of July, 2004 to:

2 Docket Control
3 Arizona Corporation Commission
1200 West Washington Street
4 Phoenix, Arizona 85007

5 COPY of the foregoing hand-delivered
6 this 9th day of July, 2004 to:

7 Marc E. Stern
8 Hearing Officer
9 Hearing Division
Arizona Corporation Commission
1200 West Washington Street
10 Phoenix, Arizona 85007

11 Matthew Neubert, Esq.
12 Director of Securities
Securities Division
Arizona Corporation Commission
1300 West Washington Street, 3rd Floor
14 Phoenix, Arizona 85007

15 John Proper, Esq.
16 Securities Division
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17 Phoenix, Arizona 85007

18 

19 stockbridge.acc/pld/motion to stay.doc

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Exhibit A

SUPPORTING DOCUMENTS MUST BE ATTACHED (IF APPLICABLE).

CLIENT ACCOUNT REGISTRATION & MAILING ADDRESS:

TYPE OF REGISTRATION (Check One)

Individual
 JT/WROS
 TIC
 Common Prop
 Common Prop/WROS
 UGMA
 UTMA
 Sole & Separate
 Other _____

ERISA
 Pension
 Money Purchase
 Defined Benefit
 Profit Sharing
 401(K)
 Keogh
 SEP
 Simple IRA
 IRA
 TSA/403(B)
 Roth IRA

Estate
 Corporation
 Partnership
 Inter Vivos
 Trust
 Trust

Client's Social Security Number

1	9	2	2	0	2	9	6	4
---	---	---	---	---	---	---	---	---

TAX STATUS
 EXEMPT: YES NO

Susan N. Coleman Trust 5/2/96
 Susan N. Coleman Trustee
 PO Box 826
 Sedona AZ 86339

HOME PHONE (520) 282-3451 BUSINESS PHONE ()

RESIDENCE STREET ADDRESS (If not same as above or if P.O. Box is used.)

STREET _____
 CITY _____ STATE _____ ZIP _____

IF INVESTMENT ADVISORY; CHECK ONE:
 SIAS PREMIER RULE 3040 (e.g., Schwab)

FOR INSTITUTIONAL OR TRUST ACCOUNTS ONLY: Name & Title of Person Authorized to:

Open Account: _____ Enter Orders: _____

FINANCIAL PROFILE	INVESTMENT OBJECTIVES	RISK TOLERANCE	TAX BRACKET	CITIZENSHIP
If UGMA, refer to custodian if minor has none Approximate Annual Income \$ <u>100,000</u> Approximate Net Worth \$ <u>1,000,000</u> Exclusive of personal residence and automobiles Retired <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	CHECK ALL THAT APPLY 1) <input checked="" type="checkbox"/> Growth 2) <input type="checkbox"/> Tax Advantaged 3) <input type="checkbox"/> Income 4) <input type="checkbox"/> Speculative	CHECK ONE 1) <input type="checkbox"/> Conservative for Income 2) <input type="checkbox"/> Conservative for Growth 3) <input checked="" type="checkbox"/> Moderate Risk 4) <input type="checkbox"/> Aggressive Risk	CHECK ONE 1) <input type="checkbox"/> 0-15% 2) <input checked="" type="checkbox"/> 16-28% 3) <input type="checkbox"/> 29-33% 4) <input type="checkbox"/> Other _____ %	1) <input checked="" type="checkbox"/> U.S. Citizen State of residence <u>AZ</u> 2) <input type="checkbox"/> Resident Alien Country of origin _____

Power of Attorney: _____ Full _____ Limited _____
 (forward necessary papers)

Held by: _____

How was account acquired:
 1) Walk in 2) Solicited
 3) Known Personally 4) Referred By: _____
 5) Other _____

Is the client of legal age? Yes No

Date of Birth 8/9/23
 (If UGMA or UTMA refer to custodian)

How long have you known the client? 10 yrs.

Is the client affiliated with SAS or another SunAmerica Company? Yes No

Is the client related to an affiliate of SAS or another SunAmerica Company? Yes No

If yes, name of affiliate _____

Is the client a Senior Officer, Director or Large Shareholder of a public company? Yes No

If yes, Name of Company _____

Is the client registered or employed with a Financial Institution (or Bank) or Securities Broker Dealer other than SunAmerica Securities? If yes, attach employer's consent. Yes No

Client's Employer	Yrs. Employed	Type of Business	Position	Prior Investment Experience
Employer's Address		Spouse Name		Bonds <u>1</u> yrs.
		Spouse's Firm (if employed)		Stocks <u>1</u> yrs. DPP's _____ yrs.
				Mutual Funds <u>1</u> yrs. Options _____ yrs.
				Margin _____ yrs. Other _____

