

Award
NASD Dispute Resolution

In the Matter of the Arbitration Between:

Helen James, Trustee, on behalf of the Helen James Living Trust and Helen James, individually,
Claimants v. Intra-Network Securities, Inc., Richard W. Simpson, and Dennis A. Pearson,
Respondents

Case Number: 04-06496

Hearing Site: San Diego, California

Nature of the Dispute: Customers v. Member and Associated Persons

REPRESENTATION OF PARTIES

For Claimants:

Floyd R. Brown, Esq.
Law Office of Floyd R. Brown
Carlsbad, California

For Respondent Intra-Network Securities, Inc.:

Dennis A. Pearson, Jr., CEO
Intra-Network Securities, Inc.
Rancho Santa Fe, California

For Respondent Richard W. Simpson:

Richard W. Simpson
In Propria Persona
Rancho Santa Fe, California

For Respondent Dennis A. Pearson:

Dennis A. Pearson
In Propria Persona
Rancho Santa Fe, California

CASE INFORMATION

Statement of Claim filed: September 10, 2004

Claimants' Joint Uniform Submission Agreement signed: May 1, 2004

CASE SUMMARY

Claimants alleged breach of fiduciary duty, negligence, fraudulent misrepresentation, omissions, and suitability, involving the purchase and/or sale of investments in at least four companies. The four companies included KS Telecom Networks, Inc., I-Tel Networks Inc., Integrated Coffee Technologies Inc., and Her Personal Feminine Care Products, Inc.

Respondents did not file a Statement of Answer to Claimants' Statement of Claim.

RELIEF REQUESTED

In their Statement of Claim, Claimants requested compensatory damages in the amount of \$300,000.00, punitive or exemplary damages in the amount of \$199,000.00, pre-award and post-award interest, and costs, including attorney's fees.

OTHER ISSUES CONSIDERED AND DECIDED

On October 16, 2003, Claimants and Claimants' counsel signed a Waiver Agreement expressly waiving any and all rights and benefits under California Civil Code Section 1542 and the California Ethical Standards for Neutral Arbitrators.

Pursuant to the Code of Arbitration Procedure IM-10100, the waiver of the Claimants shall constitute and operate as a waiver for all member firms and associated persons (including terminated or otherwise inactive member firms or associated persons) against whom the Claim has been filed.

On August 22, 2005, Claimants' filed a Motion to Amend the Statement of Claim. At the evidentiary hearing, Claimants indicated there had been a mathematical mistake in calculating damages. The damages should have been \$310,000.00, as opposed to \$300,000.00. The Panel ruled that the mistake was obvious and allowed the amendment.

At the commencement of the evidentiary hearing on August 24, 2005, Joseph L. Pittera, Esq. made a last minute appearance in an effort to represent Respondents. Mr. Pittera moved to adjourn and continue the matter for 30 days. This was the first response from Respondents. The Panel denied the motion to adjourn and Mr. Pittera departed the hearing.

Upon review of the file and the representations made on behalf of the Claimants, the undersigned arbitrators determined that Respondents had been properly served with the Statement of Claim and received due notice of the hearing, and that arbitration of the matter would proceed without said Respondents present, in accordance with the NASD Code of Arbitration Procedure (the "Code").

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

The parties 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 decided in full and final resolution of the issues submitted for determination as follows:

- 1) Respondents are liable to and shall pay Claimants \$237,600.00 in compensatory damages. This amount includes interest at the rate of 6% per annum from May 8, 2004 to August 24, 2005.
- 2) Claimant, Helen James, will take necessary action to transfer back to Respondents all securities held by her, which are the subject of this action, as soon as possible.
- 3) Claimants' request for punitive and exemplary damages is denied.
- 4) The parties shall bear their respective costs, including attorney's fees.
- 5) All other relief requested and not expressly granted is denied.

FEES

Pursuant to Code, the following fees are assessed:

Filing Fees

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

Initial claim filing fee	= \$ 375.00
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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, the member firm Intra-Network Securities, Inc. is a party and the following fees are assessed:

Member Surcharge	= \$ 2,250.00
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Forum Fees and Assessments

The Panel has assessed forum fees for each session conducted. A 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 conference session with the Panel @ \$1,200.00/session = \$ 1,200.00
Pre-hearing conference: March 31, 2005 1 session

Two (2) Hearing sessions @ \$1,200.00/session = \$ 2,400.00
Hearing: August 24, 2005 2 sessions

Total Forum Fees = \$ 3,600.00

1. The Panel assessed \$1,800.00 of the forum fees jointly and severally to Claimants.
2. The Panel assessed \$1,800.00 of the forum fees jointly and severally to Respondents.

Fee Summary

1. Claimants are charged jointly and severally with the following fees and costs:

Initial Filing Fee	= \$ 375.00
<u>Forum Fees</u>	<u>= \$ 1,800.00</u>
Total Fees	= \$ 2,175.00
<u>Less payments</u>	<u>= \$(1,425.00)</u>
Balance Due NASD Dispute Resolution	= \$ 750.00
2. Respondents are charged jointly and severally with the following fees and costs:

<u>Forum Fees</u>	<u>= \$ 1,800.00</u>
Balance Due NASD Dispute Resolution	= \$ 1,800.00
3. Respondent Intra-Network Securities, Inc. is charged with the following fees and costs:

<u>Member Fee</u>	<u>= \$ 2,250.00</u>
Balance Due NASD Dispute Resolution	= \$ 2,250.00

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

ARBITRATION PANEL

William R. Newsome	-	Public Arbitrator, Presiding Chair
Evan A. Gould, Esq.	-	Public Arbitrator
Joseph T. Donnantuoni	-	Non-Public Arbitrator

Concurring Arbitrators' Signatures

William R. Newsome
Chair, Public Arbitrator


Signature Date

Evan A. Gould
Public Arbitrator

Signature Date

Joseph T. Donnantuoni
Non-Public Arbitrator

Signature Date

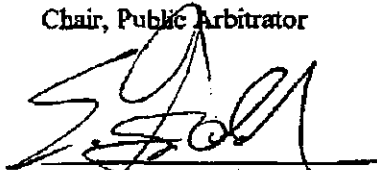
September 7, 2005
Date of Service

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William R. Newsome	-	Public Arbitrator, Presiding Chair
Evan A. Gould, Esq.	-	Public Arbitrator
Joseph T. Donnantuoni	-	Non-Public Arbitrator

Concurring Arbitrators' Signatures

William R. Newsome
Chair, Public Arbitrator



Evan A. Gould
Public Arbitrator

Signature Date

9/6/05

Signature Date

Joseph T. Donnantuoni
Non-Public Arbitrator

Signature Date

September 7, 2005
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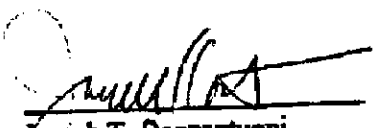
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