

**STIPULATED AWARD
NASD Dispute Resolution**

In the Matter of the Arbitration Between

Name of Claimant

Richard A. Loving, Lyda S. Loving and Loving Living Trust Dated
10/21/98

and

04-00741
Phoenix, Arizona

Name of Respondents

RBC Dain Rauscher Inc.
Carolyn Lou Waters

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

REPRESENTATION OF PARTIES

Richard A. Loving, Lyda S. Loving and Loving Living Trust Dated 10/21/98 ("**Claimants**") were represented by William S. Bonnheim, Esq., William S. Bonnheim, PLC, Palm Desert, California.

RBC Dain Rauscher Inc. ("**Respondent RBC**") and Carolyn Lou Waters ("**Respondent Waters**") hereinafter referred to as ("**Respondents**") were represented by Candida M. Ruesga, Esq., Lewis and Roca LLP, Phoenix, Arizona.

CASE INFORMATION

The Statement of Claim was filed on or about February 5, 2004. Submission Agreement of Claimant Richard A. Loving, Lyda S. Loving and Loving Living Trust Dated 10/21/98 was signed on January 11, 2004.

Response to Statement of Claim was filed by Respondents RBC Dain Rauscher Inc. and Carolyn Lou Waters on or about September 10, 2004. Submission Agreement of Respondent RBC Dain Rauscher Inc. was signed on July 26, 2004. Submission Agreement of Respondent Carolyn Lou Waters was signed on October 18, 2004.

CASE SUMMARY

Claimants asserted the following causes of action: breach of fiduciary duty, failure to supervise, and violations of federal and state securities laws and NASD Rules of Fair Practice and NYSE Rules. Claimants alleged that Respondent Waters had made unsuitable investment recommendations. It was further alleged that Respondent RBC Dain Rauscher had failed to properly supervise Respondent Waters.

Respondents denied the allegations set forth in the Statement of Claim. Respondents specifically stated, among other things:

From the outset, Ms. Waters recommended that Claimants reallocate their portfolio to a more conservative asset allocation consisting of a larger percentage of fixed income investments. Although Mr. Loving wanted to make withdrawals, he preferred to fund those withdrawals through market gains. He did not want to miss out on the growth in the market, and was not satisfied with the returns offered by fixed income investments. Instead, Mr. Loving asked Ms. Waters to find a way to provide him with the cash distributions he needed while still allowing him to participate in the growth of the stock market. Ms. Waters explained that investing in the stock market entailed risk, and that along with the increased potential for greater returns, the Lovings would incur additional risk. The Lovings represented that they understood the risk and wanted to pursue growth nevertheless.

RELIEF REQUESTED

Claimants requested damages and recovery against Respondents, jointly and severally, as follows:

1. General and compensatory damages in an amount according to proof, but not less than \$80,000.00;
2. All profits Respondents, and each of them, generated from the accounts, in an amount according to proof but not less than the total commission and fees generated in all unsuitable transactions Respondents executed for Claimants;
3. The lost opportunity cost of what the Claimants' accounts would have earned if invested properly from the date of each purchase to the date of any arbitration award;
4. Cost of proceedings;
5. Interest at the legal rate on all sums recovered;
6. Attorneys' fees and costs; and
7. Such other and further relief as this panel deems just and appropriate.

Respondents requested that the claims asserted against them be dismissed in their entirety and that they be awarded their costs incurred in defending this matter. In addition, any reference to this matter should be expunged from Ms. Waters' record.

OTHER ISSUES CONSIDERED & DECIDED

The parties have entered into a Stipulation and request that the Arbitration Panel make the following affirmative findings:

