

AWARD
NASD Dispute Resolution

In the Matter of the Arbitration Between

Names of Claimants

Stewart K. and Betty Jeanne Cayton

and

Case Number: 05-04500
Hearing Site: Houston, Texas

Names of Respondents

Edward D. Jones & Co. and
Gary Bailey

NATURE OF DISPUTE

Customers v. Member Firm and Associated Person

REPRESENTATION OF PARTIES

Stewart K. and Betty Jeanne Cayton ("**Claimants**") of Lake Charles, Louisiana appeared *pro se*.

Edward D. Jones & Co. ("**Edward D. Jones**") and Gary Bailey ("**Bailey**"), hereinafter collectively referred to as "Respondents," were represented by Richard C. Szuch, Esq., Bressler, Amery & Ross, P.C., Florham Park, New Jersey.

CASE INFORMATION

The Statement of Claim was filed on or about August 29, 2005. The Submission Agreement of Claimants, Stewart K. and Betty Jeanne Cayton, was signed on or about July 21, 2005. Claimants filed a Response to the Motion to Dismiss on or about May 2, 2006.

The Statement of Answer and Motion to Dismiss were filed jointly by Respondents, Edward D. Jones & Co. and Gary Bailey, on or about March 15, 2006. The Submission Agreement of Respondent, Edward D. Jones & Co., was signed on or about March 13, 2006. The Submission Agreement of Respondent, Gary Bailey, was signed on or about March 16, 2006.

CASE SUMMARY

Claimants asserted the following causes of action: misrepresentation, omission, failure to supervise, and indemnification. The causes of action related to the tax implication of

purchasing two annuities, from the same company, in the same year. Claimant alleged that Respondents did not inform them that purchasing two or more annuities from the same company in the same year invoked application of the Internal Revenue Service ("IRS") "Aggregation" rule, in which multiple annuity contracts are treated as a single contract. Claimants alleged that they purchased two annuity contracts, liquidated one, and then unknown to them, this invoked the Aggregation rule, where the IRS imposed a tax on unrealized capital gains tied to the contract they held, notwithstanding the contract they liquidated had unrealized capital losses. Claimants asserted that had they known of this Aggregation rule, they would not have sold either annuity and would have opted instead to take a second mortgage to raise capital.

Unless specifically admitted in their Answer, Respondents denied the allegations made in the Statement of Claim and asserted affirmative defenses including the following: Claimants failed to state a claim upon which relief can be granted; Claimants' claims are barred by the application of the principles of waiver, laches, estoppel and ratification; the damages claimed by Claimants were not caused by or related to any alleged conduct or activity attributable to Respondents; the damages claimed by Claimants are barred or limited by operation of applicable statutes of limitations; the damages claimed by Claimants are barred or limited because Claimants were contributory negligent and assumed the risks involved; and the damages claimed by Claimants are barred or limited by applicable provisions, restrictions, and limitations in the account agreements and documentation relating to Claimants' account.

RELIEF REQUESTED

Claimants requested an award in the amount of:

Actual/Compensatory Damages	\$23,000.00
Punitive/Exemplary Damages	\$ 7,000.00
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. In addition, Respondents requested that the Panel order all references to this claim be expunged from Mr. Bailey's CRD record.

OTHER ISSUES CONSIDERED & DECIDED

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.) Claimants' claims, each and all, are hereby dismissed with prejudice;
- 2.) Respondent, Gary Bailey's, request for expungement is denied. The Panel declined to make any affirmative recommendation to expunge this complaint from the broker's record;
- 3.) Other than Forum Fees which are specified below, the parties shall each bear their own costs and expenses incurred in this matter; and
- 4.) 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 = \$ 300.00

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 persons at the time of the events giving rise to the dispute. In this matter, the member firm is Edward D. Jones & Co.

Member surcharge = \$ 600.00
Pre-hearing process fee = \$ 750.00
Hearing process fee = \$ 1,000.00

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) Pre-hearing session with Panel x \$450.00	= \$ 450.00
Pre-hearing conference: May 19, 2006 1 session	
Two (2) Hearing sessions x \$450.00	= \$ 900.00
Hearing Date: August 15, 2006 2 sessions	
Total Forum Fees	= \$ 1,350.00

The Arbitration Panel has assessed \$675.00 of the forum fees jointly and severally to Stewart K. and Betty Jeanne Cayton.

The Arbitration Panel has assessed \$675.00 of the forum fees jointly and severally to Edward D. Jones & Co. and Gary Bailey.

Fee Summary

Claimants, Stewart K. and Betty Jeanne Cayton, are jointly and severally liable for:

Initial Filing Fee	= \$ 150.00
Forum Fees	= \$ 675.00
Total Fees	= \$ 825.00
Less payments	= \$ 700.00
Balance Due NASD Dispute Resolution	= \$ 125.00

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

Member Fees	= \$ 2,350.00
Total Fees	= \$ 2,350.00
Less payments	= \$ 2,350.00
Balance Due NASD Dispute Resolution	= \$ 0.00

Respondents, Edward D. Jones & Co. and Gary Bailey, are jointly and severally liable for:

Forum Fees	= \$ 675.00
Total Fees	= \$ 675.00
Less payments	= \$ 0.00
Balance Due NASD Dispute Resolution	= \$ 675.00

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

ARBITRATOR

Patricia R. Lykos, Esq. - Public Arbitrator, Presiding Chair

Arbitrator's Signature:

/s/ Patricia R. Lykos, Esq.
Patricia R. Lykos, Esq.
Public Arbitrator, Presiding Chair

August 16, 2006
Signature Date

August 17, 2006
Date of Service (For NASD office use only)

Balance Due NASD Dispute Resolution


= \$ 675.00

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

ARBITRATOR

Patricia R. Lykos, Esq. - Public Arbitrator, Presiding Chair

Arbitrator's Signature:


Patricia R. Lykos, Esq.
Public Arbitrator, Presiding Chair


Signature Date

Date of Service (For NASD office use only)