

Award
NASD Dispute Resolution

In the Matter of the Arbitration Between:

Name of the Claimants

John H. and Gay L. Morris;
John H. Morris, IRA; and,
Bonnie J. Webb, Individually
and on behalf of her IRA

Case Number: 05-01481

Name of the Respondent

Edward D. Jones & Co.

Hearing Site: Dallas, Texas

NATURE OF THE DISPUTE

Customers vs. Member Firm

REPRESENTATION OF PARTIES

Claimants John H. and Gay L. Morris ("Morris"); John H. Morris, IRA ("Morris, IRA"); and, Bonnie J. Webb ("Webb"), hereinafter collectively referred to as "Claimants": Dennis H. Taylor, Esq. of the Firm of Shepherd, Smith & Edwards, L.L.P., located in Houston, Texas.

Respondent Edward D. Jones & Co., hereinafter referred to as "Respondent": Jonathan A. Pace, Esq. of the firm of Pace & Pace, L.L.P., located in Dallas, Texas.

CASE INFORMATION

Statement of Claim filed: March 21, 2005.

Claimant Morris signed the Uniform Submission Agreement: March 7, 2005.

Claimant Morris, IRA signed the Uniform Submission Agreement: March 7, 2005.

Claimant Webb signed the Uniform Submission Agreement: March 4, 2005.

Statement of Answer filed by Respondent on: May 15, 2005.

Respondent signed the Uniform Submission Agreement: March 3, 2005.

Respondent's Motion to Sever filed on: May 12, 2005.

Claimants' Response to Respondent's Motion to Sever filed on: June 1, 2005.

Respondent's Motion to Strike filed on: November 8, 2005.

Claimants' Response Opposing Respondent's Motion to Strike filed on: November 21, 2005.

Claimants' Pre-Hearing Memorandum of Law filed on: January 17, 2006.

Respondent's Pre-Trial Brief filed on: January 16, 2006.

Claimants' Supplemental Brief filed on: March 10, 2006.

Respondent's Supplemental Brief filed on: March 13, 2006.

CASE SUMMARY

Claimants asserted the following causes of action: breach of contract and warranties; violation of the Texas Securities Act; intentional and negligent misrepresentation; unjust enrichment; breach of fiduciary duty; negligent supervision and control person liability under the Texas Securities Act. These causes of action related to allegations that Respondent and its agents depositing the Claimants' retirement savings into aggressive, unsuitable mutual funds that quickly lost value and were recommended because Respondent received extra undisclosed compensation for recommending these funds.

Unless specifically admitted in its Answer, Respondent denied the allegations made in the Statement of Claim and asserted the following defenses;

1. Claimants have failed to state a claim upon which relief can be granted;
2. Claimants' contributory negligence bars recovery against Respondent;
3. Claimants are guilty of laches in failing to reverse the transactions complained of or complaining in a timely fashion or, in the alternative, selling their shares immediately;
4. Claimants have ratified the transactions because with full knowledge of the transactions, they failed to timely complain and reverse any of the transactions;
5. Claimants are estopped by their conduct from complaining about the transactions at issue;
6. Claimants by their conduct have waived any claims they may have;
7. Claimants have failed to mitigate their damages and are barred from collecting damages, if any, at this time;
8. Claimants assumed the risk of the investments they made through Respondent;
9. Respondent is not liable to Claimants in any amount because, at all times relevant herein, Respondent acted in good faith and in a commercially reasonable manner with respect to Claimants' accounts;
10. Claimants are barred by the applicable Statute of Limitations;
11. All transactions upon which the Statement of Claim is based were conducted in accordance with all applicable industry rules and regulations;
12. The alleged damages sustained by Claimants were the result of market forces and/or their own negligence and not the result of any act or omission by the Respondent; and,
13. Claimants' request for attorneys' fees or costs should not be granted because the claims lack merit, or, in the alternative, that the cause of action alleged do not provide for an award of attorneys' fees.

RELIEF REQUESTED

Claimants requested:

Compensatory Damages	\$500,00.00
Punitive Damages	As the Panel deemed appropriate
Interest	Pre- and post judgment interest at the maximum rate allowed by applicable law
Attorneys' Fees	Computed at the maximum rate allowed by law
Other Costs	Computed at the maximum rate allowed by law
Other Monetary/Non-Monetary Relief if any:	As may be granted by the Panel.

Respondent requested that the Panel dismiss the Statement of Claim and award reasonable attorneys' fees to Respondent.

OTHER ISSUES CONSIDERED AND DECIDED

At a pre-hearing held on September 14, 2005, the full Panel considered Respondent's Motion to Sever, Claimants' Reply and the arguments of counsel. The Panel ruled that the Motion to Sever was granted, but that the Panel would retain jurisdiction of both the Morris claim and the Webb Claim, and that there would be separate hearings held back to back.

On January 27, 2006, the Panel determined that Respondent's Motion to Strike References to a Settlement was granted.

