

**Award
NASD Dispute Resolution**

In the Matter of the Arbitration Between:

John D. Wee, Claimant v. Charles Schwab & Co., Inc., Respondent

Charles Schwab & Co., Inc., Third-Party Claimant v. John L. Wee, Third-Party Respondent

John L. Wee, Counter-Claimant v. Charles Schwab & Co., Inc., Counter-Respondent

John L. Wee, Cross-Claimant v. John D. Wee, Cross-Respondent

John D. Wee, Cross-Claimant v. Charles Schwab & Co., Inc., Cross-Respondent

Case Number: 04-07655

Hearing Site: San Francisco, California

Nature of the Dispute: Customer v. Member
Member v. Customer
Customer v. Member
Customer v. Customer
Customer v. Member

REPRESENTATION OF PARTIES

For Claimant, Cross-Respondent
and Cross-Claimant, John D. Wee:

Gary S. Fergus, Esq.
Fergus, a law firm
San Francisco, California

For Respondent, Third-Party Claimant,
Counter-Respondent and Cross-Respondent,
Charles Schwab & Co., Inc.:

Sean B. Meehan, Esq.
Charles Schwab & Co.,
Inc.
San Francisco, California

CASE INFORMATION

Statement of Claim filed: November 2, 2004

Statement of Answer of John D. Wee to Cross-Claim of John L. Wee; and Cross-Claim of John D. Wee against Charles Schwab & Co., Inc. filed: May 16, 2005

Claimant John D. Wee's Arbitration Brief filed: January 12, 2006

Claimant John D. Wee's Uniform Submission Agreement signed: October 21, 2004

Statement of Answer of Respondent Charles Schwab & Co., Inc. ("Schwab") and Third-Party Claim of Respondent Schwab against John L. Wee filed: December 27, 2004

Schwab's Uniform Submission Agreement signed: December 24, 2004

John L. Wee's Answer to Schwab's Third-Party Claim, Counterclaim against Schwab, and Cross-Claim against John D. Wee filed: March 31, 2005

CASE SUMMARY

Claimant John D. Wee alleged that he suffered damages in connection with Schwab's handling of Claimant's custodial account. John D. Wee also alleged that Schwab's conduct constituted violations of federal and state security laws including but not limited to: 1) Sections 10 and 20 of the Securities and Exchange Act of 1934, and Rules 10(b)-5 (17 C.F.R. §240.10(b)-5) and 10 (17 C.F.R. §240.10(b)-10 promulgated thereunder; 2) New York Stock Exchange Rule 405; 3) National Association of Securities Dealers ("NASD") Rules of Fair Practice and NASD Rule 2340 Customer Account Statements; 4) NASD Rule IM2310-2 Fair Dealing with Customers; 5) California statutes governing a "securities intermediary" California Commercial Code Sections 8506 and 8509; and 6) California civil code and common laws with respect to fraudulent concealment, constructive fraud, negligence, breach of contract, taking of personal property, breach of fiduciary duty, breach of the implied covenant of good faith and fair dealing and emotional distress. Claimant's dispute did not specify the securities at issue in this matter.

Schwab denied Claimant John D. Wee's allegations of wrongdoing and denied any liability to John D. Wee.

Schwab asserted a third-party claim against John D. Wee's father, John L. Wee, for breaching duties imposed on him as custodian of the custodial account and alleged that any and all damages that may be assessed in this matter should be charged against John L. Wee.

In his Answer to Schwab's Third-Party Claim, John L. Wee denied Schwab's allegations of wrongdoing and denied any liability to Schwab.

In his Counterclaim to Schwab's Third-Party Claim, John L. Wee alleged that as a result of Schwab's conduct, he suffered financial losses. John L. Wee also alleged breach of fiduciary duty, negligence, breach of contract and breach of the implied covenant of good faith and fair dealing.

John L. Wee asserted a cross-claim against John D. Wee for conversion, an accounting, and a declaration of rights and duties with respect to the subject account.

