

NATIONAL ASSOCIATION OF SECURITIES DEALERS

National Association of
Securities Dealers, Inc.
NASD Financial Center
33 Whitehall Street
New York, New York 10004

In the Matter of the Arbitration BetweenName of Claimant(s)

Leon P. & Lorraine V. Delaune

90-00785

Name of Respondent(s)

Hanover Investment Securities, Inc.
Bernard J. Wellmeyer, Jr.

REPRESENTATION

For Claimant: Barney Stewart of Moore & Van Allen

Respondents, Hanover Investment Securities, Inc. and Bernard J. Wellmeyer
appeared pro se.CASE INFORMATION

Statement of Claim filed: 3/14/90

Claimants' Submission Agreement signed: 3/14/90

Respondent, Wellmeyer's Submission Agreement signed on 7/23/90.

Joint Statement of Answer filed by Respondents on: 6/8/91.

HEARING INFORMATION

Hearing Date: 8/16/91 - One (1) session.

Hearing Location: Charlotte, NC

AWARD-#90-00785

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CASE SUMMARY

Claimants, Leon P. and Lorraine V. Delaune alleged that they were totally unsophisticated investors and that they were both unemployed and had limited assets and minimal savings when Respondents, through Bernard J. Wellmeyer, Jr. ("Wellmeyer"), who was fully aware of their financial status and investment objectives, utilized manipulative and deceptive devices, including misrepresentation and omission of material facts, with regard to the investments, to induce Claimants to sell their AT&T stock and to terminate their IRA accounts in order to purchase highly speculative securities, which included blind pool limited partnerships, which were clearly unsuitable for Claimants. Claimants further alleged that Respondents failed to deliver prospectuses with regard to certain investments to them on a timely basis. Claimants contended that Respondents through Wellmeyer breached their fiduciary obligations toward them.

Respondents, Hanover Investment Securities, Inc. and Bernard J. Wellmeyer, Jr. maintained that Claimants' investments were suitable and that although they were both unemployed at the time Mr. Delaune received severance pay which equaled the amount of one years salary as well as the proceeds from the sale of their home. Respondents further maintained that Claimants were fully apprised of the nature and risk of every investment prior to purchase and that Mrs. Delaune made most of the investment decisions. Respondents contended that they tried to act in Claimants' best interest at all times.

RELIEF REQUESTED

Claimants requested the entry of an award against Respondents, jointly and severally for (a) rescission of the purchased securities in the amount of \$16,458.00, (b) interest on \$12,000.00 at the applicable legal rate from September 3, 1986, (c) interest on \$4,458.00 at the applicable legal rate from October 24, 1986 (d) punitive damages in the amount of \$30,000.00 and (e) reasonable attorneys' fees and costs of these proceedings.

AWARD

After considering the pleadings, the testimony and the evidence presented at the hearing, the undersigned arbitrators have decided in full and final resolution of the issues submitted for determination as follows:

(The parties have agreed that the Award in this matter may be executed in counterpart copies or that a handwritten, signed Award be entered. In either case, the parties have agreed to receive conformed copies of the Award while the originals remain on file with the NASD.

<details of forum fees show calculations in detail for example:

5 sessions X \$400 = \$2,000 minus hearing session deposit of 400 = net \$1,600 due.

Forum fees Assessed Against: <list parties and specify if joint and several
{NOTE: Please urge arbitrators, if possible not to award joint and several
forum fees among parties in separately filed cases which were later
consolidated}>

Fees are payable to the National Association of Securities Dealers, Inc.

ARBITRATION PANEL

| Name | Public/Industry |
|-------------------|-----------------|
| <u>Davis</u> | <u>I</u> |
| <u>Temple</u> | <u>P</u> |
| <u>Lewie, Ch.</u> | <u>P</u> |

CONCURRING ARBITRATORS' SIGNATURE

Sally V. Lewie, Ch.

Date of Decision:

8/16/91

AWARD-#90—785

1. Respondents, Hanover Investment Securities, Inc. and Bernard J. Wellmeyer, are jointly and severally liable and shall pay to Claimants, Leon P. and Lorraine V. Delaune the sum of Twenty Two Thousand Four Hundred and Seventy Three Dollars and Forty Cents (\$22,473.40);
2. Claimants' claim for interest is denied;
3. Claimants' claim for attorneys' fees is denied;
4. Pursuant to Section 43 of the Code of Arbitration Procedure, the NASD, Inc. shall retain the \$520.00 previously deposited by Claimants;
5. Respondents, Hanover Investments Securities, Inc. and Bernard J. Wellmeyer, Jr. shall jointly and severally pay to Claimants an additional sum of Four Hundred Dollars (\$400.00) which represents the hearing session deposit deposited by Claimants and retained by the NASD, Inc.

ARBITRATION PANEL

Name

Public/Industry

Stanley V. Lewis
Frederick H. Temple
Louis M. Davis

Public/Chairman
Public/Panelist
Industry/Panelist

Concurring Arbitrator's Signature

Frederick H. Temple 9-24-91
Frederick H. Temple

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AWARD-490-785

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