

AWARD
NASD Dispute Resolution

In the Matter of the Arbitration Between

Names of Claimants

Joanne Montgomery Moore,
Sherry Montgomery Semrad,
Individually and as Co-Executors of
The Estate of William S. Montgomery

and

Case Number: 05-03586
Hearing Site: Houston, Texas

Names of Respondents

Prudential Equity Group, Wachovia Securities, LLC,
Wachovia Securities Financial Network
Prudential Financial, Inc., Wachovia Corporation
and Edward Thomas Dold

NATURE OF DISPUTE

Customers v. Member Firms, Non-Members and Associated Person

REPRESENTATION OF PARTIES

Joanne Montgomery Moore, Sherry Montgomery Semrad, Individually and as Co-Executors of The Estate of William S. Montgomery ("**Claimants**") were represented by Jack C. Nickens, Esq. and Paul Flack, Esq., Nickens, Keeton, Lawless, Farrell & Flack, Houston, Texas.

Prudential Equity Group ("**Prudential Equity Group**"), Wachovia Securities, LLC ("**Wachovia Securities**"), Wachovia Securities Financial Network ("**Wachovia Financial Network**"), Prudential Financial, Inc. ("**Prudential Financial**"), Wachovia Corporation ("**Wachovia Corporation**") were represented by Andrew F. Spaulding, Esq., Bracewell & Guiliani, LLP, Houston, Texas.

Edward Thomas Dold ("**Dold**") did not make an appearance.

CASE INFORMATION

The Statement of Claim was filed on or about July 13, 2005. The Submission Agreement of Claimants, Joanne Montgomery Moore, Sherry Montgomery Semrad, Individually and as

Co-Executors of The Estate of William S. Montgomery, was signed on or about July 7, 2005.

A Statement of Answer was filed jointly by Respondents, Prudential Equity Group, Wachovia Securities, LLC, Wachovia Securities Financial Network, Prudential Financial, Inc., and Wachovia Corporation on or about October 10, 2005.

CASE SUMMARY

Claimants asserted the following causes of action: negligence, failure to supervise, negligent misrepresentation, gross negligence, fraud, conspiracy, securities fraud, suitability, Texas Deceptive Trade Practices Act, breach of contract, breach of fiduciary duty, and intentional infliction of emotional distress. The causes of action related to the recommendation and purchase in LW Inc. Claimants alleged that Respondents transferred Claimants' funds into a fraudulent investment product called "LW Inc." Claimants alleged that Dold repeatedly and fraudulently represented that LW Inc. was a "Long-Term Unit Trust," a "G/Set Combo Offering," "tax-free and transferable upon death," a "sinking fund" that contained "debt reduction bonds and short-term interest that fluctuated, maturing every two or three years," "a pooled account," and a "tax-managed sinking fund." Claimants alleged that Dold's misrepresentations were made both orally and in writing on Prudential and Wachovia letterhead and account statements.

Claimants alleged that all of Respondent Dold's representations were false and later discovered that LW Inc. was nothing more than a bank account at Wells Fargo into which Respondents' victims' funds were deposited. Claimants alleged that no investments were made for the benefit of the victims. Claimants alleged that the bulk of the funds in the account was used for Dold's benefit, although some funds deposited by later victims were used to pay apparent returns to earlier customers, in the classic "Ponzi" scheme. In 2004, the federal authorities began investigating Dold's conduct. Dold was indicted, pled guilty and is currently serving a sentence in federal prison.

Unless specifically admitted in their Answer, Respondents, Prudential Equity Group, Wachovia Securities, LLC, Wachovia Securities Financial Network, Prudential Financial, Inc., and Wachovia Corporation, denied the allegations made in the Statement of Claim and asserted affirmative defenses including the following: Claimants are barred, in whole or in part, by the applicable statute of limitations; Claimants' claim are barred, in whole or in part, because any damages suffered by Claimants were caused by other factors and circumstances unrelated to any alleged wrongful acts or omissions by Respondents; Claimants' claims are barred, in whole or in part, because Respondents cannot be held vicariously responsible for the alleged actions of Respondent Dold; and Claimants' claims are barred, in whole or in part, by the doctrines of laches.