John D. Wee denied the allegations of wrongdoing in John L. Wee's Cross-Claim. Additionally, John D. Wee crossclaimed against Schwab alleging that in the event that John L. Wee is successful in his claim against John D. Wee, then John D. Wee will have suffered damages in an amount according to proof at hearing which was the result of Schwab's negligence or breach of fiduciary duty.

RELIEF REQUESTED

Claimant John D. Wee requested:

1. Compensatory financial damages in an amount according to proof, but not less than \$728,556.00 less any amounts received, plus pre and post judgment interest at the legal rate;
2. Compensatory and consequential damages for emotional distress in an amount according to proof, but not less than \$1,000,000.00;
3. Damages for breach of the implied covenant of good faith and fair dealing in an amount according to proof, but not less than \$1,000,000.00;
4. Punitive damages in an amount according to proof, but not less than \$3,000,000.00;
5. Disgorgement of all profits, fees and charges to Mr. Wee's custodial account or the Schwab One account that he was forced to open in order to gain access to his funds;
6. Costs, expenses, and disbursements in pursuing this arbitration proceeding;
7. Full reimbursement of all filing and forum fees;
8. Reasonable attorney's fees; and
9. Such other and further relief as the Panel deems just and proper.

Respondent Schwab requested:

1. Dismissal of John D. Wee's claims against Schwab in their entirety;
2. That the Panel find John L. Wee liable for any damages that Claimant may prove flowed to him from breaches by John L. Wee of California's Uniform Transfers to Minors Act;
3. Costs; and
4. Such other relief as provided by law.

John L. Wee requested:

1. That Schwab take nothing by way of the claims asserted by it in its third-party claim;
2. Compensatory damages against Schwab in an amount according to proof, but not less than \$500,000.00;
3. Compensatory damages against John D. Wee in an amount according to proof, but not less than \$500,000.00;
4. Punitive and exemplary damages against Schwab;
5. Punitive and exemplary damages against John D. Wee;
6. An accounting between John L. Wee and John D. Wee as to the funds in the subject account from the date of the transfer of said funds by Schwab to John D. Wee;
7. A declaration that the subject account is not subject to California's Uniform Transfers to Minors Act, that John L. Wee did not at any time owe any duties to John D. Wee with respect to the subject account, and that John D. Wee at no time had or has any rights or interests in the subject account;
8. Costs; and
9. Such other and further relief as the Panel deems just and proper.

Claimant John D. Wee also requested:

1. Dismissal of John L. Wee's claims against John D. Wee in their entirety;
2. That John L. Wee take nothing by way of the claims asserted against John D. Wee.
3. Compensatory, punitive and exemplary damages against Schwab in an amount according to proof;
4. A declaration that John D. Wee has established prima facie evidence of the donative intent of John L. Wee at the times property was conveyed to the custodial account; that John L. Wee has failed to rebut the prima facie evidence of donative intent; that the property in the custodial account was irrevocably transferred to John D. Wee at the time it was conveyed to the custodial account; that John D. Wee was one of two named account holders on the custodial account; that the custodial account is subject to California's Uniform Transfers to Minors Act; and that John D. Wee was entitled to control of the custodial account as of the date he reached his 18th birthday;
5. Costs, expenses, and disbursements in pursuing this arbitration proceeding including filing and forum fees; and
6. Such other and further relief as the Panel deems just and proper.

OTHER ISSUES CONSIDERED AND DECIDED

On May 16, 2005, Claimant John D. Wee and Claimant's counsel signed a Waiver Agreement expressly waiving any and all rights and benefits under California Civil Code Section 1542 and the California Ethical Standards for Neutral Arbitrators.

On May 16, 2005, Schwab's counsel signed a Waiver Agreement expressly waiving any and all rights and benefits under California Civil Code Section 1542 and the California Ethical Standards for Neutral Arbitrators.

On September 8, 2005, John L. Wee and John L. Wee's counsel signed a Waiver Agreement expressly waiving any and all rights and benefits under California Civil Code Section 1542 and the California Ethical Standards for Neutral Arbitrators.

On or about January 19, 2006, Schwab dismissed with prejudice, all claims asserted against John L. Wee.

