

N.A.S.D. AWARD

NATIONAL ASSOCIATION OF SECURITIES DEALERS

In the Matter of the Arbitration Between

Name of Claimants

Robert & Miriam Downing

vs.

NASD #91-03962

Name of Respondents

Innovative Financial Planning
Financial Network Investment Corporation
Laila Ibrahim-Marshall

REPRESENTATION

For Claimant: Ricki C. Ring, Esq. of Los Angeles, California

For Respondents: Shannon L. McDougald of Kessal, Young & Logan, Long Beach, California.

CASE INFORMATION

Statement of Claim filed: December 16, 1991

Claimant's Submission Agreement signed: November 19, 1991

Statement of Answer filed by Respondents on:

Innovative	-	March 26, 1992
Ibrahim-Marshall	-	March 26, 1992
Financial Network	-	May 26, 1992

Respondents' Submission Agreements signed on:

Innovative - None filed but these respondents filed an Answer and appeared at the hearing and stipulated to the jurisdiction of the National Association of Securities Dealers, Inc. (NASD) in accordance with National Association of Securities Dealers, Inc. Code of Arbitration Procedure Section 12.

Financial Network Investment Corporation - April 15, 1992

HEARING INFORMATION

Prehearing Conference(s) Date(s) Sessions: None

Hearing Date/ Sessions: December 15, 1992 (two sessions)
December 16, 1992 (two sessions)
December 23, 1992 (two sessions)

Hearing Location: Los Angeles, California

CASE SUMMARY

Claimants alleged: Unsuitability and Breach of Fiduciary Duty; Fraud in the purchase of various limited partnerships and two bonds. In 1984 claimants met respondent Laila Ibrahim-Marshall (Marshall) a Certified Financial Planner who was an agent for respondent Financial Network Investment Corporation (FNIC). In 1984 claimants attended several investment meetings given by Marshall, had no previous investment knowledge and Robert Downing was 66 years old (now 73) and Miriam Downing was 58 years old (now 65). Marshall represented the investments would provide them with a safe and secure income during their retirement and old age. Claimants paid her a fee for her investment advice in the amount of \$1,500.00 between 1984 and 1986. Although claimants questioned respondent about the long term and high risk language of the prospectuses, she reiterated her recommendation and urged them to make rapid investment decisions.

Claimants first discovered that the limited partnership investments were not as represented in 1987. They lost their entire investment in Angeles Film Partners, Ltd., which dissolved in 1990 without any return. They cannot liquidate their investments in HOW Oil Income Fund, HOW Institute Oil, Phoenix Leasing Limited Partnership, Northland II Limited Partnership, Enstar IX Limited Partners and August Income Growth Fund VII. Their investment in Reddington/El Dorado Square Limited Partnership, was lost due to foreclosure of the partnership; their Merrit Investors, Ltd. was lost as the partnership went into bankruptcy; the investment in NIS Properties can not be liquidated as the partnership was suspended; their investment in Reddington Plaza 22 Bonds had its property foreclosed as part of a Chapter 11 proceeding; lastly, claimants' investments in First Liberty (Meadow Oaks Real Estate) Enstar Income, Presidential Mortgage and Northland Cable limited partnership can not be liquidated.

Respondents Innovative Financial Planning Services (IFPS) and Marshall alleged: Claimants advised Marshall they wanted to work with her in developing a financial plan after attending investment Seminars. Their objectives were long-term growth with immediate income return and tax savings. They informed Marshall that they had extense holdings in real estate, owned a home and had an interest in a time-share property.

Respondents recommended that claimants diversify their portfolio but never advised that the holding of any particular asset was unnecessary.

Claimants were provided with a prospectus or private placement memoranda on each investment, as well as an opportunity to review and discuss them; they also authorized all investments. Claimants were intelligent individuals with substantial financial assets (in excess of \$1,236,000.00) who understood the nature of the investments they made.

Respondents FNIC alleged: At the time Marshall dealt with claimants she was affiliated with FNIC as an independent contractor and registered representative. Marshall encouraged claimants to attend investment seminars; they decided to utilize her services and those of FNIC. Claimants' objectives were immediate income return, tax savings and long-term growth.

At the time they initiated the relationship, claimants were wealthy individuals with total assets in excess of one million dollars and a substantial net worth. All investments were consistent with claimants' objectives and authorized by them. Claimants were provided with oral and documentary information regarding their investments and Marshall acted in accord with industry standards, as did FNIC.

RELIEF REQUESTED

Claimant requested:

1. Rescission of their purchases and compensatory damages of \$356,726.00;
2. Interest at the legal rate from the date of each investment minus distributions received to date;
3. Return of the approximately \$1,500.00 paid to Respondent for fees in her capacity as a financial planner as well as any commissions she earned due to the sale of investments to claimants;
4. Attorney's fees and costs; and
5. Punitive damages.

OTHER ISSUES CONSIDERED & DECIDED

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. In either case, the parties have agreed to receive conformed copies of the Award while the originals remain on file with the NASD.

Respondents' Pre-hearing Request for Dismissal of Claims Based on Statute of Limitations, filed May 26, 1992, was denied by the panel. The request was renewed at the arbitration hearing and again denied.

Respondents Motion for Directed Verdict made at the Conclusion of claimants' case in chief was denied.

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:

1. All claims are dismissed.
2. The claim for punitive damages is dismissed.

3. The parties shall each bear their respective costs including attorneys' fees.

OTHER COSTS

None.

FORUM FEES

Pursuant to Section 43c of the Code of Arbitration Procedure, the following forum fees are assessed: The National Association of Securities Dealers, Inc. shall retain the \$400.00 hearing session deposit previously deposited by the claimant. Forum fees assessed against:

Claimants for \$800.00 and Respondents, jointly and severally, for \$1,200.00

calculated as follows: Six hearing sessions times \$400.00/session equals \$2,400.00, divided equally by claimants and respondents and deducting \$400.00 already paid by claimants.

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

ARBITRATION PANEL

Name

Public/Industry

Concurring Arbitrators' Signature

Robert J. Ruben, Esq.

Charles D. Behm

William E. Shipley

Public Arbitrator

Public Arbitrator

Industry Arbitrator

DATE SERVED: 1/15/93


Robert J. Ruben, Esq.

Charles D. Behm

William E. Shipley

Date of Decision: _____