

**STIPULATED AWARD
NASD Dispute Resolution**

In the Matter of the Arbitration Between

Name of Claimant

Erik I. Knudson and Jodi A. Knudson, John Phillipi, Steven M. McIntyre and Loraine M. McIntyre, and Sovereign Ventures, L.L.C.

and

03-03022
Phoenix, Arizona

Name of Respondents

A.G. Edwards & Sons, Inc.
John Tate

Nature of the Dispute: Customers vs. Member and Associated Person.

REPRESENTATION OF PARTIES

Erik I. Knudson and Jodi A. Knudson, John Phillipi, Steven M. McIntyre and Loraine M. McIntyre, and Sovereign Ventures, L.L.C. ("Claimants") were represented by Robert D. Mitchell, Esq., Mitchell Law Offices, Phoenix, AZ 85016

A.G. Edwards & Sons, Inc. ("Respondent AG Edwards") and John Tate ("Respondent Tate")(collectively as "Respondents") were represented by David M. Minnick, Esq., A.G. Edwards & Sons, Inc.; St. Louis, Missouri.

CASE INFORMATION

The Statement of Claim was filed on or about April 23, 2003. Submission Agreement of Erik I. Knudson and Jodi A. Knudson was signed on April 16, 2003. Submission Agreement of John Phillipi was signed on April 21, 2003. Submission Agreement of Steven M. McIntyre, individually and on behalf of Sovereign Ventures, L.L.C. was signed on April 17, 2003. Submission Agreement of Loraine M. McIntyre was signed on April 17, 2003.

Statement of Answer was filed by Respondents A.G. Edwards & Sons, Inc. and John Tate on or about June 19, 2003. Submission Agreement of Respondent A.G. Edwards & Sons, Inc. was signed on June 1, 2003 by Stephen G. Sneeringer. Submission Agreement of Respondent John Tate was signed on May 27, 2003.

CASE SUMMARY

On or about April 16, 2003, Erik I. Knudson, Jodi A. Knudson, John Philippi, Steven M. McIntyre, Loraine M. McIntyre, and Sovereign Ventures, L.L.C. filed their Statement of Claim in arbitration before the NASD-DR against A.G. Edwards & Sons, Inc. ("Edwards") and John L. Tate ("Tate") and alleged misrepresentation, state and federal securities fraud, negligence, suitability in connection with options and stock transactions in their accounts at Edwards. Claimants sought compensatory damages for losses in their portfolio of more than \$4.3 million, plus interest and/or lost opportunity damages as of the date of the arbitration hearing, recovery of the commissions, margin interest, and other fees charged by the Respondents on Claimants' investments, recovery of Claimants' filing fees, attorney's fees and expenses incurred in bringing this arbitration, and punitive damages in an amount not less than \$3 million.

Respondents asserted that Claimants were suitable for the recommendations made to them at the time, and were fully aware of the risks they were taking. Respondents also asserted the following affirmative defenses:

1. To the extent the Statement of Claim alleged a violation of the rules of National Association of Securities Dealers, Inc., the New York Stock Exchange, Inc. or any other self-regulatory organization, the Claim failed to state a claim for relief as there is no private cause of action for the violation of such rules or regulations.

2. Claimants failed to act promptly and with due diligence to mitigate their damages after Claimants knew or should have known of the alleged acts and omissions of which Claimants complain. To the extent Claimants allege damages were sustained after such time, Claimants were barred from recovering such damages.

3. As a result of Claimants' failure to notify the Respondents of the alleged acts and omissions of which they now complain promptly after receipt of written confirmations, monthly statements and other documents evidencing or setting forth transactions in their accounts, and, in any event, promptly after Claimants discovered or reasonably should have discovered the alleged acts or omissions, the Claimants were barred from recovering based upon the Uniform Commercial Code as enacted in the State of Arizona and under the doctrines of ratification, accounts stated, estoppel, waiver and laches because Respondents relied upon Claimants' silence and inaction.

4. Edwards did not know, and in the exercise of reasonable care could not have known, of the alleged material misleading statements and omissions in the Claimants' Statement of Claim, and at all times acted in good faith and did not directly or indirectly induce the alleged acts of common law fraud or intentional misrepresentation as alleged in the Claimants' Statement of Claim.