RELIEF REQUESTED

Claimants requested an award in the amount of:

Actual/Compensatory Damages	\$2,000,000.00
Punitive/Exemplary Damages	\$6,000,000.00
Treble Damages	\$4,000,000.00
Interest	Unspecified
Attorneys' Fees	Unspecified
Other Costs	Unspecified
Other Monetary Relief	Unspecified

Respondents requested that the claims asserted against them be denied in their entirety and that they be awarded their costs and attorneys' fees.

OTHER ISSUES CONSIDERED & DECIDED

Upon review of the file and the representations made by/on behalf of the Claimants, the undersigned arbitrators have determined that Respondent, Edward Thomas Dold, has been properly served with the Statement of Claim pursuant to Rule 10302 and Rule 10314 of the NASD Code of Arbitration Procedure (the "Code"). The undersigned arbitrators have also determined that Respondent, Edward Thomas Dold, had received due notice of the hearing as required under Rule 10315 of the Code and that arbitration of the matter would proceed pursuant to Rule 10318 of the Code.

Respondents, Prudential Equity Group, Wachovia Securities, LLC, Wachovia Securities Financial Network, Prudential Financial, Inc., and Wachovia Corporation, did not file with the NASD Dispute Resolution properly executed submissions to arbitration but are required to submit to arbitration pursuant to Rule 10301 of the NASD Code of Arbitration Procedure (the "Code") and having answered the claim, appeared and testified at the hearing are bound by the determination of the arbitration panel on all issues submitted.

Respondent, Edward Thomas Dold, did not file with the NASD Dispute Resolution a properly executed submission to arbitration but is required to submit to arbitration pursuant to Rule 10301 of the NASD Code of Arbitration Procedure (the "Code") and having appeared for and testified at an in-person deposition is bound by the determination of the arbitration panel on all issues submitted.

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.) Respondents, Prudential Equity Group, Wachovia Securities, LLC, Wachovia Securities Financial Network, Prudential Financial, Inc., Wachovia Corporation, and Edward Thomas Dold, are jointly and severally liable for and shall pay to Claimants, Joanne Montgomery Moore, Sherry Montgomery Semrad, individually and as co-executors of The Estate of William S. Montgomery, the sum of \$1,628,000.00 in compensatory damages;
- 2.) Respondents, Prudential Equity Group, Wachovia Securities, LLC, Wachovia Securities Financial Network, Prudential Financial, Inc., Wachovia Corporation, and Edward Thomas Dold, are jointly and severally liable for and shall pay to Claimants; Joanne Montgomery Moore, Sherry Montgomery Semrad, individually and as co-executors of The Estate of William S. Montgomery, the sum of \$392,000.00 in punitive damages;
- 3.) Respondents, Prudential Equity Group, Wachovia Securities, LLC, Wachovia Securities Financial Network, Prudential Financial, Inc., Wachovia Corporation, and Edward Thomas Dold, are jointly and severally liable for and shall pay to Claimants, Joanne Montgomery Moore, Sherry Montgomery Semrad, individually and as co-executors of The Estate of William S. Montgomery, the sum of \$600.00 in costs; and
- 4.) Any relief not specifically enumerated, including 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	= \$ 600.00
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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 firms that employed the associated persons at the time of the events giving rise to the dispute. In this matter, the member firms are Prudential Equity Group, Wachovia Securities, LLC, and Wachovia Securities Financial Network.

Member surcharge	= \$ 3,750.00
Pre-hearing process fee	= \$ 750.00
Hearing process fee	= \$ 5,500.00

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 motions on the papers with one (1) arbitrator @ \$200.00	= \$ 200.00
Claimants submitted one (1) discovery-related motion	
Respondents submitted one (1) discovery-related motion	
One (1) Pre-hearing session with a single arbitrator x \$450.00	= \$ 450.00
Pre-hearing conference: December 29, 2005 1 session	
One (1) Pre-hearing session with Panel x \$1,200.00	= \$ 1,200.00
Pre-hearing conference: May 3, 2006 1 session	
Nine (9) Hearing sessions x \$1,200.00	= \$10,800.00
Hearing Dates: May 15, 2006 2 sessions	
May 16, 2006 2 sessions	
May 17, 2006 2 sessions	
May 18, 2006 2 sessions	
May 19, 2006 1 session	
Total Forum Fees	= \$12,650.00

The Arbitration Panel has assessed \$12,650.00 of the forum fees jointly and severally to Prudential Equity Group, Wachovia Securities, LLC, Wachovia Securities Financial Network Prudential Financial, Inc., Wachovia Corporation and Edward Thomas Dold.

