

N.A.S.D. AWARD

NATIONAL ASSOCIATION OF SECURITIES DEALERS

In the Matter of the Arbitration Between

Name of Claimants

Roger and Doris Haas

92-00339

Name of Respondents

ManEquity, Inc., International Capital Formation Corp., VSR Financial Services, Inc., Donna Carlton, Mark Carlton, and Carlton & Associates

REPRESENTATION

For Claimants: Samuel L. Hanson, Esq. of Briggs and Morgan, Minneapolis, Minnesota.

For Respondent ManEquity, Inc.: Virginia A. Bell, Esq. of Maslon, Edelman, Borman & Brand, Minneapolis, Minnesota. For Respondent International Capital Formation Corp.: John R. Frye, Jr. of International Capital Formation Corp., Littleton, Colorado. For Respondent VSR Financial Services, Inc.: J. Michael Dryton, Esq. of Wassberg & Gallagher, Kansas City, Missouri. For Respondents Donna Carlton, Mark Carlton, and Carlton & Associates: Daniel A. Post, Esq., Oversight Management Company, Littleton, Colorado.

CASE INFORMATION

Statement of Claim filed: January 29 , 1992

Claimant's Submission Agreement signed on: January 10, 1992.

Statement of Answer filed by Respondent, ManEquity, Inc. on or about May 13, 1992. Statement of Answer filed by Respondent VSR Financial Services, Inc. on March 23, 1992.

Respondent, ManEquity, Inc.'s Submission Agreement signed on: May 12, 1992. Respondent VSR Financial Services, Inc. Submission Agreement signed on: March 20, 1992.

HEARING INFORMATION

Hearing Date/Session: September 15, 1992 for one (1) session.

Hearing Location: Minneapolis, Minnesota.

CASE SUMMARY

Claimants Roger and Doris Haas ("the Haases") alleged that Respondents Mark Carlton and Donna Carlton ("the Carltons") recommended unsuitable investments, engaged in misrepresentations, and failed to disclose material information in connection with the purchase and sale of securities. The Haases alleged that they were unsophisticated investors and relied on the Carltons' advice. The Haases alleged that the Carltons completely restructured their investment portfolio from one of very low risk to one of very high risk, placing certificates of deposit with limited partnerships unit trusts and promissory notes. The Haases further alleged that Respondents ManEquity, Inc., International Capital Formation, VSR Financial Services, Inc., and Carlton & Associates, Inc. are liable to the Haases for the wrongs committed by the Carltons by virtue of their failure to properly supervise them and pursuant to the doctrine of respondeat superior. The following purchases were made by the Carltons for the Haases: VMS Mortgage Unit trusts, InterCap Mortgage and Indian Meadows Promissory Notes, Public Storage XIX Limited Partnership, Almond Investors Limited Partnership, Monitoring IV-A L.P., Equus L.P., Equus Capital L.P., RAL IV L.P., and Set Sail L.P.

Respondent ManEquity generally denied the allegations set forth in the Statement of Claim. ManEquity alleged that the only investment made through them is VMS mortgage, and ManEquity alleged the investment to be suitable. ManEquity also alleged that they are not liable under the doctrine of respondeat superior.

Respondent VSR Financial ("VSR") alleged that the Statement of Claim fails to state any cause of action against VSR. VSR further alleged that they are not legally responsible for securities sold before the Carltons became VSR registered representatives.

RELIEF REQUESTED

Claimant requested: rescissory damages in the principal amount of \$147,019.70, with interest at the legal rate of 8% from and after December 1, 1991, plus punitive damages, plus attorney's fees and costs.

Respondent ManEquity requested: that the Claimants take nothing. Respondent VSR Financial Services, Inc. requested that the panel dismiss VSR from this action, and also that they be awarded their costs and attorney's fees.

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 Donna Carlton, Mark Carlton, and Carlton & Associates were removed as Respondents from the arbitration pursuant to the Automatic Stay of Bankruptcy provision, 11 U.S.C., Section 362(a).

Respondent International Capital Formation did not file an Answer to the claim or a properly executed submission to arbitration, but is required to submit to arbitration pursuant to Section 12 of the Code, and is bound by the determination of the arbitration panel on all issues submitted.

The arbitrators determined that proper service of the claim was effected on Respondent International Capital Formation Corporation by certified mail and indicated by return of the signed green card. The arbitrators also determined that Respondent International Capital Formation Corporation had been properly served with notice of the time, date and location of the hearing, but nevertheless, failed to appear.

Respondents VSR Financial Services, Inc. and ManEquity, Inc. were dismissed from the arbitration by the Claimants Roger and Doris Haas.

AWARD

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

1. Respondent International Capital Formation Corporation shall be and hereby is liable for and shall pay to the Claimants Roger and Doris Haas, actual damages and interest in the amount of One Hundred Thirty Four Thousand Three Hundred Fifty Eight Dollars and Thirty One Cents (\$134,358.31);
2. The Claimant's claim for punitive damages is denied; and,
3. Each of the parties shall bear their own costs and expenses incurred, including attorney's fees, other than those specifically enumerated for herein.

FORUM FEES

Pursuant to Section 43c of the Code of Arbitration Procedure, the following Forum Fees are assessed:

1 session X \$750.00 = \$750.00 minus hearing session deposit
of \$750.00 = net \$0 due.

By The Arbitration Panel:

Dated:

September 15, 1992 /s/

George A. Beck, Esq., Chairperson
Public Arbitrator

September 15, 1992 /s/

Thomas E. Moore
Industry Arbitrator

September 15, 1992 /s/

Arthur L. Sirkin, Esq.
Public Arbitrator

NASD Award served on: October 15, 1992