I/we acknowledge that this agreement includes a pre-dispute arbitration clause located on the back of this form [Section 10(B)]. I/we acknowledge receiving a copy of this new account form and I/we have had the opportunity to read it and I/we understand it. Furthermore, I/we acknowledge that I/we have read all information on this New Account Form. I have reviewed the terms and conditions of this agreement including all information contained on the reverse side hereof. I hereby verify that all the information provided is true and correct and may be relied upon by you for the purposes of evaluating my suitability and sophistication in relation to making securities recommendations. Further, I hereby indemnify you for any loss, claims or damages, including legal fees, which you may incur as a result of any securities recommendations or any securities related violations resulting from your reliance upon the information I have provided. I also acknowledge my responsibility to read the prospectus of any mutual fund/direct participation program, and/or new issue offering which contains complete information regarding investment objectives, risks and other material facts, including sales charges.

(X) Susan N. Coleman (X) _____ Date: 7/12/99
 Client Signature Joint Signature (if applicable)

TAXPAYER IDENTIFICATION - W9
 UNDER PENALTIES OF PERJURY, I CERTIFY (1) THAT THE NUMBER SHOWN ON THIS FORM IS MY CORRECT TAXPAYER IDENTIFICATION NUMBER, AND (2) THAT I AM NOT SUBJECT TO BACKUP WITHHOLDING BECAUSE (a) I HAVE NOT BEEN NOTIFIED THAT I AM SUBJECT TO BACKUP WITHHOLDING AS A RESULT OF A FAILURE TO REPORT ALL INTEREST OR DIVIDENDS, OR (b) THE INTERNAL REVENUE SERVICE HAS NOTIFIED ME THAT I AM NO LONGER SUBJECT TO BACKUP WITHHOLDING. (NOTE: YOU MUST STRIKE OUT ANY PART OF THIS STATEMENT THAT DOES NOT APPLY.)

(X) Susan N. Coleman ACC00244
 Client Signature S-3465-A

PERSHING ACCOUNT INFORMATION

PERSHING ACCOUNT #	PAYMENT	DIVIDENDS/INTEREST	All accounts will be coded to hold securities in Street Name unless specifically requested otherwise.
	<input type="checkbox"/> Hold <input type="checkbox"/> Remit <input type="checkbox"/> DVP	<input type="checkbox"/> Hold <input type="checkbox"/> Remit	

(X) [Signature] (X) _____ Date: 7/12/99
 Registered Representative Signature Representative Number

I have reviewed this account for completeness, accuracy and suitability to ensure it meets all requirements.
 (X) _____ (X) _____
 97467

ACCOUNT AGREEMENT

In consideration of SunAmerica Securities, Inc. (SAS) opening one or more accounts on my behalf, with respect to any type of transaction that I may have with SAS, I agree as follows:

1. **Meaning of Words in this Agreement.** The words, I, me, my, we, and us refer to the person(s) who signed this agreement. The words you and your refer to SunAmerica Securities, Inc. (SAS).
2. **Authority and Ownership.** I have the required legal capacity, and authorized to enter into this agreement and have obtained and will provide you with all necessary authorizations from third parties to open accounts and effect transactions in securities under this agreement. I will be the owner of all securities purchased, held and/or sold by me through SAS.
3. **Joint Accounts.** If this is a joint account, we understand that SAS will follow the instructions of either of us without obtaining the consent of the other. Each of us will be fully liable for any amounts due to you under this agreement. Upon the death of either of us, you will treat the property in the account as belonging to the other, but you may first require the production of legal documents.
4. **Appointment of SAS as agent.** I appoint SAS as my agent for the purpose of carrying out my directions with respect to the purchase or sale of securities. To carry out your duties, you are authorized to open or close brokerage accounts, place and withdraw orders, provide information to third parties and take such other steps as are reasonable to carry out my directions.
5. **Force Majeure.** SAS shall not be liable for loss or delay caused directly or indirectly by war, natural disasters, government restrictions, exchange or market rulings or other conditions beyond the control of SAS.
6. **Credit Verifications.** SAS may request a credit report on me and if I ask, you will tell me the name and address of the consumer reporting agency that furnished it. If you update, renew or extend my credit, you may request a new credit report.
7. **No Advice.** I understand that SAS provides no tax, legal or investment advisory services nor do you give advice or offer any opinion with respect to the suitability of any security or order unless you are specifically allowed, by law, to do so. All transactions will be done only on my order or the order of my authorized delegate except as described in paragraph 2.
8. **Indebtedness to SAS.** Upon the purchase or sale of any security, if SAS is unable to settle the transaction by reason of my failure to make payment or deliver securities in good form, I authorize you to take steps necessary to complete or cancel the transaction to minimize your loss, and I agree to reimburse you for any and all costs, losses or liabilities incurred by you, including attorney's fees. In the event I become indebted to you in the operation of this account, I agree that I will repay such indebtedness upon demand. I agree that if after demand I fail to pay the indebtedness, you may close my account and/or liquidate any assets in my account, or otherwise held by SAS in an amount sufficient to pay my indebtedness.
9. **Amendments and Termination.** You may amend this agreement at any time in any respect, effective upon notice to me. You may, at your discretion, terminate this service at any time, effective upon notice to me. I will continue to be responsible for any obligations incurred by me prior to termination.
10. **ARBITRATION AGREEMENT.**
 - (A) **ARBITRATION DISCLOSURES**
 - ARBITRATION IS FINAL AND BINDING ON THE PARTIES.
 - THE PARTIES ARE WAIVING THEIR RIGHT TO SEEK REMEDIES IN COURT, INCLUDING THE RIGHT TO JURY TRIAL.
 - PRE ARBITRATION DISCOVERY IS GENERALLY MORE LIMITED THAN AND DIFFERENT FROM COURT PROCEEDINGS.
 - THE ARBITRATORS' AWARD IS NOT REQUIRED TO INCLUDE FACTUAL FINDINGS OR LEGAL REASONING AND ANY PARTY'S RIGHT TO APPEAL OR TO SEEK MODIFICATION OF FILINGS BY THE ARBITRATORS IS STRICTLY LIMITED.
 - THE PANEL OF ARBITRATORS WILL TYPICALLY INCLUDE A MINORITY OF ARBITRATORS WHO WERE OR ARE AFFILIATED WITH THE SECURITIES INDUSTRY.
 - (B) **AGREEMENT TO ARBITRATE CONTROVERSIES**

