

**Amended Award
NASD Dispute Resolution**

In the Matter of the Arbitration Between:

Names of the Claimants

Charles L. Cooper and
Mary R. Cooper

Case Number: 04-08420

Names of the Respondents

Donald W. Reinhard
Paragon Financial Group, Inc.
William Lee
Bear Stearns Securities, Corp.

Hearing Site: Tampa, Florida

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

REPRESENTATION OF PARTIES

For Charles L. Cooper ("C. Cooper") and Mary R. Cooper ("M. Cooper"), hereinafter collectively referred to as "Claimants": Shepherd D. Tate, Esq., Tate, Lazarini & Beall, LLC, Memphis, Tennessee.

Respondent Donald W. Reinhard ("Reinhard") appeared pro se.

For Respondent Paragon Financial Group, Inc. ("Paragon"): William Lee, Marietta, Georgia.

Respondent William Lee ("Lee") appeared pro se.

For Respondent Bear Stearns Securities, Corp. ("Bear Stearns"): Arthur D. Felsenfeld, Esq., Andrews Kurth, New York, New York.

CASE INFORMATION

Statement of Claim filed on or about: December 13, 2004.

Claimants signed the Uniform Submission Agreement on: December 30, 2004.

Answer and Cross-Claim of Respondent Bear Stearns filed on or about: May 10, 2005.

Respondent Bear Stearns signed the Uniform Submission Agreement on: March 30, 2005.

First Amended Statement of Claim filed by Claimant on or about: May 15, 2005.

Respondent Lee's Response to Amended Statement of Claim by Claimants and Cross Claim of Bear Stearns filed on or about: May 20, 2005.

Respondent Lee signed the Uniform Submission Agreement on: March 17, 2005.

Answer, Cross-Claim and Third Party Claim in Response to Claimants' First Amended Statement of Claim filed by Respondent Bear Stearns on or about: June 13, 2006.

Response to Third-Party Claim of Bear Stearns filed by Respondent Paragon on or about: July 8, 2005.

Motion to Dismiss filed by Respondent Reinhard on or about: August 9, 2005.
Motion to Dismiss filed by Magnolia Capital Advisors, Inc. ("Magnolia") on or about: August 9, 2005.
Claimants' Response to Motion to Dismiss filed by Respondent Reinhard on or about: September 29, 2005.
Opposition to Motion to Dismiss of Respondent Reinhard filed by Respondent Bear Stearns on or about: September 30, 2006.
Motion to Amend the Statement of Claim filed by Claimants on or about: October 6, 2005.
Second Amended Statement of Claim filed by Claimants on or about: October 6, 2005.
Motion to Dismiss filed by Respondent Reinhard on or about: October 11, 2005.
Respondent Paragon's Response to Amended Statement of Claim filed by Claimants and Cross-Claim of Bear Stearns and "Counterclaim" filed by Respondent Paragon on or about: January 3, 2006.
Answer to Claimants' Second Amended Statement of Claim, Answer to Cross-Claim of Respondent Bear Stearns and Cross-Claim Against Respondent Bear Stearns filed by Respondent Reinhard on or about: January 3, 2006.
Respondent Bear Stearns' Answer to Cross-Claim of Respondent Reinhard filed on or about: January 23, 2006.
Reply to Paragon's "Counterclaim" filed by Claimants on or about: January 23, 2006.
Motion for Sanctions Against Respondent Bear Stearns for Non-Compliance with the February 24, 2006 Order filed by Claimants on or about: March 15, 2006.
Response to Motion for Sanctions Against Respondent Bear Stearns for Non-Compliance with the February 24, 2006 Order filed by Respondent Bear Stearns on or about: March 20, 2006.
Respondent Reinhard did not submit a Statement of Answer to the Statement of Claim, as amended.
Respondents Paragon and Reinhard did not submit executed Uniformed Submission Agreements.

