

**Award
NASD Dispute Resolution**

In the Matter of the Arbitration Between:

Name of the Claimant
Charles Schwab & Co., Inc.

Case Number: 06-00947

Names of the Respondents
Raymond, James & Associates, Inc.
John K. Bahr

Hearing Site: Raleigh, North Carolina

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

REPRESENTATION OF PARTIES

For Charles Schwab & Co, Inc., hereinafter referred to as "Claimant": Douglas R. Jennings, Esq., Carlile Patchen & Murphy LLP, Columbus, Ohio. On or about July 5, 2006, Douglas R. Jennings, Esq. withdrew as counsel. On or about June 28, 2006, James P. McLaughlin, Jr., Esq., Moore & Van Allen PLLC, Charlotte, North Carolina, appeared as counsel.

For Raymond, James & Associates, Inc., ("RJA") and John K. Bahr ("Bahr"), hereinafter collectively referred to as "Respondents": Scott T. Beall, Esq., Tate, Lazarini & Beall, PLC, Memphis, Tennessee. On or about March 23, 2006, Scott T. Beall, Esq. withdrew as counsel. On or about March 23, 2006, M. Todd Sullivan, Esq., Womble Carlyle Sandridge & Rice PLLC, Raleigh, North Carolina, appeared as counsel.

CASE INFORMATION

Statement of Claim filed on or about: February 23, 2006.
Amended Statement of Claim deemed filed on or about: September 21, 2006.
Claimant signed the Uniform Submission Agreement: February 23, 2006.
Statement of Answer and Affirmative Defenses filed by Respondents on or about: April 25, 2006.
Respondent RJA signed the Uniform Submission Agreement: April 25, 2006.
Respondent Bahr signed the Uniform Submission Agreement: April 25, 2006.
Answer and Affirmative Defenses to Amended Statement of Claim filed by Respondents on or about: September 24, 2006.

CASE SUMMARY

Claimant asserted the following causes of action: 1) civil conspiracy; 2) breach of contract; 3) tortious interference with employment contract by Respondent RJA; 4) tortious interference with customer contracts; 5) breach of fiduciary duty; 6) misappropriation of trade secrets; 7) conversion; 8) violation of the North Carolina Unfair and Deceptive Trade Practices Act; and 9) common law fraud. The causes of action relate to Respondent Bahr's employment with Claimant and Respondent RJA.

Unless specifically admitted in their Answer, Respondents denied the allegations made in the Statement of Claim and asserted various affirmative defenses.

RELIEF REQUESTED

Claimant requested: 1) an injunction enjoining Respondents to return to Claimant all computer disks, documents or other materials relating to Claimant's confidential information, including those relating to its business, its customers, or its other proprietary information; 2) an injunction enjoining Respondents from misappropriating or making any use whatsoever of any of Claimant's trade secrets and proprietary information (including solicitation of or doing business with Claimant's customers whose records were taken) for the period that the trade secrets and proprietary information exist, plus an additional period necessary to eliminate Respondents' unjust and inequitable advantage arising from its misappropriation, not to be less than three years; 3) unspecified compensatory damages; 3) treble damages pursuant to N.C. Gen. Stat. Section 75-16.1 and N.C. Gen. Stat. Section 66-154(d); 4) punitive damages; 5) attorneys' fees pursuant to N.C. Gen. Stat. Section 75-16.1 and Section 66-154(d); 6) costs and forum fees; and 7) such other relief the Panel deemed just and proper.

Respondents requested: 1) that the Panel find in favor of Respondents; 2) that Claimant have and recover nothing from Respondents; 3) taxing of Respondents' attorneys' fees and expenses to Claimant pursuant to N.C. Gen. Stat. Section 75-16.1, N.C. Gen. Stat. Section 66-154 and N.C. Gen. Stat. Section 1D-45 in the amount of \$200,853.30; and 4) such other and further relief the Panel deemed just and proper.

OTHER ISSUES CONSIDERED AND DECIDED

On or about February 24, 2006, the United States District Court for the Middle District of Florida in Charles Schwab & Co., Inc. v. John K. Bahr (Civil Action No. 1:06CV175) entered a temporary restraining order. On or about August 28, 2006, the Panel approved the parties' agreement that the temporary restraining order should be in full force and effect until the final evidentiary hearing.

