

Award
NASD Dispute Resolution

In the Matter of the Arbitration Between:

Matthew J. Otchy, Delores Russo, Mary Hern, and Gerard H. Killenberger, (Claimants) vs.
Polaris Financial Services, Inc. and H.D. Vest Investment Securities, Inc., (Respondents) vs. Jack
A. Moloney (Third-Party Respondent)

Case Number: 01-02688

Hearing Site: New York, New York

REPRESENTATION OF PARTIES

Claimants, Matthew J. Otchy ("Otchy"), Delores Russo ("Russo"), Mary Hern ("Hern"), and
Gerard H. Killenberger ("Killenberger"), hereinafter collectively referred to as "Claimants": Kalju
Nekvasil, Esq., Goodman & Nekvasil, P.A., Clearwater, FL.

Respondent, Polaris Financial Services, Inc. ("Polaris"): Matthew Tracy, Esq., Winget,
Spadafora & Schwartzberg, LLP, New York, NY.

Respondent, H.D. Vest Investment Securities, Inc. ("Vest"): Robert P. Oliver, Esq., Kessler &
Collins, Dallas, TX.

Third-Party Respondent, Jack A. Moloney ("Moloney"), did not make an appearance in this
matter.

CASE INFORMATION

Statement of Claim filed on or about: May 21, 2001.

Amended Statement of Claim filed on or about: December 10, 2001.

Otchy signed the Uniform Submission Agreement: August 27, 2001.

Russo signed the Uniform Submission Agreement: August 23, 2001.

Hern signed the Uniform Submission Agreement: August 27, 2001.

Killenberger signed the Uniform Submission Agreement: June 27, 2001.

Statement of Answer filed by Polaris on or about: November 13, 2001.

Statement of Answer to Amended Statement of Claim and Third-Party Claim filed by Polaris
on or about: February 7, 2002.

Polaris did not sign a Uniform Submission Agreement.

Statement of Answer, Crossclaim, and Third-Party Claim filed by Vest on or about:
November 12, 2001.

Amended Statement of Answer, Crossclaim, and Third-Party Claim filed by Vest on or about:
November 15, 2001.

Vest signed the Uniform Submission Agreement: October 23, 2001.

Vest signed the Revised Uniform Submission Agreement: May 10, 2002.

Moloney did not file a Statement of Answer or sign a Uniform Submission Agreement.

CASE SUMMARY

Claimants asserted the following causes of action: violations of the NASD Rules of Fair Practice; violations of federal securities laws; common law fraud; violations of the New Jersey Uniform Securities Law; breach of contract; breach of fiduciary duty; negligence; and gross negligence. Claimants' claims involved investments in the promissory notes of Ameritech Petroleum, Inc. and Red Bank Petroleum, Inc.

Unless specifically admitted in its Answers, Polaris denied the allegations made in the Statement of Claim and Amended Statement of Claim and asserted the following defenses: Polaris did not guarantee the Claimants' return on any investments; Claimants contributed to and/or assumed the risk of their alleged losses; any losses that Claimants sustained resulted solely from the vagaries and volatilities of the securities markets, and not from any purported wrongdoing by Polaris; Polaris fully complied with all applicable rules and regulations regarding the supervision of Moloney; Claimants' investment portfolio must be considered in its entirety, and not just with respect to selected investments with which they might be unhappy; any recovery should be offset by the amount of tax credits and deductions available to Claimants based on the subject investments; Claimants' claims are barred by the doctrines of estoppel, waiver, ratification, and laches; Claimants have failed to mitigate their alleged damages; Claimants' claims are time-barred by virtue of the expiration of the applicable Federal and state statutes of limitations; Claimants have approved, authorized, and ratified the acts complained of and, accordingly, are precluded from asserting claims based on the decisions as a basis for recovery; Claimants' Statement of Claim fails to state a claim as against Polaris upon which relief may be granted; and Claimants' damages, if any, were caused by third parties over whom Polaris did not exercise authority or control.

In its Third-Party Claim, Polaris asserted the following causes of action: indemnification and/or contribution.