CASE SUMMARY

Claimants asserted the following causes of action: 1) negligence; 2) breach of fiduciary duty; 3) common law fraud; 4) fraud on the Securities Exchange Act; 5) conversion; 6) violation of the Florida Securities and Investor Protection Act § 517.301, Florida Statute; 7) gross negligence; 8) failure to supervise; and 9) breach of contract. The causes of action relate to the Claimants' investments in, including but not limited to, collateralized mortgage obligations and inverse floater collateralized mortgage obligations purchased on margin. Unless specifically admitted in its Answer, Claimants denied the allegations made in Respondent Paragon's "Counterclaim" and asserted various affirmative defenses.

Unless specifically admitted in its Answer, Respondent Bear Stearns denied the allegations made in the Statement of Claim, as amended, and asserted various affirmative defenses. Respondent Bear Stearns asserted a cause of action for indemnification in its Third Party Claim and Cross-Claim.

Unless specifically admitted in his Answer, Respondent Lee denied the allegations made in the Statement of Claim, as amended, and asserted various affirmative defenses.
Unless specifically admitted in his Answer to Respondent Bear Stearns' Cross-Claim,

Respondent Lee denied the allegations made in the Cross-Claim, and asserted various affirmative defenses.

Unless specifically admitted in its Answer, Respondent Paragon denied the allegations made in the Statement of Claim, as amended, and asserted various affirmative defenses. Unless specifically admitted in its Answer to Respondent Bear Stearns' Third Party Claim, Respondent Paragon denied the allegations made in the Third Party Claim, and asserted various affirmative defenses.

RELIEF REQUESTED

Claimants requested: 1) compensatory damages in the amount of \$900,000.00; 2) unspecified statutory damages; 3) interest; 4) unspecified appropriate returns; 5) attorneys' fees pursuant to the Florida Securities and Investor Protection Act; 6) costs, expenses and expert witness fees; 7) unspecified punitive damages; and 8) such other relief to which the Claimants may show themselves to be entitled. In its Reply to Respondent Paragon's "Counterclaim," Claimants requested: 1) that the "Counterclaim" be dismissed; 2) that the Panel award unspecified compensatory damages; 3) unspecified statutory damages; 4) interest; 5) unspecified appropriate returns; 6) attorneys' fees pursuant to the Florida Securities and Investor Protection Act; 7) costs, expenses and expert witness fees; 8) unspecified punitive damages; and 9) such other relief to which the Claimants may show themselves to be entitled.

In its Cross-Claim, Respondent Bear Stearns requested: 1) indemnification from Respondent Lee in an unspecified amount in the event that Respondent Bear Stearns is found liable to Claimants; and 2) expenses. In its Third Party Claim, Respondent Bear Stearns requested: 1) indemnification from Respondent Paragon in an unspecified amount in the event that Respondent Bear Stearns is found liable to Claimants; and 2) expenses. In its Answer to the Statement of Claim, Respondent Bear Stearns did not delineate a relief request.

In its Answer to the Statement of Claim, Respondent Paragon did not delineate a relief request. In its Answer to the Third Party Claim of Bear Stearns, Respondent Paragon requested attorneys' fee pursuant to the Florida Securities and Investor Protection Act § 517.211.

In its Answer to the Statement of Claim, Respondent Lee did not delineate a relief request. In its Answer to the Cross-Claim of Bear Stearns, Respondent Lee requested attorneys' fee pursuant to the Florida Securities and Investor Protection Act § 517.211

OTHER ISSUES CONSIDERED AND DECIDED

Respondents Reinhard and Paragon did not file with NASD Dispute Resolution properly executed Uniform Submission Agreements but are required to submit to arbitration pursuant to the NASD Code of Arbitration Procedure ("the Code") and having answered the claim are bound by the determination of the Panel on all issues submitted.

Magnolia is a non-member of NASD and did not voluntarily submit to the jurisdiction of NASD. Therefore, the Panel made no determination with respect to Magnolia.

On or about May 15, 2005, Claimants filed their Amended Statement of Claim wherein Claimants removed Respondent Paragon as a party Respondent.

On or about June 13, 2005, Respondent Bear Stearns filed its Answer, Cross-Claim and Third Party Claim in Response to Claimants' First Amended Statement of Claim. In its pleading, Respondent Bear Stearns amends and redesignates the Cross-Claim as to Respondent Paragon as a Third Party Claim.

