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Ameriprise Fincl: Panel Awards \$19.6M Against Co Unit

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NEW YORK (Dow Jones)--An arbitration panel handed an award worth more than \$20 million to a group of investors who alleged their retirement savings were poorly handled by their Louisiana stock broker.

The award, which was released Monday, was handed down by a three-person arbitration panel organized by the **National Association of Securities Dealers**, ruling against the broker, David McFadden, and the firm where he is registered, Securities America. The firm is part of Ameriprise Financial Inc. (AMP), operating as a separate broker dealer.

The award is unusually large for an arbitration panel's decision against a financial firm. Joseph Peiffer, an attorney who represented the group of investors, said his clients were "a bunch of blue-collar retirees from an Exxon plant" in the Baton Rouge area. The individuals were prodded to retire by McFadden, who invested their retirement funds, putting them in variable annuities and B and C mutual-fund shares, Peiffer said.

"He invested them in very risky investments and they tanked," said Peiffer, a lawyer in New Orleans with Correro, Fishman, Haygood, Phelps, Walmsley & Casteix LLP. The group of 32 investors had leveled claims such as unsuitability, breach of fiduciary duty and unauthorized trading against McFadden and Securities America.

"We disagree with the arbitration panel's decision, and we intend to file a motion to vacate the award," said Scott Hoyt, Securities America's general counsel. Hoyt said McFadden isn't an employee of Securities America, but rather "is registered with us and continues to be registered with us." McFadden also said he disagreed with the arbitration panel's award and that he is "extremely disappointed."

According to the award, Peiffer's clients should collectively receive roughly \$11.6 million in compensatory damages and \$3.5 million in punitive damages, plus interest. Securities America and McFadden also were hit with \$453,925 in costs and attorney fees pegged at about \$4.6 million. Peiffer said he has already moved to confirm the award in U.S. court in Louisiana.

Ameriprise issued a regulatory filing late Tuesday to disclose the arbitration award. "If the award is sustained, we believe its impact, net of applicable reserves, would not be material to Ameriprise Financial's earnings," Ameriprise said in the filing.