Unless specifically admitted in its Answers, Vest denied the allegations made in the Statement of Claim and Amended Statement of Claim and asserted the following defenses: at all times material hereto, Claimants were knowledgeable investors and knew that they either had no account with Vest, or at least no account with Vest identifying any relation between Vest and the investment complained of, that the investment was not being offered through Vest, and that Moloney was acting as a representative of Red Bank or some other third party; Claimants have waived their claims and/or ratified the actions of which they complain by failing to bring any of the complained actions to the attention of Vest or in any way communicating with Vest about their investment in Red Bank; the damages suffered by Claimants, if any, have no causal relationship with any acts committed by or legally attributable to Vest; Vest has acted in compliance with all applicable rules and regulations and in good faith; Vest specifically denies any liability under the doctrine of respondeat superior, as Moloney was acting outside the course and scope of his affiliation with Vest and Claimants were possessed of sufficient facts to eliminate any apparent authority of Moloney; if Claimants have suffered any damages, any such damages were caused or contributed to by Claimants' failure to mitigate damages; to the extent Claimants have suffered any damages, any recovery should be offset by the amount of tax credits and deductions available to Claimants based on the subject investments; Claimants were specifically advised of all risks involved with their investments; Vest acted in good faith and did not directly or indirectly induce the alleged act or acts constituting the alleged violations or causes of action; Vest had no duty to protect those Claimants who had no account with Vest and were not Vest's customers; Claimants' claims are barred by expiration of the applicable Federal and state statutes of limitation; to the extent Claimants assert that Vest is secondarily liable for the actions of Moloney on theories of respondeat superior and agency, Claimants have failed to state a claim upon which relief can be granted since such theories of liability have been rejected by the Third Circuit in the context advanced; the Panel hearing this matter is not empowered to award punitive damages; punitive damages, even if awardable, are not warranted by the facts of this case; and to the extent that the Panel may find Claimants' allegations to be true, Red Bank and its affiliates and officers are non-parties at fault.

In its Crossclaim and Third-Party Claim, Vest asserted the following causes of action: indemnification and/or contribution.

RELIEF REQUESTED

Claimants requested actual damages in the amount of \$169,575.01 and rescission, together with benefit of the bargain damages, lost opportunity costs, model portfolio damages, prejudgment interest, attorneys' fees, costs, punitive damages, and such other relief as is deemed necessary and proper.

In its Answer, Polaris requested an Award: (1) dismissing the Statement of Claim; (2) granting it costs, including attorneys' fees; and (3) granting such other and further relief as the Panel deems just and appropriate.

In its Third-Party Claim against Moloney, Polaris requested indemnity, either in whole or in part, and an Award over and against Moloney in the amount of any Award or judgement against Polaris.

In its Answer, Crossclaim, and Third-Party Claim, Vest requested that the Panel dismiss Claimants' claims in full and award to Vest the reasonable attorneys' fees and costs incurred in defending this action, and that Vest have any and all further relief for which Vest may show itself to be justly entitled including, without limitation, a judgement against Polaris and/or Moloney for indemnification and/or contribution.

OTHER ISSUES CONSIDERED AND DECIDED

Upon review of the file and the representations made on behalf of Polaris and Vest, the undersigned arbitrators (the "Panel") determined that Moloney has been properly served with the Third-Party Claim and received due notice of the hearing, and that arbitration of the matter would proceed without Moloney present, in accordance with the NASD Code of Arbitration Procedure (the "Code").

Polaris and Vest did not file with NASD Dispute Resolution properly executed submissions to arbitration but are required to submit to arbitration pursuant to the Code and are bound by the determination of the Panel on all issues submitted.

By letter dated November 1, 2002, Claimants' counsel advised NASD Dispute Resolution that Claimants Otchy and Killenberger had entered into settlement agreements with Respondent Polaris.

By letter dated May 16, 2002, Vest withdrew its Third-Party Claim against Moloney.

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. Claimants' claims are hereby dismissed in their entirety.
It was clear based on Otchy's tax return that he purchased the promissory notes from both Hern and Russo, and had taken a tax loss on his tax return for those notes. That being the case, Hern and Russo were not damaged and had no claim.
2. Polaris' Third-Party Claim is hereby dismissed in its entirety.
3. Vest's Crossclaim is hereby dismissed in its entirety.
4. All other requests for relief are hereby 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
Third-Party Claim filing fee (Polaris)	= \$ 1,000.00
Crossclaim filing fee (Vest)	= \$ 1,000.00

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, Polaris Financial Services, Inc. and H.D. Vest Investment Securities, Inc. are parties.

Polaris Financial Services, Inc.

