

AWARD
NASD Dispute Resolution

In the Matter of the Arbitration Between

Names of Claimants

Lori Alexander, as the Administratrix
of the Estate of J. Larry Alexander, and
James H. Alexander, Jr., as General Partner
of the JAS Alexander Family Limited Partnership

and

Case Number: 04-08409
Hearing Site: Houston, Texas

Name of Respondent

A.G. Edwards & Sons, Inc.

NATURE OF DISPUTE

Customers v. Member Firm

REPRESENTATION OF PARTIES

Lori Alexander, as the Administratrix of the Estate of J. Larry Alexander, and James H. Alexander, Jr., as General Partner of the JAS Alexander Family Limited Partnership ("Claimants") were represented by Leonard James Meyer, Esq., and Nelson Ebaugh, Esq., Zimmerman, Axelrad, Meyer, Stern & Wise, Houston, Texas.

A.G. Edwards & Sons, Inc. ("Respondent" or "A.G. Edwards") was represented by Michael Naccarato, Esq., A.G. Edwards & Sons, Inc., St. Louis, Missouri.

CASE INFORMATION

The Statement of Claim was filed on or about November 13, 2004. The Submission Agreement of Claimants, Lori Alexander, as the Administratrix of the Estate of J. Larry Alexander, and James H. Alexander, Jr., as General Partner of the JAS Alexander Family Limited Partnership, was signed on or about November 30, 2004. On or about April 24, 2006, Claimants filed a Response to the Motion to Dismiss.

The Statement of Answer was filed by Respondent, A.G. Edwards & Sons, Inc., on or about February 2, 2005. The Submission Agreement of Respondent, A.G. Edwards & Sons, Inc., was signed on or about February 2, 2005. On or about April 3, 2006, Respondent filed a Motion to Dismiss. At the hearing, Respondent reasserted its Motion to Dismiss at the close of the Claimants' case. This motion was carried along with the case.

CASE SUMMARY

Claimants asserted the following causes of action: suitability, breach of fiduciary duty, misrepresentations, negligence, failure to supervise and omission of facts. The causes of action related to recommendation and/or purchase of various unspecified securities and option contracts. Claimants alleged that Respondent made unsuitable recommendations for Larry Alexander, based on his lack of investment experience, and who had terminal cancer. Claimants alleged that when Larry Alexander was faced with margin calls, Respondent stated that the only course of action was to contribute more assets to the account. Claimants alleged that Respondent failed to disclose or recommend other less costly and less risky alternatives to ending margin calls. Further, it was alleged that Respondents knew that Larry Alexander never had sufficient knowledge, net worth, or income to qualify for very speculative option trading on margin, such as selling naked put options and NASDAQ 100 Index options. Claimants further alleged that Respondent's employee, Howard Tozzo, helped Larry Alexander persuade his elderly mother, Mary Alexander, to transfer assets valued at more than \$1 million from her Family Partnership account (also invested with Howard Tozzo and Respondent) into Larry's options account in order to meet margin calls and that this was a breach of Respondent's fiduciary duty it owed to Mary Alexander and the Family Partnership. Ultimately, the Family Partnership transferred 90% of its assets to Larry Alexander's options account, where very substantial losses were sustained. Also, Claimant alleged that Mr. Tozzo's affirmative investment/transfer recommendation to Mary Alexander and the Family Partnership was clearly unsuitable given the conservative investment objective of the Family Partnership account that did not include approval for options or margin trading.

Unless specifically admitted in its Answer, Respondent denied the allegations made in the Statement of Claim and asserted affirmative defenses including the following: Claimants were forwarded written confirmation statements and monthly statements reflecting activity in their accounts, and Claimants did not register timely complaints with Respondent, therefore Claimants are barred from recovering from Respondent under the Uniform Commercial Code as enacted in the State of Texas; Claimants' failure to timely object to the transactions is deemed to be a ratification, waiver, and estoppel of Claimants' right to recovery; Claimants failed to mitigate their damages; Claimant caused or contributed to cause the alleged damages of which they complain herein and thus are barred by their own contributory negligence and/or comparative fault; and the damages allegedly suffered by Claimants were caused, if at all, by unforeseeable market factors and conditions affecting the value of securities in their accounts for which Respondent is not liable or responsible. Further, Respondent maintained that they did not make any recommendations to Larry Alexander or to his mother regarding the purchase of option contracts and the suitability rule does not apply to these transactions.

RELIEF REQUESTED

Claimants requested an award in the amount of:

| | |
|-----------------------------|----------------|
| Actual/Compensatory Damages | \$1,600,000.00 |
| Attorneys' Fees | Unspecified |
| Interest | Unspecified |
| Other Costs | Unspecified |
| Other Monetary Relief | Unspecified |

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

On or about June 29, 2006, the Panel denied Respondent's Motion to Dismiss. Following the presentation of evidence, the Panel denied the Respondent's Motion To Dismiss that was reasserted at the close of the Claimants' case.