On or about August 8, 2006, Claimant filed a proposed Amended Statement of Claim. On or about September 21, 2006, the Panel granted leave and approved the filing of Claimant's proposed Amended Statement of Claim. On or about September 22, 2006, the Panel conducted a telephonic pre-hearing conference with the parties. Claimant orally severed Mark Brackett as a party from and prior to service of the Amended Statement of Claim. The Panel approved Claimant's severance and the Panel made no determination at the evidentiary hearing with respect to the Amended Statement of Claim as to Mark Brackett. Additionally, the parties agreed that Respondents' Statement of Answer to Amended Statement of Claim would be filed by September 25, 2006 and the Panel approved the parties' agreement.

On or about August 14, 2006, Claimant filed its motion to adjourn the evidentiary hearing scheduled for August 21 – 23, 2006. On or about August 15, 2006, Respondents filed their opposition to Claimant's motion. On or about August 17, 2006, the Panel granted the motion. Upon conclusion of the evidentiary hearing, the Panel

assessed the adjournment fee in the amount of \$1,000.00 as follows: \$500.00 to Claimant and \$500.00 to Respondent RJA.

On or about September 20, 2006, Claimant filed its Motion to Compel. Claimant requested that the Panel order Respondents to produce the information requested in Claimant's Second Request and the Panel's Order dated August 30, 2006 or, in the alternative, that the Panel prohibit Respondents from putting on any evidence to contest Claimant's damages calculations. In addition, Claimant requested that Respondents be barred from offering any testimony related to all issues about which Respondents have refused to produce evidence in response to Claimant's Second Request and the Panel's Order dated August 30, 2006. At the evidentiary hearing, the Panel denied the motion.

On or about September 22, 2006, Respondents filed their Motion for Clarification of the Panel's Order dated September 21, 2006. On or about September 22, 2006, Claimant filed its Response to Respondent's Motion for Clarification. On or about September 22, 2006, Respondents filed their Reply in Support of Motion for Clarification. On or about September 22, 2006, Claimant filed its Sur-Reply to Motion for Clarification. On or about September 22, 2006, the Panel conducted a telephonic pre-hearing conference with the parties and disposed of Respondent's Motion for Clarification.

On or about September 18, 2006, Respondents filed their Motion to Exclude or Limit Testimony and Motion to Dismiss. On or about September 20, 2006, Claimant filed its Replies to Motion to Exclude and Motion to Dismiss. At the evidentiary hearing, the Panel denied both motions.

On or about October 3, 2006, Respondents filed their Motion for Leave to File Limited Post-Hearing Legal Memoranda. On or about October 3, 2006, Claimant filed its Response and Opposition to Respondents' Motion for Leave. On or about October 4, 2006, the Panel denied Respondents' Motion for Leave.

At the evidentiary hearing, the parties retained a court reporter for the purpose of recording the official record of the evidentiary hearing. The parties agreed to split the costs for making and filing an original transcript of the evidentiary hearing with NASD Dispute Resolution. The Panel approved the parties' agreement to make the transcript the official record and accepted the parties' agreement to file the original transcript with NASD Dispute Resolution.

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, and the post-hearing submissions, the Panel has decided in full and final resolution of the issues submitted for determination as follows:

1. The Panel awards Claimant compensatory damages in the total amount of \$550,000.00 which is allocated as follows:

- a. Respondents are jointly and severally liable and shall pay to Claimant \$100,000.00 in compensatory damages.
 - b. Respondent RJA is solely liable and shall pay to Claimant \$450,000.00 in compensatory damages.
2. Claimant's requests for punitive damages, treble damages, costs and attorneys' fees are denied.
3. Respondents' requests for costs and attorneys' fees are denied.
4. On or about February 24, 2006, the United States District Court for the Middle District of Florida in Charles Schwab & Co., Inc. v. John K. Bahr (Civil Action No. 1:06CV175) entered a temporary restraining order. On or about August 28, 2006, the Panel approved the parties' agreement that the temporary restraining order should remain in full force and effect until the final evidentiary hearing. The Panel determined that the temporary restraining order shall remain in full force and effect until August 14, 2007 upon which time the temporary restraining order shall expire. The Panel denies an award of permanent injunctive relief.
5. Any and all claims for relief not specifically addressed herein 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	= \$ 500.00
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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(s) that employed the associated person(s) at the time of the event(s) giving rise to the dispute. Accordingly, Claimant and Respondent RJA are parties and member firms.