1. On or about May 17, 2004, Claimants filed a Statement of Claim against Respondents before the Nationals Association of Securities Dealers, Inc. (NASD), Arbitration No. 04-00741 (the "Claim"), alleging that Respondents made unsuitable investment recommendations.
2. On or about September 9, 2004, Respondents answered the Statement of Claim by denying all alleged wrongdoing and liability, asserting affirmative defenses, and requesting affirmative relief in the form of expungement of Carolyn Waters' record based on the fact that the Claim is clearly erroneous, and false. Respondents attached as Exhibits to the Response documentary evidence supporting their denial of liability and request for expungement.
3. Respondents, for themselves and any of their agent or employees, deny any wrong doing. Nevertheless, Respondents and Claimants have agreed and entered into a settlement of this matter in order to avoid the expense and time to arbitrate this dispute. Nothing in the terms of the settlement is an admission of Respondents' liability or is in anyway inconsistent with this Stipulated Judgment.
4. Based on the parties' stipulation, the pleadings, and all exhibits thereto, the Panel finds Ms. Waters was not involved in any alleged

The parties have agreed that the Stipulated Award in this matter may be executed in counterpart copies or that a handwritten, signed Stipulated Award may be entered. In either case, 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 as follows:

1. Each and every claim that Claimants assert against Respondents in this matter is hereby dismissed with prejudice.
2. The Panel recommends the expungement of all reference to the above captioned arbitration from Respondent Carolyn Lou Waters' 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 Carolyn Lou Waters 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 = \$225.00

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 RBC Dain Rauscher Inc.

Member surcharge	\$	1,100.00
Pre-hearing process fee	\$	750.00
Hearing process fee	\$	1,700.00
Total Member Fees	\$	<u>3,550.00</u>

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 Panel	x	750.00	\$	750.00
November 30, 2004	1	session		
Total Forum Fees			\$	<u>750.00</u>

The Arbitration Panel has assessed \$375.00 of the forum fees to Richard A. Loving, Lyda S. Loving and Loving Living Trust Dated 10/21/98.

The Arbitration Panel has assessed \$375.00 of the forum fees jointly and severally to RBC Dain Rauscher Inc. and Carolyn Lou Waters.

Fee Summary

Claimants, Richard A. Loving, Lyda S. Loving and Loving Living Trust Dated 10/21/98 are jointly and severally liable for:

Initial Filing Fee	= \$	225.00
Retained hearing session deposit pursuant to Rule 10332(f)	= \$	375.00
<u>Forum Fees</u>	= \$	375.00
Total Fees	= \$	975.00
<u>Less payments</u>	= \$	-975.00
Balance refunded by NASD Dispute Resolution	= \$	0.00

Respondent, RBC Dain Rauscher Inc., is liable for:

Member Fees	= \$	3,550.00
Total Fees	= \$	3,550.00
<u>Less payments</u>	= \$	-3,550.00
Balance Due NASD Dispute Resolution	= \$	0.00

Respondents, RBC Dain Rauscher Inc. and Carolyn Lou Waters, are jointly and severally liable for:

<u>Forum Fees</u>	= \$	375.00
Total Fees	= \$	375.00
<u>Less payments</u>	= \$	-375.00
Balance Due NASD Dispute Resolution	= \$	0.00

All balances are due to NASD Dispute Resolution

ARBITRATION PANEL

Willy Nordwind, Jr., Esq. - Public Arbitrator, Presiding Chair
Patricia G. Parthe, Esq. - Public Arbitrator
James T. Sinyard - Non-Public Arbitrator

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Concurring Arbitrators:

Willy Nordwind

Willy Nordwind, Jr., Esq.
Public Arbitrator, Presiding Chair

March 21, 2006
Signature Date

Patricia G. Parthe, Esq.
Public Arbitrator

Signature Date

James T. Sinyard
Non-Public Arbitrator

Signature Date

3/23/06
Date of Service (For NASD office use only)

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Concurring Arbitrators:

Willy Nordwind, Jr., Esq.
Public Arbitrator, Presiding Chair

Patricia G. Parthe
Patricia G. Parthe, Esq.
Public Arbitrator

Signature Date

3/27/06
Signature Date

James T. Sinyard
Non Public Arbitrator

Signature Date

Date of Service (For NASD office use only)

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Arbitration No. 04-00741
Stipulated Award Page 6 of 6

Concurring Arbitrators:

Willy Nordwind, Jr., Esq.
Public Arbitrator, Presiding Chair

Signature Date

Patricia G. Parthe, Esq.
Public Arbitrator

Signature Date


James T. Sinyard
Non-Public Arbitrator

3/22/2006
Signature Date

Date of Service (For NASD office use only)