Fee Summary

Claimants, Joanne Montgomery Moore, Sherry Montgomery Semrad, Individually and as Co-Executors of The Estate of William S. Montgomery, are jointly and severally liable for:

<u>Initial Filing Fee</u>	= \$ 600.00
<u>Total Fees</u>	= \$ 600.00
<u>Less payments</u>	= \$ 1,800.00
<u>Refund Due to Claimants</u>	= \$ 1,200.00

Respondent, Prudential Equity Group, is liable for:

<u>Member Fees</u>	= \$10,000.00
<u>Total Fees</u>	= \$10,000.00
<u>Less payments</u>	= \$10,000.00
<u>Balance Due NASD Dispute Resolution</u>	= \$ 0.00

Respondent, Wachovia Securities, LLC, is liable for:

<u>Member Fees</u>	= \$10,000.00
<u>Total Fees</u>	= \$10,000.00
<u>Less payments</u>	= \$ 9,500.00
<u>Balance Due NASD Dispute Resolution</u>	= \$ 500.00

Respondent, Wachovia Securities Financial Network, is liable for:

<u>Member Fees</u>	= \$10,000.00
<u>Total Fees</u>	= \$10,000.00
<u>Less payments</u>	= \$ 4,500.00
<u>Balance Due NASD Dispute Resolution</u>	= \$ 5,500.00

Respondents, Prudential Equity Group, Wachovia Securities, LLC, Wachovia Securities Financial Network, Prudential Financial, Inc., Wachovia Corporation and Edward Thomas Dold, are jointly and severally liable for:

<u>Forum Fees</u>	= \$12,650.00
<u>Total Fees</u>	= \$12,650.00
<u>Less payments</u>	= \$ 4,500.00
<u>Balance Due NASD Dispute Resolution</u>	= \$ 8,150.00

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

ARBITRATION PANEL

James Mervin Benson, Jr., Esq., - Public Arbitrator, Presiding Chair
Richard Paul Bianchi - Public Arbitrator
Nick Sacaris - Non-Public Arbitrator

Concurring Arbitrators:

/s/ James Mervin Benson, Jr., Esq.
James Mervin Benson, Jr., Esq.,
Public Arbitrator, Presiding Chair

May 23, 2006
Signature Date

/s/ Richard Paul Bianchi
Richard Paul Bianchi
Public Arbitrator

May 23, 2006
Signature Date

/s/ Nick Sacaris
Nick Sacaris
Non-Public Arbitrator

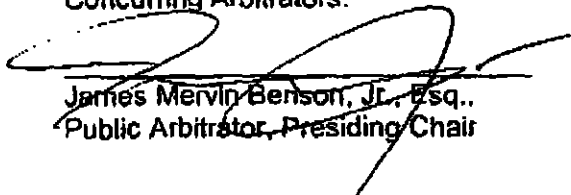
May 23, 2006
Signature Date

May 23, 2006
Date of Service (For NASD office use only)

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James Mervin Benson, Jr., Esq., - Public Arbitrator, Presiding Chair
Richard Paul Bianchi - Public Arbitrator
Nick Sacaris - Non-Public Arbitrator

Concurring Arbitrators:


James Mervin Benson, Jr., Esq.,
Public Arbitrator, Presiding Chair

5.23.06
Signature Date

Richard Paul Bianchi
Public Arbitrator

Signature Date

Nick Sacaris
Non-Public Arbitrator

Signature Date

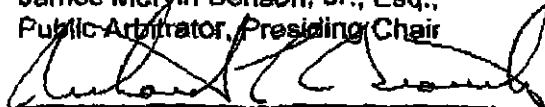
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Public Arbitrator, Presiding Chair



Richard Paul Bianchi
Public Arbitrator

Signature Date

5-23-06

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Non-Public Arbitrator

Signature Date

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Signature Date

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