On or about January 24, 2006, John L. Wee dismissed with prejudice, all claims asserted against Schwab. Additionally, John L. Wee withdrew without prejudice, all claims asserted against John D. Wee. Accordingly, the Panel has determined that Claimant John D. Wee's Cross-Claim against Schwab is dismissed with prejudice.

The parties agreed that the Award in this matter may be executed in counterpart copies or that a handwritten, signed Award may be entered.

AWARD

After considering the pleadings, 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. Respondent Schwab is liable for and shall pay to Claimant John D. Wee the sum of \$269,328.00 in satisfaction of Claimant John D. Wee's claims.
2. Respondent Schwab is liable for and shall pay to Claimant John D. Wee the sum of \$30,000.00 in costs.
3. Claimant John D. Wee's claim for punitive damages is denied.
4. Each party shall bear its own attorney's fees.
5. All other relief not expressly granted is denied.

FEES

Pursuant to the Code, the following fees are assessed:

Filing Fees

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

Initial claim filing fee	= \$ 600.00
Schwab's third-party claim filing fee	= \$2,500.00
John L. Wee's counterclaim/cross-claim filing fee	= \$ 300.00

Member Fees

Member fees are assessed to each member firm that is either a party in the matter or an employer of a respondent associated person at the time of the events that gave rise to the dispute, claim, or controversy. Accordingly, Schwab is a party and the following fees are assessed:

Member Surcharge	= \$3,350.00
Pre-Hearing Process Fee	= \$ 750.00
Hearing Process Fee	= \$5,500.00
Total Member Fees	= \$9,600.00

Adjournment Fees

The following adjournment fees are assessed:

The Panel granted Respondent Schwab's request to postpone the January 24–27, 2006, hearing dates and waived the \$1,200.00 postponement fee.

Forum Fees and Assessments

The Panel assessed forum fees for each session conducted or each decision rendered on a discovery-related motion on the papers. 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:

(2) Pre-hearing conference sessions with the Panel @ \$1,200.00/session = \$2,400.00

Pre-hearing conferences:	September 2, 2005	1 session
	March 6, 2006	1 session

(11) Hearing sessions @ \$1,200.00/session = \$13,200.00

Hearing Dates:	April 10, 2006	2 sessions
	April 11, 2006	2 sessions
	April 12, 2006	2 sessions
	April 13, 2006	3 sessions
	April 14, 2006	2 sessions

Total Forum Fees	= \$15,600.00
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The Panel assessed the \$15,600.00 in forum fees to Respondent Schwab.

Fee Summary

1. Claimant John D. Wee is charged with the following fees and costs:

Initial Filing Fee	= \$ 600.00
Less Payments	= \$(1,800.00)
Refund Due John D. Wee	= \$(1,200.00)

2. Respondent Schwab is charged with the following fees and costs:

Third-Party Claim Filing Fee	= \$ 2,500.00
Member Fees	= \$ 9,600.00
Forum Fees	= \$ 15,600.00
Total Fees	= \$ 27,700.00
Less Payments	= \$(13,300.00)
Balance Due NASD Dispute Resolution	= \$ 14,400.00

3. Third-Party Respondent, Counter-Claimant and Cross-Claimant John L. Wee is charged with the following fees and costs:

Counterclaim/Cross-Claim Filing Fee	= \$ 300.00
Less Payments	= \$(1,575.00)
Refund Due John L. Wee	= \$(1,275.00)

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

ARBITRATION PANEL

Allan Blau, Esq.	-	Public Arbitrator, Presiding Chair
Charles B. Stark, Jr.	-	Public Arbitrator
Richard Conlon Lehrmann	-	Non-Public Arbitrator

Concurring Arbitrators' Signatures


Allan Blau, Esq.
Chair, Public Arbitrator

5/25/06
Signature Date

Charles B. Stark, Jr.
Public Arbitrator

Signature Date

Richard Conlon Lehrmann
Non-Public Arbitrator

Signature Date

5/26/06
Date of Service

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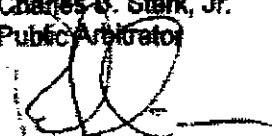
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Signature Date

5/26/06

Date of Service