Member surcharge	= \$1,500.00
Pre-hearing process fee	= \$ 750.00
Hearing process fee	= \$2,200.00

Adjournment Fees

Adjournments granted during these proceedings for which fees were assessed:

August 21 – 23, 2006, adjournment by Claimant	= \$1,000.00
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The Panel assessed \$500.00 of the adjournment fee to Claimant and \$500.00 of the adjournment fee to Respondent RJA.

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.

Injunctive relief surcharge = \$2,500.00

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 arbitrator(s), including a pre-hearing conference with the arbitrator(s), 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
Claimant submitted (1) discovery-related motion

One (1) Pre-hearing session with a single arbitrator @ \$450.00/session = \$ 450.00
Pre-hearing conference: March 10, 2006 1 session

Five (5) Pre-hearing sessions with Panel @ \$1,000.00/session = \$5,000.00
Pre-hearing conferences: March 13, 2006 1 session
June 26, 2006 1 session
August 17, 2006 1 session
September 21, 2006 1 session
September 22, 2006 1 session

Twelve (12) Hearing sessions @ \$1,000.00/session = \$12,000.00
Hearing Dates: September 25, 2006 2 sessions
September 26, 2006 3 sessions
September 27, 2006 3 sessions
September 28, 2006 2 sessions
September 29, 2006 2 sessions

Total Forum Fees = \$17,650.00

The Panel has assessed \$8,825.00 of the forum fees to Claimant.
The Panel has assessed \$8,825.00 of the forum fees to Respondent RJA.

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 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

Claimant is solely liable for:

Initial Filing Fee	= \$ 500.00
Member Fees	= \$ 4,450.00
Injunctive Relief Fees	= \$ 2,500.00
Adjournment Fee	= \$ 500.00
Forum Fees	= \$ 8,825.00
Total Fees	= \$16,775.00
Less payments	= \$ 8,450.00
Balance Due NASD Dispute Resolution	= \$ 8,325.00

Respondent RJA is solely liable for:

Member Fees	= \$ 4,450.00
Adjournment Fee	= \$ 500.00
Forum Fees	= \$ 8,825.00
Total Fees	= \$13,775.00
Less payments	= \$ 4,600.00
Balance Due NASD Dispute Resolution	= \$ 9,175.00

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

ARBITRATION PANEL

Charles S. Clayton - Public Arbitrator, Presiding Chairperson
John Russell Barlow, II, Esq. - Public Arbitrator
Sandra J. Bakalus - Non-Public Arbitrator

Concurring Arbitrators' Signatures

/s/
Charles S. Clayton
Public Arbitrator, Presiding Chairperson

October 16, 2006
Signature Date

/s/
John Russell Barlow, II, Esq.
Public Arbitrator

October 14, 2006
Signature Date

/s/
Sandra J. Bakalus
Non-Public Arbitrator

October 16, 2006
Signature Date

October 18, 2006
Date of Service (For NASD Dispute Resolution use only)

Oct. 16, 2006, 11:20 AM
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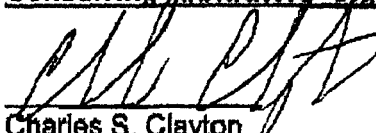
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Concurring Arbitrators' Signatures


 Charles S. Clayton
 Public Arbitrator, Presiding Chairperson


 Signature Date

John Russell Barlow, II, Esq.
 Public Arbitrator

Signature Date

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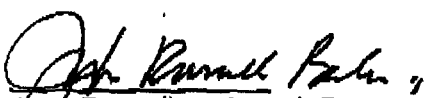
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Charles S. Clayton
Public Arbitrator, Presiding Chairperson

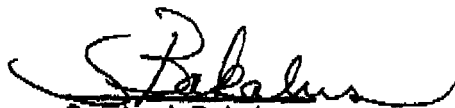

John Russell Barlow, II, Esq.
Public Arbitrator

Signature Date

10/14/06
Signature Date

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Sandra J. Bakalus
Non-Public Arbitrator

Signature Date



Date of Service (For NASD Dispute Resolution use only)