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## A.G. Edwards escalates war on defectors

By Dan Jamieson  
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New and bitter fights have erupted in California over the loss of A.G. Edwards & Sons Inc. brokers and employees to St. Louis crosstown rival Stifel Nicolaus & Co. Inc.

A.G. Edwards, now owned by Wachovia Corp. of Charlotte, N.C., has filed lawsuits against 10 of its former California employees this month in an effort to stop the drain of client assets.

And Wachovia Securities LLC of Richmond, Va., which merged with A.G. Edwards, could see more West Coast defections as a result of losing Steven Stahlberg, who was considered to be one of its best recruiters.

Formerly the firm's major markets manager in Roseville, Calif., he moved to Morgan Stanley of New York this month and is now a district manager responsible for 22 offices located throughout Northern California.

Mr. Stahlberg now "has a full-court press on" to recruit Wachovia people, said one Wachovia rep in Northern California, who asked not to be identified.

Sources say Mr. Stahlberg himself was recruited by Jeff Bouchard, Wachovia's former national sales manager, who now works for Morgan Stanley's Los Angeles-based Western regional manager, Margaret Black.

"We're old friends," Mr. Stahlberg said of Mr. Bouchard, who ran Wachovia's office in the Woodland Hills district of Los Angeles for a number of years.

Mr. Stahlberg declined to comment on his recruitment plans.

The recruitment of the Stifel brokers was the handiwork of John Lee, the former A.G. Edwards Western regional manager. In August, he joined Stifel as a managing director in charge of West Coast recruiting.

Mr. Lee is being sued by A.G. Edwards in a separate action. However, this month, the Superior Court of California, County of Sacramento denied a request for an injunction against him. That means Mr. Lee is free to continue recruiting for Stifel, according to his lawyer, Ken Mennemeier, a partner in Mennemeier Glassman & Stroud LLP in Sacramento.

A.G. Edwards disagrees. "We continue to believe John Lee breached his fiduciary duty to A.G. Edwards," said spokesman Justin Gioia, adding that the firm will proceed against Mr. Lee in an arbitration.

In the meantime, Mr. Lee said, he also has opened a Stifel office in Pasadena, Calif., is building a new branch in Lincoln, Calif., near Sacramento, will soon have a Stifel office in Arizona and has "numerous others on queue."

And his recruits are primarily former A.G. Edwards reps, he said.

Meanwhile, A.G. Edwards sued Chris Nielsen, former branch manager of its Grass Valley, Calif., office, three former reps and a sales assistant, after they moved to a new Stifel office on the same street as the A.G. Edwards office.

A.G. Edwards claims that its branch, which is in a foothill community 60 miles east of Sacramento, did \$1.6 million in production with \$220 million in client assets.

The firm has also filed suit against Samuel Slayden, who used to run A.G. Edwards' Santa Rosa, Calif., office. Last month, he opened an office for Stifel in the same building as the A.G. Edwards branch.

Two other brokers from the Santa Rosa office soon followed Mr. Slayden, along with a sales assistant, a wire operator and an operations manager. All these individuals were named in A.G. Edwards' complaint, which claims that the firm stands to lose \$1.4 million in production and \$305 million in client assets from the defections.

In both cases, A.G. Edwards said, Stifel set up offices near A.G. Edwards branches in order to confuse clients into believing the latter had been sold.

Mr. Mennemeier, who represents all former A.G. Edwards employees in California, declined to comment on the cases.

Mr. Gioia said A.G. Edwards has taken legal action "where competing firms have raided branch offices by hiring substantial numbers of employees, and where those employees have inappropriately taken confidential client information."

Mr. Nielsen claims that he considered leaving A.G. Edwards only after hearing indirectly that his branch was to be closed.

In a declaration filed with the U.S. District Court for the Eastern District of California in Sacramento, he said an owner of the building leased by A.G. Edwards in Grass Valley asked about showing the space to a prospective tenant.

The landlord said Wachovia planned to consolidate the A.G. Edwards branch with the Wachovia branch in Grass Valley, Mr. Nielsen said. That news "left me with the impression that A.G. Edwards and Wachovia were keeping information from people," he claimed.

Historically, A.G. Edwards has led brokers to believe that they could take copies of customer records, Mr. Nielsen told the court.

As evidence, the reps submitted a June e-mail from Gene Diederich, A.G. Edwards' director of branches, saying: "Wachovia shares our belief that the [financial consultant], not the firm, owns the client relationship."

Wachovia and A.G. Edwards announced the merger plan at the end of May.

A.G. Edwards also accuses the Grass Valley reps of directing a former receptionist at the branch to delete a database of prospects.

The receptionist, Amy Grandell, who was fired this month as a result of the incident, said in a court filing that A.G. Edwards' claim is not true. She said she deleted the data on her own initiative after the brokers left.

The court has denied A.G. Edwards' request for a temporary restraining order to prevent the reps from contacting

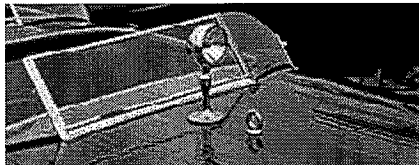
their clients. A hearing on an injunction is scheduled for late November.

In a similar case brought against the Santa Rosa brokers, a temporary restraining order was granted prohibiting them from soliciting clients.

But the order, issued by the U.S. District Court for the Northern District of California in San Francisco, lets them speak to clients who initiate contact, and mandated that A.G. Edwards give the Stifel phone number to clients who call seeking the brokers. A request for an injunction in that case is pending.

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