Member surcharge	= \$ 1,500.00
Pre-hearing process fee	= \$ 600.00
Hearing process fee	= \$ 2,500.00

H.D. Vest Investment Securities, Inc.

Member surcharge	= \$ 1,500.00
Pre-hearing process fee	= \$ 600.00
Hearing process fee	= \$ 2,500.00

Forum Fees and Assessments

The 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 a single arbitrator x \$450.00	= \$ 450.00
Pre-hearing conference: November 1, 2002 1 session	
Two (2) Pre-hearing sessions with Panel x \$1,125.00	= \$ 2,250.00
Pre-hearing conferences: May 30, 2002 1 session	
November 15, 2002 1 session	
Ten (10) Hearing sessions x \$1,125.00	= \$11,250.00
Hearing Dates: November 4, 2002 2 sessions	
November 5, 2002 2 sessions	
November 12, 2002 2 sessions	
November 13, 2002 2 sessions	
December 6, 2002 2 sessions	
Total Forum Fees	= \$13,950.00

The Panel has assessed all of the forum fees against Vest.

Administrative Costs

Administrative costs are expenses incurred due to a request by a party for special services including, but not limited to, additional copies of arbitrator awards beyond those provided without charge, copies of audio transcripts, retrieval of documents from archives, interpreters, and security.

1. Claimants, requested tapes, \$180.00.
2. Vest, requested tapes, \$255.00.

Fee Summary

1. Claimants are jointly and severally liable for:	
Initial Filing Fee	= \$ 300.00
Administrative Costs	= \$ 180.00
Total Fees	= \$ 480.00
Less payments	= \$ 1,605.00
Refund Due Claimants	= \$ 1,125.00

2. Polaris is solely liable for:

Third-Party Claim Filing Fee	= \$ 1,000.00
<u>Member Fees</u>	<u>= \$ 4,600.00</u>
Total Fees	= \$ 5,600.00
<u>Less payments</u>	<u>= \$ 6,725.00</u>
Refund Due Polaris	= \$ 1,125.00

3. Vest is solely liable for:

Crossclaim Filing Fee	= \$ 1,000.00
Member Fees	= \$ 4,600.00
Forum Fees	= \$13,950.00
<u>Administrative Costs</u>	<u>= \$ 255.00</u>
Total Fees	= \$19,805.00
<u>Less payments</u>	<u>= \$ 6,980.00</u>
Balance Due NASD Dispute Resolution	= \$12,825.00

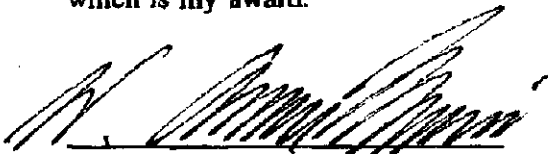
All balances are payable to NASD Dispute Resolution, and are due upon receipt pursuant to Rule 10330(g) of the Code.

ARBITRATION PANEL

W. Alexander Melbardis	-	Public Arbitrator, Presiding Chair
Harvey Casher	-	Public Arbitrator
Jack Steiner	-	Non-Public Arbitrator

Concurring Arbitrators' Signatures

I, the undersigned arbitrator, do hereby affirm, pursuant to Article 7507 of the Civil Practice Law and Rules, that I am the individual described herein and who executed this instrument which is my award.



W. Alexander Melbardis
Public Arbitrator, Presiding Chair

JAN. 14 2003
Signature Date

Harvey Casher
Public Arbitrator

Signature Date

Jack Steiner
Non-Public Arbitrator

Signature Date

February 7, 2003

Date of Service (For NASD Dispute Resolution use only)

ARBITRATION PANEL

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W. Alexander Melbardis
Public Arbitrator, Presiding Chair

Signature Date



Harvey Casher
Public Arbitrator

1/13/03

Signature Date

Jack Steiner
Non-Public Arbitrator

Signature Date

February 7, 2003

Date of Service (For NASD Dispute Resolution use only)

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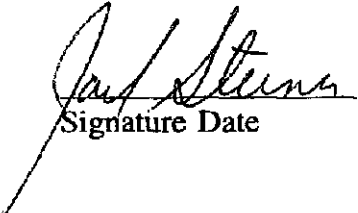
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Harvey Casher
Public Arbitrator

Signature Date

Jack Steiner
Non-Public Arbitrator

Signature Date

 1/16/03

February 7, 2003
Date of Service (For NASD Dispute Resolution use only)