5. By failing to exercise the degree of care over their affairs and investments which ordinarily prudent investors would exercise, Claimants caused or contributed to cause the alleged damages of which Claimants complain and barred by their contributory negligence from recovering such alleged damages from Respondents.

6. Respondents were not negligent, however, if they are found to be negligent in any respect, Claimants' negligence was equal to or greater than any negligence on the part of any of the Respondents, and for this reason, Claimants' claims must be dismissed or reduced under the doctrines of contributory negligence, comparative fault or comparative negligence in accordance with applicable law.

7. Claimants alleged damages alleged to have been suffered were caused, if at all, by unforeseeable market factors and conditions affecting the value of securities in his account for which Respondents were neither liable nor responsible.

RELIEF REQUESTED

Claimants requested damages for losses in their portfolio of more than \$4.3 million, plus disgorgement of commissions, lost opportunity damages, interest, punitive damages, all costs, expenses and disbursements, including attorney fees and expert witness fees and punitive damages not less than \$3 million.

Respondents requested that the claims be dismissed in their entirety; the permanent registration records maintained by the CRD for John Tate be expunged with prejudice with respect to reference of this arbitration; and for such other relief as the Arbitration Panel deemed proper.

OTHER ISSUES CONSIDERED & DECIDED

On or about June 22, 2004, the parties informed NASD Dispute Resolution, Inc. that they had entered into a settlement agreement.

The parties filed with NASD Dispute Resolution, Inc. a joint motion to approve this Stipulated Award and that the undersigned arbitrators (the "Panel") enter an Order expunging all references to this case from the Central Registration Depository ("CRD") records of Tate.

The parties have agreed that the Stipulated Award in this matter may be executed in counterpart copies. The parties have agreed to receive conformed copies of the award while the original(s) remain on file with the NASD Dispute Resolution (the "NASD").

AWARD

After considering the pleadings and the stipulation of the parties, the undersigned arbitrators have decided in full and final resolution of the issues submitted for determination and find as follows:

1. All claims against Respondents Edwards and Tate are hereby dismissed with prejudice.
2. The Panel recommends the expungement of all reference to the above captioned arbitration from Respondent John L. Tate's registration records maintained by the NASD Central Registration Depository ("CRD"), with the understanding that pursuant to NASD Notices to Members 99-09 and 99-54, Respondent John L. Tate must obtain confirmation from a court of competent jurisdiction before the CRD will execute the expungement directive.
3. That to the extent not specifically awarded or otherwise provided for above, all other claims and requests for relief by any party hereto are denied with prejudice.
4. Other than the Forum Fees noted below, the parties shall each bear all other costs and expenses incurred by them in connection with this proceeding, including but not limited to attorneys fees, not specifically awarded or otherwise provided for above.

FEES

Pursuant to the Code, the following fees are assessed:

Filing Fees

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

Initial claim filing fee = \$600.00

Member Fees

Member fees are assessed to each member firm that is a party in these proceedings or to the member firm(s) that employed the associated person(s) at the time of the event(s) giving rise to the dispute. In this matter, the member firm(s) is A.G. Edwards & Sons, Inc.

Member surcharge	\$	3,350.00
Pre-hearing process fee	\$	750.00
Hearing process fee	\$	5,500.00
Total Member Fees	\$	9,600.00

Forum Fees and Assessments

The Arbitration Panel assesses 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:

1	Pre-hearing session(s) with a single arbitrator	x	\$450.00	\$	450.00
	May 6, 2004	1	session		
1	Pre-hearing session(s) with Panel	x	1,200.00	\$	1,200.00
	October 21, 2003	1	session		
	Total Forum Fees			\$	1,650.00

The Arbitration Panel has assessed \$825.00 of the forum fees to Erik I. Knudson and Jodi A. Knudson, John Phillipi, Steven M. McIntyre and Loraine M. McIntyre, and Sovereign Ventures, L.L.C.

The Arbitration Panel has assessed \$825.00 of the forum fees jointly and severally to A.G. Edwards & Sons, Inc. and John Tate.