At the conclusion of the hearing, Respondent presented a Motion to Dismiss based upon the Statute of Limitations. The Panel requested Post-Hearing Briefs to consider in resolving the issue. The Panel has found that the claims were filed within the 5-year Statute of Limitations and that the Motion was denied.

AWARD

After considering the pleadings, the 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 Edward D. Jones & Co. is liable for and shall pay to the Claimants, John H. and Gay L. Morris, the sum of \$104,280.43 as compensatory damages, which includes a sum of interest at the rate of 5% per annum accruing from June 1, 2000 until July 31, 2002;

2. In addition, Respondent Edward D. Jones & Co. is liable for and shall pay to the Claimants, John H. and Gay L. Morris, the sum of \$50,000.00 as attorneys' fees, plus the amount of \$14,573.00 as interest, for a total sum of \$64,573.00. In deciding to award attorneys' fees and interest, the Panel considered the arguments of counsel, as well as the pleadings filed on the parties behalf, and determined that authority existed for an award of attorneys' fees to these Claimants;
3. Respondent Edward D. Jones & Co. is liable for and shall pay to Claimant, Bonnie J. Webb, Individually and on behalf of her IRA, the sum of \$34,426.00 as compensatory damages, which includes interest at the rate of 5% per annum accruing from May 1, 2000 until January 31, 2002;
4. Respondent Edward D. Jones & Co. is liable for and shall pay to Claimant, Bonnie J. Webb, Individually and on behalf of her IRA, the sum of \$13,770.00 as attorneys' fees, plus the amount of \$5,222.00 as interest, for a total sum of \$18,992.00. In deciding to award attorneys' fees and interest, the Panel considered the arguments of counsel, as well as the pleadings filed on the parties behalf, and determined that authority existed for an award of attorneys' fees to these Claimants;
5. The parties shall each bear any additional costs of arbitration, including any additional attorneys' fees, except for those sums specifically enumerated in this decision; and,
6. Any and all relief not specifically addressed herein, including punitive damages, is denied.

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	= \$ 300.00
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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, Edward D. Jones & Co. is a party and the following member fees are assessed:

Member surcharge	= \$ 1,700.00
Pre-hearing process fee	= \$ 750.00
Hearing process fee	= \$ 2,750.00

Adjournment Fees

Adjournments granted during these proceedings for which fees were assessed: None.

Forum Fees and Assessments

The Panel has assessed forum fees for each session conducted. 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:

Three (3) Pre-hearing sessions with a single arbitrator @ \$450.00	= \$ 1,350.00
Pre-hearing conferences:	
December 1, 2005	1 session
January 16, 2006	1 session
January 20, 2006	1 session

Two (2) Pre-hearing session with Panel @ \$1,125.00	= \$ 2,250.00
Pre-hearing conference:	
September 8, 2005	1 session
September 14, 2005	1 session

Five (5) Hearing sessions @ \$1,125.00	= \$ 5,625.00
Hearing Dates:	
February 14, 2006	2 sessions
February 15, 2006	1 session
February 16, 2006	2 sessions

Total Forum Fees	= \$ 9,225.00
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The Panel has assessed \$9,225.00 of the forum fees to Respondent Edward D. Jones & Co.

FEE SUMMARY

Claimants John H. and Gay L. Morris, John H. Morris, IRA and Bonnie J. Webb are jointly and severally liable for:

Initial Filing Fee	= \$ 300.00
<u>Less payments</u>	= \$ 1,425.00
Balance Refunded by NASD Dispute Resolution	= \$ 1,125.00

Respondent Edward D. Jones & Co. is solely liable for:

Member Fees	= \$ 5,200.00
<u>Forum Fees</u>	= \$ 9,225.00
Total Fees	= \$14,425.00
<u>Less payments</u>	= \$ 5,200.00
Balance Due NASD Dispute Resolution	= \$ 9,225.00

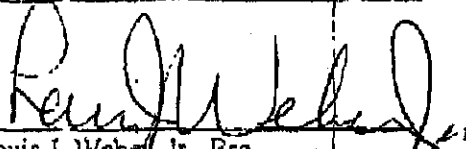
All balances are payable to NASD Dispute Resolution and are due upon receipt pursuant to Rule 10330(g) of the Code.

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ARBITRATION PANEL

Louis J. Weber, Jr., Esq. - Public Arbitrator, Presiding Chairperson
Donna Ross Philip, Esq. - Public Arbitrator
Robert C. Denenberg - Non-Public Arbitrator

Concurring Arbitrators' Signatures


Louis J. Weber, Jr., Esq.
Public Arbitrator, Presiding Chairperson

4/11/06
Signature Date

Donna Ross Philip, Esq.
Public Arbitrator

Signature Date

Robert C. Denenberg
Non-Public Arbitrator

Signature Date

4/12/06 
Date of Service (For NASD Dispute Resolution office use only)

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