

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

In the Matter of the Arbitration Between

Marsha F. Raleigh, Individually, and
as Executrix for the Estate of
Eugene Raleigh

Claimant(s)

vs.

Planned Investments, Inc.
Karen J. Knizley

Respondent(s)

CASE #88-00174

AWARD

CASE SUMMARY

Claimant filed this claim on January 13, 1988 and alleged that Respondents fraudulently induced Claimant to sign documents authorizing the investment. Claimant further alleged that Respondents invested in securities that were unsuitable for Claimant and alleged that Respondents failed to exercise due diligence review of Claimant's investments. Respondent Planned Investments, Inc. maintained that Claimant's investment was suitable and that Claimant's claim is barred by applicable statute of limitations; that Claimant had full knowledge of all facts; that Claimant ignored two opportunities to rescind the purchase; that the partnership interest has provided all tax benefits offered and holds out the promise of a return of capital; that Claimant benefitted greatly from the tax deduction from the partnership interest. Respondent Planned Investments, Inc. further maintained that Respondent Karen J. Knizley's advice to Claimant was reasonable; that any noncompliance with the suitability standards set by the issuer is not a violation of law or an NASD, Inc. rule; that the offering documents contained full and fair disclosure; that Claimant signed all documents with a free will; that Claimant is an educated professional; that Claimant had \$650,000.00 net worth; that Claimant had investments in Real Estate, Stocks, Oil, Mutual Funds, etc; that Claimant agreed with Karen J. Knizley that a tax shelter would help shelter income being held in a deferred compensation account. Respondent Planned Investments, Inc. further maintained that Claimant expected to be in a high tax bracket in 1983 and later years; that Planned Investments, Inc. had no reason to believe there was any problem with Claimant's investment; that Planned Investments, Inc. properly supervised Karen J. Knizley.

Respondent Karen J. Knizley neither answered nor appeared at the hearing of this matter.

RELIEF REQUESTED

Claimant requested damages totalling \$91,000.00 (\$50,633.50 - refund of payments; \$5,366.50 - extinguishment of the note, and \$35,000.00-

mitigation of tax consequences). Respondent Planned Investments, Inc. requested that any recovery be barred by the statute of limitations and that no violation of law occurred.

AWARD

On June 23, 1989, in San Francisco, California, the arbitrators heard in two sessions the controversy between the parties set forth in submissions to arbitration signed by Claimant individually on January 13, 1988 and signed as executrix for the estate of Eugene Raleigh on May 23, 1988. Respondent Planned Investments, Inc. signed on July 21, 1988. Respondent Karen J. Knizley did not sign a submission agreement, answer or appear at the hearing. However, the panel has jurisdiction over Respondent Karen J. Knizley pursuant to Section 12 of the Code of Arbitration Procedure. The arbitration panel, having considered the pleadings, the testimony, and the evidence presented at the hearing, has determined in full and final resolution of the issues submitted for determination as follows:

1. Respondent's Motion to Dismiss the claims on statute of limitations grounds is denied.
2. All claims are hereby dismissed against each and every Respondent.
3. The parties shall each bear their respective costs including attorneys' fees.
4. Pursuant to Section 43 of the Code of Arbitration Procedure, the National Association of Securities Dealers, Inc. shall refund the \$500.00 filing fee previously deposited by the Claimant. The sum of \$500.00 is assessed against Respondent Planned Investments, Inc. and shall be paid to the National Association of Securities Dealers, Inc.

PRESIDING ARBITRATORS

James M. Knowles

Francis O. Spalding

Date Served: July 11, 1989

Edward H. Sandborn IV

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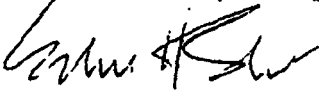
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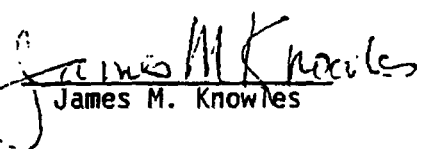
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