Fee Summary

Claimants, Erik I. Knudson and Jodi A. Knudson, John Phillipi, Steven M. McIntyre and Loraine M. McIntyre, and Sovereign Ventures, L.L.C. shall be and hereby are jointly and severally liable for:

Initial Filing Fee	= \$	600.00
<u>Forum Fees</u>	= \$	825.00
Total Fees	= \$	1,425.00
<u>Less payments</u>	= \$	-1,800.00
Balance to be refunded by NASD Dispute Resolution	= \$	- 375.00

Respondent, A.G. Edwards & Sons, Inc., shall be and hereby is liable for:

Member Fees	= \$	9,600.00
Total Fees	= \$	9,600.00
<u>Less payments</u>	= \$	-9,600.00
Balance Due NASD Dispute Resolution	= \$	0.00

Respondents, A.G. Edwards & Sons, Inc. and John Tate, shall be and hereby are jointly and severally liable for:

<u>Forum Fees</u>	= \$	825.00
Total Fees	= \$	825.00
<u>Less payments</u>	= \$	-0.00
Balance Due NASD Dispute Resolution	= \$	825.00

All balances are due to NASD Dispute Resolution

ARBITRATION PANEL

Robert S Mautner, Esq. - Public Arbitrator, Presiding Chair
John V. Marian - Public Arbitrator
Edward Allan Hindman - Non-Public Arbitrator

Concurring Arbitrators:

/s/ Robert S. Mautner
Robert S Mautner, Esq.
Public Arbitrator, Presiding Chair

June 30, 2004
Signature Date

/s/ John V. Marian
John V. Marian
Public Arbitrator

June 30, 2004
Signature Date

/s/ Edward Allan Hindman
Edward Allan Hindman
Non-Public Arbitrator

July 6, 2004
Signature Date

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Arbitration No. 03-12022
Stipulated Award Page 6 of 6

Respondents A.G. Edwards & Sons, Inc. and John Tate, shall be and hereby are jointly and severally liable for:

Forum Fees	= \$	825.00
Total Fees	= \$	825.00
Less payments	= \$	-0.00
Balance Due NASD Dispute Resolution	= \$	825.00

All balances are due to NASD Dispute Resolution

ARBITRATION PANEL

Robert S Mautner, Esq. - Public Arbitrator, Presiding Chair
John V. Marian - Public Arbitrator
Edward Allan Hindman - Non-Public Arbitrator

Concurring Arbitrators:

Robert S Mautner, Esq.
Robert S Mautner, Esq.
Public Arbitrator, Presiding Chair

June 30, 2004
Signature Date

John V. Marian
John V. Marian
Public Arbitrator

Signature Date

Edward Allan Hindman
Edward Allan Hindman
Non-Public Arbitrator

Signature Date

NASD Dispute Resolution
Arbitration No. 03-03022
Stipulated Award Page 6 of 6

Respondents, A.G. Edwards & Sons, Inc. and John Tate, shall be and hereby are jointly and severally liable for:

<u>Forum Fees</u>	= \$	825.00
<u>Total Fees</u>	= \$	825.00
<u>Less payments</u>	= \$	-0.00
Balance Due NASD Dispute Resolution	= \$	825.00

All balances are due to NASD Dispute Resolution

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John V. Marian - Public Arbitrator
Edward Allan Hindman - Non-Public Arbitrator

Concurring Arbitrators:

Robert S Mautner, Esq.
Public Arbitrator, Presiding Chair

Signature Date


John V. Marian
Public Arbitrator

6-30-04
Signature Date

Edward Allan Hindman
Non-Public Arbitrator

Signature Date

NASD Dispute Resolution
Arbitration No. 03-03022
Stipulated Award Page 6 of 6

Respondents, A.G. Edwards & Sons, Inc. and John Tate, shall be and hereby are jointly and severally liable for:

Forum Fees	= \$	825.00
Total Fees	= \$	825.00
Less payments	= \$	-0.00
Balance Due NASD Dispute Resolution	= \$	825.00

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Robert S Mautner, Esq. - Public Arbitrator, Presiding Chair
John V. Marian - Public Arbitrator
Edward Allan Hindman - Non-Public Arbitrator

Concurring Arbitrators:

Robert S Mautner, Esq.
Public Arbitrator, Presiding Chair

Signature Date

John V. Marian
Public Arbitrator

Signature Date

Edward Allan Hindman
Edward Allan Hindman
Non-Public Arbitrator

7/6/04
Signature Date