IT IS AGREED THAT ANY CONTROVERSY BETWEEN US ARISING OUT OF YOUR BUSINESS OR THIS AGREEMENT, SHALL BE SUBMITTED TO ARBITRATION CONDUCTED BEFORE THE PACIFIC STOCK EXCHANGE, INC. OR ANY OTHER NATIONAL SECURITIES EXCHANGE ON WHICH A TRANSACTION GIVING RISE TO THE CLAIM TOOK PLACE (AND ONLY BEFORE SUCH EXCHANGE) OR THE NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC., AS THE UNDERSIGNED MAY ELECT. ARBITRATION MUST BE COMMENCED BY SERVICE UPON THE OTHER PARTY OF A WRITTEN DEMAND OF ARBITRATION TRIBUNAL. IN THE EVENT THE UNDERSIGNED DOES NOT MAKE SUCH ELECTION WITHIN FIVE (5) DAYS OF SUCH DEMAND OR NOTICE, THEN THE UNDERSIGNED AUTHORIZES YOU TO DO SO ON BEHALF OF THE UNDERSIGNED. NO PERSON SHALL BRING A PUTATIVE OR CERTIFIED CLASS ACTION TO ARBITRATION, NOR SEEK TO ENFORCE ANY PRE-DISPUTE ARBITRATION AGREEMENT AGAINST ANY PERSON WHO HAS INITIATED IN COURT A PUTATIVE CLASS ACTION; OR WHO IS A MEMBER OF A PUTATIVE CLASS WHO HAS NOT OPTED OUT OF THE CLASS WITH RESPECT TO ANY CLAIMS ENCOMPASSED BY THE PUTATIVE CLASS ACTION UNTIL: (i) THE CLASS CERTIFICATION IS DENIED; OR (ii) THE CLASS IS DECERTIFIED; OR (iii) THE CUSTOMER IS EXCLUDED FROM THE CLASS BY THE COURT. SUCH FORBEARANCE TO ENFORCE AN AGREEMENT TO ARBITRATE SHALL NOT CONSTITUTE A WAIVER OF ANY RIGHTS UNDER THIS AGREEMENT EXCEPT TO THE EXTENT STATED HEREIN.
11. **Stocks and Bonds.**
 - (A) **Relationship with Correspondent Broker.** I understand that SAS will apply to a Correspondent broker for my stock or bond account. I understand and agree that Correspondent may refuse to accept or carry my account or to process any transaction which I may wish to effect. SAS may share with, remit to or otherwise pay Correspondent for its services from SAS commission and/or fees charged.
 - (B) **Margin Loans.** I understand and agree that margin loans, if any, provided to me through SAS will be made by Correspondent and not SAS and that I will comply with all requirements which Correspondent may impose with respect to such loans.
12. **Restricted Securities.** I will not buy or sell any securities of a corporation of which I am an affiliate, or sell any restricted securities except in compliance with applicable laws and regulations.

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S-3465-A