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 original(s) 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.) Respondent, A.G. Edwards & Sons, Inc., is liable for and shall pay to Claimant, James H. Alexander, Jr., as General Partner of the JAS Alexander Family Limited Partnership, the sum of \$449,603.00 in compensatory damages;
- 2.) Respondent, A.G. Edwards & Sons, Inc., is liable for and shall pay to Claimant, James H. Alexander, Jr., as General Partner of the JAS Alexander Family Limited Partnership, the sum of \$25,000.00 in costs and expert witness fees;
- 3.) Respondent, A.G. Edwards & Sons, Inc., is liable for and shall pay to Claimant, James H. Alexander, Jr., as General Partner of the JAS Alexander Family Limited Partnership, the sum of \$500.00 for the filing

fee;

- 4.) Claimant's, Lori Alexander, as the Administratrix of the Estate of J. Larry Alexander, claims are dismissed with prejudice; and
- 5.) Any relief not specifically enumerated, including punitive damages and attorneys' fees, is hereby denied with prejudice.

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 | = \$ 500.00 |
|--------------------------|-------------|

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 A.G. Edwards & Sons, Inc.

| | |
|-------------------------|---------------|
| Member surcharge | = \$ 2,800.00 |
| Pre-hearing process fee | = \$ 750.00 |
| Hearing process fee | = \$ 5,000.00 |

Forum Fees and Assessments

The Arbitration Panel assesses forum fees for each hearing session conducted or each decision rendered on a discovery-related motion on the papers. 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 motion on the papers with one (1) arbitrator @ \$200.00 | = \$ 200.00 |
| Claimant submitted one (1) discovery-related motion | |
| Two (2) Pre-hearing sessions with Panel x \$1,200.00 | = \$ 2,400.00 |
| Pre-hearing conferences: August 18, 2005 | 1 session |
| April 28, 2006 | 1 session |

Seven (7) Hearing sessions x \$1,200.00 = \$ 8,400.00

| | | |
|----------------|---------------|------------|
| Hearing Dates: | June 26, 2006 | 2 sessions |
| | June 27, 2006 | 2 sessions |
| | June 28, 2006 | 2 sessions |
| | June 29, 2006 | 1 session |

Total Forum Fees = \$ 11,000.00

The Arbitration Panel has assessed \$11,000.00 of the forum fees to A.G. Edwards & Sons, Inc.

Fee Summary

Claimants, Lori Alexander, as the Administratrix of the Estate of J. Larry Alexander, and James H. Alexander, Jr., as General Partner of the JAS Alexander Family Limited Partnership, are jointly and severally liable for:

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|-------------------------|---------------|
| Initial Filing Fee | = \$ 500.00 |
| Total Fees | = \$ 500.00 |
| Less payments | = \$ 1,700.00 |
| Refund Due to Claimants | = \$ 1,200.00 |

Respondent, A.G. Edwards & Sons, Inc., is liable for:

| | |
|-------------------------------------|---------------|
| Member Fees | = \$ 8,550.00 |
| Forum Fees | = \$11,000.00 |
| Total Fees | = \$19,550.00 |
| Less payments | = \$ 8,550.00 |
| Balance Due NASD Dispute Resolution | = \$11,000.00 |

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

ARBITRATION PANEL

Donald K. Eckhardt, Esq. - Public Arbitrator, Presiding Chair
Charles E. Munson, Jr., JD - Public Arbitrator
Maurice J. Fallas - Non-Public Arbitrator

Concurring Arbitrators:

/s/ Donald K. Eckhardt, Esq.
Donald K. Eckhardt, Esq.
Public Arbitrator, Presiding Chair

June 30, 2006
Signature Date

/s/ Charles E. Munson, Jr., JD
Charles E. Munson, Jr., JD
Public Arbitrator

June 30, 2006
Signature Date

/s/ Maurice J. Fallas
Maurice J. Fallas
Non-Public Arbitrator

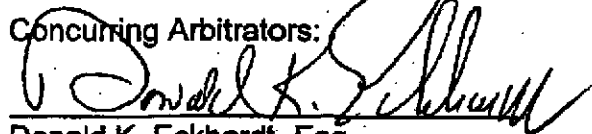
June 29, 2006
Signature Date

June 30, 2006
Date of Service (For NASD office use only)

ARBITRATION PANEL

Donald K. Eckhardt, Esq. - Public Arbitrator, Presiding Chair
Charles E. Munson, Jr., JD - Public Arbitrator
Maurice J. Fallas - Non-Public Arbitrator

Concurring Arbitrators:



Donald K. Eckhardt, Esq.
Public Arbitrator, Presiding Chair

6/30/06
Signature Date

Charles E. Munson, Jr., JD
Public Arbitrator

Signature Date

Maurice J. Fallas
Non-Public Arbitrator

Signature Date

Date of Service (For NASD office use only)

ARBITRATION PANEL

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Public Arbitrator, Presiding Chair

Signature Date

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Public Arbitrator

Signature Date

Maurice J. Fallas
Maurice J. Fallas
Non-Public Arbitrator

6/29/06
Signature Date

Date of Service (For NASD office use only)