

AWARD
NASD Dispute Resolution

In the Matter of the Arbitration Between

Claimants

Kathleen Davidson and Jeffrey Davidson

v.

04-08148
Minneapolis, Minnesota

Respondent

UBS Financial Services, Inc.

NATURE OF DISPUTE

Customers v. Member

REPRESENTATION OF PARTIES

Kathleen Davidson and Jeffrey Davidson ("**Claimants**") were represented by Rosalind M. Robertson, Esq., and Nicholas P. Iavarone, Esq., of Simmons Cooper, P.C., East Alton, Illinois.

UBS Financial Services, Inc. ("**Respondent**") was represented by James K. Langdon, Esq., of Dorsey & Whitney, LLP, Minneapolis, Minnesota.

CASE INFORMATION

The Statement of Claim was filed on or about November 28, 2004. The Submission Agreement of Claimant, Kathleen Davidson, was signed on or about September 7, 2004. The Submission Agreement of Claimant, Jeffrey Davidson, was signed on or about November 16, 2004.

The Statement of Answer was filed by Respondent, UBS Financial Services, Inc., on or about February 22, 2005. The Submission Agreement of Respondent, UBS Financial Services, Inc., was signed on or about February 24, 2005.

CASE SUMMARY

Claimants asserted causes of action including the following: breach of fiduciary duty, breach of contract, violation of the Securities Exchange Act of 1934, and violation of Minnesota Stat § 80A.01. Claimants alleged that Respondent through its employee, James Blake, failed to exercise reasonable diligence in managing their investments and made unsuitable recommendations to hold or acquire aggressive stocks, including Qlogic. Claimants alleged that Respondent and James Blake failed to diversify their account or

institute stop loss orders to limit the damages if the market declined. Claimants further alleged that they did not understand the concept of trading on margin, that Respondent and James Blake did not explain the risks involved and that margin trading was unsuitable given their financial objectives and experience.

Respondent denied the allegations set forth in the Statement of Claim and asserted affirmative defenses including the following: the Statement of Claim is barred by the doctrine of ratification and the statute of limitations; Claimants' causes of action are barred by the doctrines of laches, waiver and estoppel; Claimants' alleged losses were not proximately caused by any action or inaction by Respondent; Claimants expressly and implicitly represented to Respondent that they understood the risks associated with the investments made and were capable to assume those risks; the trading activity in Claimants' accounts was in accordance with Claimants' investment objectives; and Respondent breached no duties owed to Claimants and did not act in a reckless or negligent manner.

RELIEF REQUESTED

Claimants requested an award of \$673,000 in compensatory damages, plus \$2,000,000 in punitive damages, interest, costs, attorneys' fees and any other relief the panel deemed just and proper.

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

At the hearing, Claimants made a Motion to Dismiss their case. Claimants affirmatively responded that by doing so, Claimants understood they would be prohibited from filing another claim in this matter. After deliberation, the Panel granted Claimants' Motion to Dismiss and dismissed all claims asserted by Claimants in their entirety with prejudice.

At the hearing, Respondent, UBS Financial Services, Inc., requested that the panel expunge all references to the above-captioned arbitration from James Blake's registration records maintained by the NASD Central Registration Depository ("CRD"). Based on the evidence presented by the Claimants, the panel found that the claim and allegations asserted against James Blake were false and should be expunged from his CRD Record.

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, having been withdrawn, are dismissed with prejudice in their entirety;
2. The Panel recommends the expungement of all reference to the above captioned arbitration from James Blake's registration records maintained by the Central Registration Depository ("CRD"), with the understanding that pursuant to NASD Notice to Members 04-16, James Blake must obtain confirmation from a court of competent jurisdiction before the CRD will execute the expungement directive.

Unless specifically waived in writing by the NASD, parties seeking judicial confirmation of an arbitration award containing expungement relief must name NASD as an additional party and serve NASD with all appropriate documents.

Pursuant to Rule 2130, the arbitration panel has made the following affirmative finding of fact:

- The claim, allegation, or information is false.
3. 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
 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.

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 = \$ 500

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 UBS Financial Services, Inc.

Member surcharge	= \$ 2,800
Pre-hearing process fee	= \$ 750
Hearing process fee	= \$ 5,000

Adjournment Fees

Adjournments granted during these proceedings:

February 27- March 3, 2006 - Adjournment requested by Respondent	= \$ 1,200
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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:

February 27- March 3, 2006, adjournment requested Respondent (Adjournment requested February 24, 2006)	= \$ 300
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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) Decision on discovery-related motions on the papers by the Chairperson x \$200	= \$ 200
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Respondent submitted a Motion to Quash on or about October 14, 2005.

One (1) Pre-hearing session with Panel x \$ 450	= \$ 450
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Pre-hearing conference:	February 21, 2006	1 session
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Two (2) Pre-hearing sessions with Panel x \$ 1,200	= \$ 2,400
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Pre-hearing conferences:	May 16, 2005	1 session	
	February 24, 2006	1 session	
Three (3) Hearing sessions with Panel x \$ 1,200			= \$ 3,600
Hearing Dates:	June 5, 2006	2 sessions	
	June 6, 2006	1 session	
Total Forum Fees			= \$ 6,650

The Arbitration Panel has assessed \$ 2,725 of the forum fees jointly and severally to Kathleen Davidson and Jeffrey Davidson.

The Arbitration Panel has assessed \$ 3,925 of the forum fees jointly to UBS Financial Services, Inc.

FEE SUMMARY

Claimants, Kathleen Davidson and Jeffrey Davidson, are jointly and severally liable for:

Initial Filing Fee	= \$ 500
Forum Fees	= \$ 2,725
Total Fees	= \$ 3,225
Less payments	= \$ 1,700
Balance Due NASD Dispute Resolution	= \$ 1,525

Respondent, UBS Financial Services, Inc., is liable for:

Member Fees	= \$ 8,550
Adjournment Fee	= \$ 1,200
Three Day Cancellation Fee	= \$ 300
Forum Fees	= \$ 3,925
Total Fees	= \$ 13,975
Less payments	= \$ 9,300
Balance Due NASD Dispute Resolution	= \$ 4,675

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

Thomas J. Gmeinder, Esq. - Public Arbitrator, Presiding Chair
John C. DeMoss, Esq. - Public Arbitrator
John E. Sundeen - Non-Public Arbitrator

Concurring Arbitrators:

Thomas J. Gmeinder, Esq.
Public Arbitrator, Presiding Chair

Signature Date

John C. DeMoss, Esq.
Public Arbitrator

Signature Date

John E. Sundeen
Non-Public Arbitrator

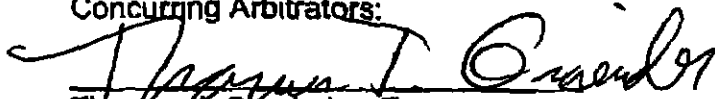
Signature Date

6/9/06
Date of Service (NASD use only)

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6/5/06

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