On or about March 21, 2005, the Panel entered an order deferring the determination of sanctions as to Respondent Bear Stearns for alleged violation of the February 24, 2006 Order until the evidentiary hearing.

On or about November 17, 2005, the Panel entered an order granting Claimants' Motion to Amend the Statement of Claim.

On or about December 22, 2005, the Panel entered an order denying Respondent Reinhard's Motion to Dismiss.

On or about November 2, 2006, Respondent Reinhard withdrew his Cross-Claim filed against Respondent Bear Stearns. On or about November 2, 2006, Respondent Bear Stearns filed notice that it does not consent to the withdrawal of the Cross-Claim unless it is a dismissal with prejudice.

On or about November 3, 2006, Respondent Reinhard filed for protection under federal bankruptcy law and the claims filed against Respondent Reinhard are stayed. Therefore, the Panel made no determination with respect to the claims against Respondent Reinhard.

On or about November 15, 2006, Claimants filed their Motion for Clarification as to the disposition of their claims against Respondent Bear Stearns. On or about November 17, 2006, Claimants filed their supplement to Motion for Clarification. On or about November 20, 2006, Respondents Lee, Paragon and Bear Stearns filed their responses to Claimants' Motion for Clarification and supplement thereto. On or about November 20, 2006, the Panel entered an order on the Motion for Clarification directing the entry of an Amended Award.

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.

AWARD

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

1. Respondents Lee and Paragon are jointly and severally liable on the claims of negligence, breach of fiduciary duty and failure to supervise and shall pay to Claimants, jointly and severally, compensatory damages in the amount of \$350,000.00. All claims made by Claimants against Respondent Bear Stearns,

including, but not limited to, the specific claims of negligence, breach of fiduciary duty, common law fraud, fraud under the Securities Exchange Act, fraudulent inducement, conversion, violation of the Florida Securities and Investor Protection Act, Section 517.301, Fla. Stat., gross negligence, failure to supervise and breach of fiduciary duty are denied.

2. Respondents Lee and Paragon shall pay to Claimants, jointly and severally, interest pursuant to Florida Statute 517.211 at the prevailing Florida statutory rate beginning June 27, 2003 through payment of the Award in full.
3. Respondent Bear Stearns' Cross-Claim against Respondent Lee is denied, with prejudice.
4. Respondent Bear Stearns' Third Party Claim against Respondent Paragon is denied, with prejudice.
5. Respondent Paragon's "Counterclaim" against Claimants is denied, with prejudice.
6. Any and all claims for relief not specifically addressed herein, including Respondent Paragon's and Respondent Lee's requests for attorneys' fees pursuant to Florida Statute § 517.211, Claimants' request for punitive damages, Claimants' request for sanctions against Respondent Bear Stearns and Claimants' claim under Florida Statute § 517.301, are denied.
7. Claims as made by the parties for (a) attorneys' fees pursuant to the Florida Securities and Investor Protection Act or otherwise, (b) costs and expenses, (c) expert witness charges, and (d) punitive charges are denied. In view of the foregoing, there is no purpose to be served in the parties submitting information concerning attorneys' fees and costs.

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	= \$ 375.00
Cross-Claim filing fee	= \$ 1,250.00

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. Accordingly, Respondent Paragon is a party and was a member firm and Respondent Bear Stearns is a party and is a member firm.

Respondent Paragon is assessed the following member fees:

Member surcharge	= \$ 2,250.00
Pre-hearing process fee	= \$ 750.00

<u>Hearing process fee</u>	= \$ 4,000.00
Total Member Fees	= \$ 7,000.00

Respondent Bear Sterns is assessed the following member fees:

Member surcharge	= \$ 2,250.00
Pre-hearing process fee	= \$ 750.00
<u>Hearing process fee</u>	= \$ 4,000.00
Total Member Fees	= \$ 7,000.00

Adjournment Fees

Adjournments granted during these proceedings for which fees were assessed:

There were no adjournments requested during these proceedings for which fees were assessed.

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:

There were no three-day cancellation fees assessed during these proceedings.

