

Award
NASD Dispute Resolution

In the Matter of the Arbitration Between:

Name of the Claimants
Mitchell and Glenda Patrick

Case Number: 03-05374

Name of the Respondents
Baird Management Corporation;
Billie Baird, as Independent Executrix
of the Estate of Kay H. Baird, Deceased;
Richard A. Baird; and
The Financial Source Group, Inc.

Hearing Site: Dallas, Texas

NATURE OF THE DISPUTE

Public Customer v. Member Firm, Non-Member Firm and Associated Persons

REPRESENTATION OF PARTIES

Claimants Mitchell and Glenda Patrick, hereinafter collectively referred to as "Claimants": Richard A. Lewins, Esq., of the firm of Burg Simpson Eldredge Hersh Jardine PC, located in Dallas, Texas.

Respondents Baird Management Corporation ("BMC"); Billie Baird, as Independent Executrix of the Estate of Kay H. Baird, Deceased ("K. Baird"); Richard A. Baird ("R. Baird"); and The Financial Source Group, Inc. ("FSG"), hereinafter collectively referred to as "Respondents": John P. Lilly, Esq. of the firm of Hurt & Lilly, LLP, located in Dallas, Texas.

CASE INFORMATION

Statement of Claim filed: July 22, 2003.

Claimants signed the Uniform Submission Agreement: March 28, 2003.

Joint Statement of Answer filed by Respondents BMC, K. Baird, R. Baird and FSG on: September 15, 2003.

Respondent BMC signed the Uniform Submission Agreement: September 15, 2003.

Respondent K. Baird signed the Uniform Submission Agreement: September 15, 2003.

Respondent R. Baird signed the Uniform Submission Agreement: September 15, 2003.

Respondent FSG signed the Uniform Submission Agreement: September 15, 2003.

Notice of Substitution of Independent Executrix of the Estate of Kay H. Baird filed: August 16, 2004.

CASE SUMMARY

Claimants asserted the following causes of action: common law fraud-misrepresentations and omissions; violations of the state and federal securities laws; violations of the Texas Deceptive Trade Practices Act ("DTPA"); negligence/breach of industry standards; breach of contract; and breach of fiduciary duty. These causes of action were related to the Respondents concentrating the Claimants' assets in high risk, speculative, aggressive technology funds and variable annuities.

Unless specifically admitted in their Answer, Respondents denied the allegations made in the Statement of Claim and asserted that the losses were the result of the professional investment advisor firm hired by the Claimants that had discretion and authority of the trading in their accounts. In addition, Respondents asserted the following affirmative defenses:

1. Claimants were negligent in failing to discharge their investment advisor or instruct the firm on the allocations in their account;
2. Claimants' investment advisor is a necessary party to this arbitration and they have failed to name the firm in this arbitration;
3. The claims are barred by waiver, estoppel and ratification;
4. Claimants' claims are barred by the applicable statutes of limitations; and
5. Respondents are not liable to Claimants for errors, acts, omissions or wrongdoing of the investment advisor.

RELIEF REQUESTED

Claimants requested:

Compensatory Damages	\$ 400,000.00
Interest	Pre- and post-judgment interest at the maximum rate allowed by law
Attorneys' Fees	For breach of contract and violation of the DTPA
Other Costs	Including expert witness fees
Other Monetary/Non-Monetary Relief if any:	Rescission of the variable annuity contracts, an award of the purchase price plus Texas statutory interest of 10% from inception of the contract through the date of rescission and reimbursement of the negative tax ramifications resulting from rescission.

Respondent requested that the Panel enter an award that Claimants take nothing against Respondents on their claims, and that Respondents have such other and further relief as to which Respondents may show themselves entitled.

OTHER ISSUES CONSIDERED AND DECIDED

Upon the death of Respondent Kay H. Baird, counsel for Respondents filed a Notice of Substitution of Independent Executrix of the Estate of Kay H. Baird, naming Billie Baird, Independent Executrix of the Estate of Kay H. Baird, Deceased, as substituting in this arbitration for Respondent Kay H. Baird.

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. Respondents Baird Management Corporation; Billie Baird, as Independent Executrix of the Estate of Kay H. Baird, Deceased; Richard A. Baird; and The Financial Source Group, Inc. are jointly and severally liable for and shall pay to the Claimants, Mitchell and Glenda Patrick, the sum of \$300,000.00 as compensatory damages;
2. In addition, Respondents Baird Management Corporation; Billie Baird, as Independent Executrix of the Estate of Kay H. Baird, Deceased; Richard A. Baird; and The Financial Source Group, Inc. are jointly and severally liable for and shall pay to the Claimants, Mitchell and Glenda Patrick, the sum of \$50,000.00 as attorneys' fees. In deciding to award attorneys' fees, the Panel considered the arguments and pleadings presented by counsel, as well as the Texas Civil Practice and Remedies Code, and determined that authority existed for an award of attorneys' fees to the Claimants;
3. Furthermore, Respondents Baird Management Corporation; Billie Baird, as Independent Executrix of the Estate of Kay H. Baird, Deceased; Richard A. Baird; and The Financial Source Group, Inc. are jointly and severally liable for and shall pay to the Claimants, Mitchell and Glenda Patrick, the sum of \$15,000.00 as costs;
4. Any additional cost of arbitration, including any additional attorneys' fees, shall be borne by the party incurring the cost; and,
5. Any and all relief not specifically addressed herein is denied.

