

**AWARD
FINRA Dispute Resolution**

In the Matter of the Arbitration Between:

Name of the Claimant

Case Number: 06-02977

Rayna Brown

Name of the Respondents

Hearing Site: Los Angeles, California

J.P. Morgan Securities Inc., PFG Distribution
Company, and John A. Anderson, Jr.

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

REPRESENTATION OF PARTIES

Claimant, Rayna Brown, hereinafter referred to as "Claimant": Montgomery G. Griffin, Esq., Law Offices of Montgomery G. Griffin, Newport Beach, California

Respondents, J.P. Morgan Securities Inc., PFG Distribution Company, and John A. Anderson, Jr., hereinafter collectively referred to as "Respondents": Robert J. Stumpf, Esq., Sheppard Mullin Richter & Hampton LLP, San Francisco, California

CASE INFORMATION

Statement of Claim filed: June 20, 2006

Amended Statement of Claim filed: February 21, 2007

Claimant's Uniform Submission Agreement signed: July 7, 2006

Initial Statement of Answer filed by Respondent J.P. Morgan Securities Inc.:
February 5, 2007

Amended Statement of Answer filed by Respondent J.P. Morgan Securities Inc.:
March 5, 2007

Joint Statement of Answer to Claimant's Amended Statement of Claim filed by
Respondents PFG Distribution Company and John Anderson: April 12, 2007

Respondent J.P. Morgan Securities Inc.'s Uniform Submission Agreement signed:
May 2, 2007

Respondent PFG Distribution Company's Uniform Submission Agreement signed:
May 2, 2007

Respondent John A. Anderson, Jr.'s Uniform Submission Agreement signed:
April 30, 2007

CASE SUMMARY

On November 22, 2006, Claimant dismissed Respondent PFG Distribution Company without prejudice.

On February 21, 2007, Claimant filed an Amended Statement of Claim pursuant to the NASD Code of Arbitration Procedure Rule 10328(a) (see footnote1). The Amended Statement of Claim added John A. Anderson as a Respondent, renamed PFG Distribution Company as a party, included additional causes of action, and requested further relief.

Both Claimant's Initial and Amended Statements of Claim alleged breach of fiduciary duty, violation of industry standards, unsuitable investments, switching, and failure to supervise. Claimant's Amended Statement of Claim alleged additional causes of action for fraud and churning. Claimant's allegations partially relate to Respondents' alleged failure to diversify her accounts by allegedly advising Claimant to invest most of her funds in: 1) Technology stocks such as Digital Impact, Be Free, Onvia, Landacorp, Etimum, Cais Internet, Vignette, Marimba, Liberate Technologies, Rhythms Netconnections, and Viryanet; and 2) in B shares of such mutual funds as the Munder Future Technology Fund, the Putnam New Opportunities Fund, and the Flag Investors Communications Fund. Claimant's causes of action also rest on the alleged advice of Respondents that Claimant sell her Hartford and Phoenix Annuities and replace them with a new annuity purchased through Nationwide Life Insurance.

J.P. Morgan Inc.'s Initial and Amended Statements of Answer and PFG Distribution Company and John A. Anderson, Jr.'s Statement of Answer (hereinafter "Respondents' Statements of Answer") each denied the allegations of wrongdoing set forth in Claimant's Statements of Claim.

RELIEF REQUESTED

Claimant's Initial Statement of Claim requested the following relief against J.P. Morgan

1 On July 30, 2007, NASD consolidated with the member regulation, enforcement, and arbitration operations of the NYSE forming FINRA (the Financial Industry Regulatory Authority). The NASD Code of Arbitration Procedure continues to govern all arbitration cases at this time.

Securities Inc.:

- 1) Out of pocket costs in an amount of not less than \$600,000.00;
- 2) An additional amount equal to what would have been the return on Claimant's investment in a suitable portfolio;
- 3) Excess commissions, fees, and other costs to Claimant associated with said Respondent's recommendation to Claimant to purchase B shares.