Injunctive Relief Fees

Injunctive relief fees are assessed to each member or associated person who files for a temporary injunction in court. Parties in these cases are also assessed arbitrator travel expenses and costs when an arbitrator is required to travel outside his or her hearing location and additional arbitrator honoraria for the hearing for permanent injunction. These fees, except the injunctive relief surcharge, are assessed equally against each party unless otherwise directed by the Panel.

There were no injunctive relief fees assessed during these proceedings.

Forum Fees and Assessments

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

Two (2) Decisions on discovery-related motions on the papers
with One (1) arbitrator @ \$200.00 per motion = \$ 400.00
Respondent Bear Stearns submitted one (1) discovery-related motion
Claimants submitted one (1) discovery-related motion

Three (3) Pre-hearing sessions with a single arbitrator @ \$450.00/session = \$ 1,350.00
Pre-hearing conferences: December 21, 2005 1 session
February 16, 2006 1 session
February 24, 2006 1 session

Two (2) Pre-hearing sessions with Panel @ \$1,200.00/session	= \$ 2,400.00
Pre-hearing conferences: September 19, 2005	1 session
December 21, 2005	1 session

Thirteen (13) Hearing sessions @ \$1,200.00/session	= \$15,600.00
Hearing Dates: November 6, 2006	2 sessions
November 7, 2006	2 sessions
November 8, 2006	3 sessions
November 9, 2006	3 sessions
November 10, 2006	3 sessions

Total Forum Fees	= \$19,750.00
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The Panel waived the forum fee for the February 16, 2006 pre-hearing conference in the amount of \$450.00.

The Panel has assessed \$4,825.00 of the forum fees to Claimants, jointly and severally.

The Panel has assessed \$4,825.00 of the forum fees to Respondent Lee.

The Panel has assessed \$4,825.00 of the forum fees to Respondent Paragon.

The Panel has assessed \$4,825.00 of the forum fees to Respondent Bear Stearns.

Administrative Costs

Administrative costs are expenses incurred due to a request by a party for special services beyond the normal administrative services. These include, but are not limited to, additional copies of arbitrator awards, copies of audio transcripts, retrieval of documents from archives, interpreters, and security.

There were no administrative costs incurred during these proceedings.

Fee Summary

Claimants are jointly and severally liable for:

Initial Filing Fee	= \$ 375.00
Forum Fees	= \$ 4,825.00
Total Fees	= \$ 5,200.00
Less payments	= \$ 4,700.00
Balance Due NASD Dispute Resolution	= \$ 500.00

Respondent Paragon is solely liable for:

Member Fees	= \$ 7,000.00
Forum Fees	= \$ 4,825.00
Total Fees	= \$11,825.00
Less payments	= \$ 0.00
Balance Due NASD Dispute Resolution	= \$11,825.00

Respondent Bear Stearns is solely liable for:

Member Fees	= \$ 7,000.00
Cross-Claim Filing Fee	= \$ 1,250.00
Forum Fees	= \$ 4,825.00
Total Fees	= \$13,075.00
Less payments	= \$ 9,450.00
Balance Due NASD Dispute Resolution	= \$ 3,625.00

Respondent Lee is solely liable for:

Forum Fees	= \$ 4,825.00
Total Fees	= \$ 4,825.00
Less payments	= \$ 0.00
Balance Due NASD Dispute Resolution	= \$ 4,825.00

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

ARBITRATION PANEL

<i>Don Muyskens, Esq.</i>	-	<i>Public Arbitrator, Presiding Chairperson</i>
<i>John M. Tapley</i>	-	<i>Public Arbitrator</i>
<i>Robert K. MacKenzie</i>	-	<i>Non-Public Arbitrator</i>

Concurring Arbitrators' Signatures

/s/
Don Muyskens, Esq.
Public Arbitrator, Presiding Chairperson

November 21, 2006
Signature Date

/s/
John M. Tapley
Public Arbitrator

November 22, 2006
Signature Date

/s/
Robert K. MacKenzie
Non-Public Arbitrator

November 27, 2006
Signature Date

November 27, 2006

Date of Service (For NASD Dispute Resolution office use only)

Respondent Bear Stearns is solely liable for:

