

AWARD
NASD Dispute Resolution

In the Matter of the Arbitration Between

Claimants

Gerald Karlen and Pamela Karlen

v.

03-06148
Denver, Colorado

Respondent

Stanford Group Company

Nature of Dispute: Customers v. Member Firm

REPRESENTATION OF PARTIES

Gerald Karlen and Pamela Karlen ("Claimants") were represented by Tracy Pride Stoneman, Esq., of Tracy Pride Stoneman, PC, Westcliffe, Colorado.

Stanford Group Company ("Respondent") was represented by James C. Ruh, Esq., of Holme Roberts & Owen, LLP, Denver, Colorado.

CASE INFORMATION

The Statement of Claim was filed on or about August 22, 2003. The Submission Agreements of Claimants were signed on or about May 30, 2003.

The Statement of Answer was filed by Respondent, Stanford Group Company, on or about November 6, 2003. The Submission Agreement of Respondent, Stanford Group Company, was signed on or about January 28, 2004.

CASE SUMMARY

Claimants asserted causes of action including the following: common law fraud, violation of state and federal securities laws, violation of the Colorado Consumer Protection Act, negligence, failure to supervise, breach of contract, and breach of fiduciary duty. The causes of action related to Claimants' allegation that Respondent failed to supervise a broker who invested Claimants in various unnamed variable annuities and aggressive telecommunication and technology stocks. Claimants alleged that these investments were unsuitable and that Respondent failed to adhere to Claimants' investment objectives or protect their principal.

Respondent denied the allegations set forth in the Statement of Claim and asserted defenses including the following: Claimants fail to state a claim upon which relief can be granted; Claimants' claims are barred, in whole or in part, by the doctrines of laches, unclean hands, and estoppel;

Claimants authorized, directed, and ratified all of the activity in their accounts; all activity in their accounts was suitable for an consistent with Claimants' stated investment objectives; the losses, if any, was sustained as result of Claimants' own negligence and/or contributory negligence; Claimants are barred from recovery because they knowingly accepted and assumed the risks of investing in the securities market; and Claimants' claims, if any, are barred by the applicable statutes of limitations.

RELIEF REQUESTED

Claimants requested an award of \$800,000 in actual damages, plus attorneys' fees, interest, costs, and any other relief the panel deemed just and appropriate.

Respondent requested that the claims asserted against it be denied in their entirety and that it be awarded its costs and attorneys' fees.

OTHER ISSUES CONSIDERED & DECIDED

The parties have agreed that the Award in this matter may be executed in counterpart copies or that a handwritten, signed Award may be entered. In either case, the parties have agreed to receive conformed copies of the award while the originals remain on file with NASD Dispute Resolution ("NASD").

AWARD

After considering the pleadings, the testimony, and the evidence presented at the hearing, the undersigned arbitrators have decided in full and final resolution of the issues submitted for determination as follows:

1. Claimants' claims, each and all, are hereby denied and dismissed with prejudice in their entirety;
2. 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; and
3. 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.

FEES

Pursuant to the Code, the following fees are assessed:

Filing Fees

NASD Dispute Resolution will retain the non-refundable filing fee for each claim:

Initial claim filing fee = \$ 375

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 person at the time of the events giving rise to the dispute. In this matter, the member firm is Stanford Group Company.

Member surcharge = \$ 2,250
Pre-hearing process fee = \$ 750
Hearing process fee = \$ 4,000

Adjournment Fees

Adjournments granted during these proceedings:

October 12-15, 2004

Adjournment jointly requested by all parties

Fee Assessed by the Panel = \$ 1,200
(1/2 to Claimants, jointly and severally, and 1/2 to Respondent, Stanford Group Company)

Three-Day Cancellation Fees

Fees apply when a hearing on the merits is postponed or settled within three business days before the start of a scheduled hearing session:

October 12-15, 2004, postponement requested by all parties = \$ 300.00

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 arbitrators, including a pre-hearing conference with the arbitrators, that lasts four (4) hours or less. Fees associated with these proceedings are:

One (1) Pre-hearing session with Panel x \$ 1,200 = \$ 1,200

Pre-hearing conference: 10/11/2004 1 session

Eight (8) Hearing sessions with Panel x \$ 1,200 = \$ 9,600

Hearing Dates:	04/18/2005	2 sessions
	04/19/2005	2 sessions
	04/20/2005	2 sessions
	04/21/2005	2 sessions

Total Forum Fees = \$ 10,800

The Arbitration Panel has assessed \$ 5,400 of the forum fees jointly and severally to Gerald Karlen and Pamela Karlen.

The Arbitration Panel has assessed \$ 5,400 of the forum fees to Stanford Group Company.

EEE SUMMARY

Claimants, Gerald Karlen and Pamela Karlen, are jointly and severally liable for:

Initial Filing Fee	= \$ 375
<u>Adjournment Fees</u>	= \$ 600
Three Day Cancellation Fees	= \$ 150
<u>Forum Fees</u>	= \$ 5,400
Total Fees	= \$ 6,525
<u>Less payments</u>	= \$ 1,575
Balance Due NASD Dispute Resolution	= \$ 4,950

Respondent, Stanford Group Company, is liable for:

Member Fees	= \$ 7,000
<u>Adjournment Fees</u>	= \$ 600
Three Day Cancellation Fees	= \$ 150
<u>Forum Fees</u>	= \$ 5,400
Total Fees	= \$ 13,150
<u>Less payments</u>	= \$ 7,000
Balance Due NASD Dispute Resolution	= \$ 6,150

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

ARBITRATION PANEL

John L. Worcester - Public Arbitrator, Presiding Chair
Charles G. Michaels, Esq. - Public Arbitrator
David G. Burlingame, Esq. - Non-Public Arbitrator

Concurring Arbitrators:

John L. Worcester
Public Arbitrator, Presiding Chair

Signature Date

Charles G. Michaels, Esq.
Public Arbitrator

Signature Date

David G. Burlingame, Esq.
Non-Public Arbitrator

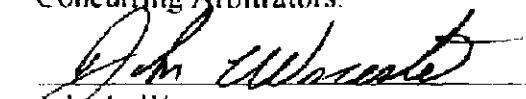
Signature Date

4/26/05
Date of Service (NASD use only)

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