Claimant's Initial Statement of Claim requested the following relief against Respondents J.P. Morgan Securities Inc. and PFG Distribution Company, jointly:

- 1) Gross commission paid to Respondents of at least \$30,333.00 on the annuity switch;
- 2) The difference in the value between the untouched annuities and the actual value of the Nationwide annuity;
- 3) The decline in value of the Hartford annuity of at least \$49,000.00;
- 4) Exemplary damages; and,
- 5) Costs, including attorney's fees.

Claimant's Amended Statement of Claim requested additional relief of simple interest at the rate of 10% annually on losses of approximately \$680,000.00.

Respondents' Statements of Answer requested dismissal of Claimant's Statements of Claim in their entirety.

OTHER ISSUES CONSIDERED AND DECIDED

On June 14, 2007, Respondents filed a Motion to Dismiss. Claimant filed her Opposition on August 1, 2007, and on August 7, 2007 Respondents filed a Reply. After due deliberation, the Panel denied the Motion to Dismiss without prejudice to Respondents' renewal the motion at conclusion of the hearing.

On November 15, 2007, Respondents PFG Distribution Company and John A. Anderson, Jr. filed a Motion to Dismiss. On December 11, 2007 a pre-hearing conference was held in order to determine whether or not, in view of the Panel's September 7th Order, the Panel should hold a pre-hearing conference on this new Motion to Dismiss. After due deliberation, the Panel denied Respondents PFG Distribution Company and John A. Anderson, Jr.'s request for a pre-hearing conference on their Motion to Dismiss without prejudice to renew the motion at conclusion of the hearing.

At the commencement of the hearing, Claimant dismissed with prejudice Respondents PFG Distribution Company and John A. Anderson, Jr.

During the hearing, Respondent John A. Anderson, Jr. made a motion for the expungement of all reference to the above captioned arbitration from his registration

records maintained by the Central Registration Depository. Claimant did not oppose the request. After due deliberation, the Panel granted Respondent John A. Anderson's Jr.'s motion for expungement.

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, 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) Respondent J.P. Morgan Securities Inc. is liable to and shall pay Claimant the sum of \$99,963.00.
- 2) The Panel recommends the expungement of all reference to the above captioned arbitration from Respondent John A. Anderson, Jr.'s registration records maintained by the Central Registration Depository ("CRD"), with the understanding that pursuant to Notice to Members 04-16, Respondent John A. Anderson, Jr. must obtain confirmation from a court of competent jurisdiction before the CRD will execute the expungement directive.

Unless specifically waived in writing by FINRA, parties seeking judicial confirmation of an arbitration award containing expungement relief must name FINRA as an additional party and serve FINRA with all appropriate documents.

Pursuant to Rule 2130, the Arbitration Panel has made the following affirmative finding of fact: The claim is clearly erroneous with respect to Respondent John A. Anderson, Jr. Mr. Anderson did not initiate the annuity switch and all material details and risks were disclosed to Claimant.

- 3) Each party shall bear their own costs, including attorneys' fees.
- 4) All other relief requested and not expressly granted is denied.

FEES

Pursuant to the Code, the following fees are assessed:

Filing Fees

FINRA Dispute Resolution received or will collect the non-refundable filing fees for each claim as follows:

Initial claim filing fee = \$ 375.00

Member Fees

Member fees are assessed to each member firm that is either a party in the matter or an employer of a respondent associated person at the time of the events that gave rise to the dispute, claim, or controversy. Accordingly, J.P. Morgan Securities Inc. and PFG Distribution Company are parties and the following fees are assessed to each:

Member fees assessed to J.P. Morgan Securities Inc.:

Member Surcharge	= \$ 2,250.00
Pre-Hearing Process Fee	= \$ 750.00
<u>Hearing Process Fee</u>	<u>= \$ 4,000.00</u>
Total Member Fees	= \$ 7,000.00

Member fees assessed to PFG Distribution Company:

Member Surcharge	= \$ 2,250.00
Pre-Hearing Process Fee	= \$ 750.00
<u>Hearing Process Fee</u>	<u>= \$ 4,000.00</u>
Total Member Fees	= \$ 7,000.00

Forum Fees and Assessments

The Panel 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:

Three (3) Pre-hearing conference session with the Panel
@ \$1,200.00/session = \$ 3,600.00

Pre-hearing conferences:	June 18, 2007	1 session
	September 7, 2007	1 session
	December 11, 2007	1 session

Twelve (12) Hearing sessions @ \$1,200.00/session = \$14,400.00

Hearing Dates:	January 28, 2008	2 sessions
	January 29, 2008	2 sessions
	January 30, 2008	2 sessions
	January 31, 2008	2 sessions

February 1, 2008	1 session
February 15, 2008	2 sessions
March 4, 2008	1 session

Total Forum Fees = **\$18,000.00**

- 1) The Panel assessed \$600.00 of the forum fees to Claimant.
- 2) The Panel assessed \$17,400.00 of the forum fees to Respondent J.P. Morgan Securities Inc.

Administrative Costs

Administrative costs are expenses incurred because a party requested additional services beyond the normal administrative services. These additional services include, but are not limited to, additional copies of arbitrator awards, copies of audio transcripts, retrieval of documents from archives, interpreters, security, and sundry other requests.

Claimant requested seven (7) audio tapes
@ \$15.00: = \$ 105.00

Claimant requested sixteen (16) audio tapes
@ \$15.00: = \$ 240.00

Fee Summary

1. Claimant, Rayna Brown, is liable for:

Initial Filing Fee	= \$	375.00
	= \$	600.00
<u>Administrative Fees</u>	= \$	<u>105.00</u>
<u>Total Fees</u>	= \$	<u>1,080.00</u>
<u>Less Payments</u>	= \$	<u>(1,575.00)</u>
Refund Due from FINRA Dispute Resolution	= \$	(495.00)

2. Respondent, J.P. Morgan Securities Inc., is liable for:

Member Fees	= \$	7,000.00
<u>Forum Fees</u>	= \$	<u>17,400.00</u>
<u>Total Fees</u>	= \$	<u>24,400.00</u>
<u>Less Payments</u>	= \$	<u>(11,750.00)</u>
Balance Due FINRA Dispute Resolution	= \$	12,650.00

2. Respondent PFG Distribution Company is liable for:

Member Fees	= \$	7,000.00
<u>Less Payments</u>	= \$	<u>(7,000.00)</u>
Balance Due FINRA Dispute Resolution	= \$	0.00

2. Respondents J.P. Morgan Inc., PFG Distribution Company, and John A. Anderson Jr. are jointly and severally liable for:

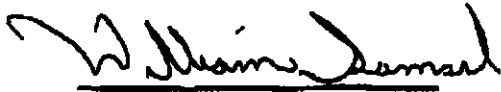
Administrative Fees	= \$	240.00
<u>Less Payment by J.P. Morgan Inc.</u>	= \$	<u>(240.00)</u>
Balance Due FINRA Dispute Resolution	= \$	0.00

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

ARBITRATION PANEL

William M. Samsel	-	Public Arbitrator, Presiding Chair
Isidro Berkman	-	Public Arbitrator
Richard C. Lehmann	-	Non-Public Arbitrator

Concurring Arbitrators' Signatures



William M. Samsel
Chair, Public Arbitrator

3/7/08

Signature Date

Isidro Berkman
Public Arbitrator

Signature Date

Richard C. Lehmann
Non-Public Arbitrator

Signature Date

3/7/08

Date of Service (For FINRA Dispute Resolution use only)

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William M. Samsel	-	Public Arbitrator, Presiding Chair
Iekro Berkman	-	Public Arbitrator
Richard C. Lehmann	-	Non-Public Arbitrator

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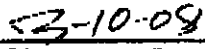
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Signature Date



Isidoro Berkman
Public Arbitrator



Signature Date

Richard C. Lehrmann
Non-Public Arbitrator

Signature Date

3/13/08
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