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	= \$ 300.00
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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. Accordingly, Baird Management Corporation is a party and the following member fees are assessed:

Member surcharge	= \$ 1,700.00
Pre-hearing process fee	= \$ 750.00
Hearing process fee	= \$ 2,750.00

Forum Fees and Assessments

The Panel has assessed forum fees for each session conducted. A 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 Panel @ \$1,125.00	= \$ 1,125.00
Pre-hearing conference: February 18, 2004 1 session	
Twelve (12) Hearing sessions @ \$1,125.00	= \$13,500.00
Hearing Date: August 9, 2004 1 session	
August 10, 2004 2 sessions	
August 11, 2004 3 sessions	
August 12, 2004 2 sessions	
August 13, 2004 2 sessions	
August 14, 2004 2 sessions	
Total Forum Fees	= \$14,625.00

The Panel has assessed \$14,625.00 of the forum fees jointly and severally to Respondents Baird Management Corporation; Billie Baird, as Independent Executrix of the Estate of Kay H. Baird, Deceased; Richard A. Baird; and The Financial Source Group, Inc.

FEE SUMMARY

Claimants Mitchell and Glenda Patrick are jointly and severally liable for:

Initial Filing Fee	= \$ 300.00
Less payments	= \$ 1,425.00
Balance Refunded by NASD Dispute Resolution	= \$ 1,125.00

Respondent Baird Management Corporation is solely liable for:

Member Fees	= \$ 5,200.00
Less payments	= \$ 5,200.00
Balance Due NASD Dispute Resolution	= \$ 0.00

Respondents Baird Management Corporation; Billie Baird, as Independent Executrix of the Estate of Kay H. Baird, Deceased; Richard A. Baird; and The Financial Source Group, Inc. are jointly and severally liable for:

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NASD Dispute Resolution
Arbitration No. 03-03374
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Forum Fees	= \$14,625.00
Less payments	= \$ 0.00
Balance Due NASD Dispute Resolution	= \$14,625.00

All balances are payable to NASD Dispute Resolution and are due upon receipt pursuant to Rule 10330(g) of the Code.

ARBITRATION PANEL

Ann Blases Kimball, Esq. - Public Arbitrator, Presiding Chairperson
Michael E. Rohde, Esq. - Public Arbitrator
Peter J. Conlon, Jr. - Non-Public Arbitrator

Concurring Arbitrators' Signatures

Ann Blases Kimball
Ann Blases Kimball, Esq.
Public Arbitrator, Presiding Chairperson

Sept 17 2004
Signature Date

Michael E. Rohde, Esq.
Public Arbitrator

Signature Date

Peter J. Conlon, Jr.
Non-Public Arbitrator

Signature Date

9/15/04 Alan
Date of Service (For NASD Dispute Resolution office use only)

NASD Dispute Resolution
Arbitration No. 03-05374
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Forum Fees	= \$14,625.00
Less payments	= \$ 0.00
Balance Due NASD Dispute Resolution	= \$14,625.00

All balances are payable to NASD Dispute Resolution and are due upon receipt pursuant to Rule 10330(g) of the Code.

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Michael E. Rohde, Esq. - Public Arbitrator
Peter J. Conlon, Jr. - Non-Public Arbitrator

Concurring Arbitrators' Signatures

Ann Blaess Kimball, Esq.
Public Arbitrator, Presiding Chairperson

Signature Date



9/15/04

Michael E. Rohde, Esq.
Public Arbitrator

Signature Date

Peter J. Conlon, Jr.
Non-Public Arbitrator

Signature Date

9/15/04 Man

Date of Service (For NASD Dispute Resolution office use only)

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NASD Dispute Resolution
Arbitration No. 03-05374
Award Page 5

Forum Fees	= \$14,625.00
Less payments	= \$ 0.00
Balance Due NASD Dispute Resolution	= \$14,625.00

All balances are payable to NASD Dispute Resolution and are due upon receipt pursuant to Rule 10330(g) of the Code.

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Peter J. Conlon, Jr. - Non-Public Arbitrator

Concurring Arbitrators' Signatures

Ann Blaess Kimball, Esq.
Public Arbitrator, Presiding Chairperson

Signature Date

Michael E. Rohde, Esq.
Public Arbitrator

Signature Date


Peter J. Conlon, Jr.
Non-Public Arbitrator

1358004
Signature Date

9/15/04 Mau
Date of Service (For NASD Dispute Resolution office use only)