Member Fees	= \$ 7,000.00
Cross-Claim Filing Fee	= \$ 1,250.00
Forum Fees	= \$ 4,825.00
<u>Total Fees</u>	<u>= \$13,075.00</u>
<u>Less payments</u>	<u>= \$ 9,450.00</u>
Balance Due NASD Dispute Resolution	= \$ 3,625.00

Respondent Lee is solely liable for:

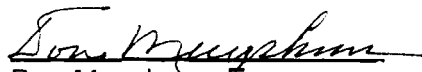
Forum Fees	= \$ 4,825.00
<u>Total Fees</u>	<u>= \$ 4,825.00</u>
<u>Less payments</u>	<u>= \$ 0.00</u>
Balance Due NASD Dispute Resolution	= \$ 4,825.00

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

ARBITRATION PANEL

<i>Don Muyskens, Esq.</i>	-	<i>Public Arbitrator, Presiding Chairperson</i>
<i>John M. Tapley</i>	-	<i>Public Arbitrator</i>
<i>Robert K. MacKenzie</i>	-	<i>Non-Public Arbitrator</i>

Concurring Arbitrators' Signatures


Don Muyskens, Esq.
Public Arbitrator, Presiding Chairperson

Nov. 21, 2006
Signature Date

John M. Tapley
Public Arbitrator

Signature Date

Robert K. MacKenzie
Non-Public Arbitrator

Signature Date

Date of Service (For NASD Dispute Resolution office use only)

Respondent Bear Stearns is solely liable for:

Member Fees	= \$ 7,000.00
Cross-Claim Filing Fee	= \$ 1,250.00
Forum Fees	= \$ 4,825.00
Total Fees	= \$13,075.00
Less payments	= \$ 9,450.00
Balance Due NASD Dispute Resolution	= \$ 3,625.00

Respondent Lee is solely liable for:

Forum Fees	= \$ 4,825.00
Total Fees	= \$ 4,825.00
Less payments	= \$ 0.00
Balance Due NASD Dispute Resolution	= \$ 4,825.00

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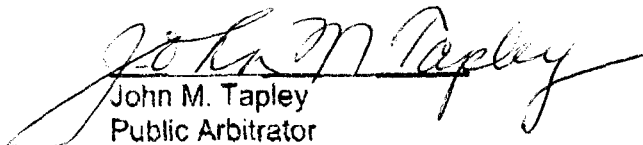
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Don Muyskens, Esq.	-	Public Arbitrator, Presiding Chairperson
John M. Tapley	-	Public Arbitrator
Robert K. MacKenzie	-	Non-Public Arbitrator

Concurring Arbitrators' Signatures

Don Muyskens, Esq.
Public Arbitrator, Presiding Chairperson

Signature Date


John M. Tapley
Public Arbitrator


Signature Date

Robert K. MacKenzie
Non-Public Arbitrator

Signature Date

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Respondent Bear Stearns is solely liable for

Member Fees	= \$ 7,000.00
Cross-Claim Filing Fee	= \$ 1,250.00
Forum Fees	= \$ 4,825.00
Total Fees	= \$13,075.00
Less payments	= \$ 9,450.00
Balance Due NASD Dispute Resolution	= \$ 3,625.00

Respondent Lee is solely liable for:

Forum Fees	= \$ 4,825.00
Total Fees	= \$ 4,825.00
Less payments	= \$ 0.00
Balance Due NASD Dispute Resolution	= \$ 4,825.00

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

ARBITRATION PANEL

Don Muyskens, Esq.	-	Public Arbitrator, Presiding Chairperson
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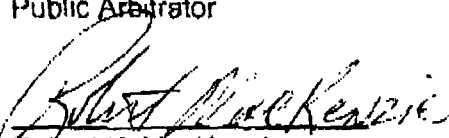
Concurring Arbitrators' Signatures

Don Muyskens, Esq.
Public Arbitrator, Presiding Chairperson

Signature Date

John M. Tapley
Public Arbitrator

Signature Date


Robert K. MacKenzie
Non-Public Arbitrator

11-27-06
Signature Date

Date of Service (For NASD Dispute Resolution office use only)