

**NATIONAL ASSOCIATION OF SECURITIES DEALERS
AWARD**

In the Matter of the Arbitration Between

Harriet Reeves,

Claimant,

v.

94-00572
NASD No. 94-572

Ernest Haupt,

Respondent.

Representation

For Claimants: Richard Sacks of Investors Recovery Services, Novato, California and
Irwin Stein, Esq., San Francisco, California

For Respondent: H. Ray Pepper of Smith, Merrill and Pepper, San Ramon, California

Case Information

Statement of Claim filed: February 9, 1994

Claimant's Submission Agreement signed: May 24, 1993

Statement of Answer filed on: April 19, 1994

Respondent's Submission Agreement signed on: April 20, 1994

Hearing Information

Prehearing Conference Date(s)/Sessions: May 5/one, 1995

Hearing Date/Sessions: June 12/one, 1995, October 23/two, 24/one, 1995

Hearing Location: San Francisco, California

Case Summary

Claimant alleged breach of fiduciary duty, negligence and misrepresentation in the purchase of limited partnerships. Claimant also alleged that at the time she opened her account with respondent Ernest Haupt's (Haupt) firm, Consolidated Financial Services, Inc. (CFS) her liquid assets were invested primarily in insured savings accounts and certificates of deposit and she worked as a sales clerk with annual earnings of \$6,000; she was also recently widowed. Claimant asserted that respondent, through CFS, managed her account for more than eight years and her investment objectives were income, some growth with moderate or low risk. Claimant further alleged that over 70% of her net worth was invested in limited partnerships.

Respondent denied all allegations of wrongdoing and alleged he did not know claimant and had never spoken or met her; her account was assigned by his son, Bradley Haupt. Respondent further alleged that he owned stock in CFS, for which Bradley Haupt worked while responsible for claimant's account, but that all representatives of CFS were independent contractors and all commissions were paid directly to each representative. Respondent also argued that he never benefitted from Bradley Haupt's handling of claimant's account.

Relief Requested

Claimant requested:

1. Compensatory damages of \$200,000, plus interest (less any distributions received from the partnerships);
2. Costs;
3. Attorney's fees.

Other Issues Considered and 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.

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. Respondent is liable for and shall pay claimant \$85,266.03 in compensatory damages, which includes interest;

2. All other claims are dismissed;
3. The parties shall each bear their respective attorney's fees;
4. The parties shall each bear their respective costs.

Other Costs

None.

Forum Fees

Pursuant to Section 43(c) of the Code of Arbitration Procedure, the following forum fees are assessed: The National Association of Securities Dealers, Inc., shall refund the \$750 hearing session deposit previously paid by the claimant. Forum fees are assessed against respondent for \$3,300 calculated as follows:

Total forum fees assessed (one prehearing session @ \$300/session and three hearing sessions @ \$750/session)	\$ 2,550
Claimant's assessment	0
Claimant's balance due	0
Respondent's assessment	2,550
Respondent's balance due (including adjournment fee)	3,300

An adjournment fee of \$750 was assessed against respondent.

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


Arbitration Panel

<i>Name</i>	<i>Public/Industry</i>
Helen Culiner	Public
Amy Seltzer	Public
Bryan Morse	Industry

Concurring Arbitrators' Signatures

Helen Culiner

Amy Seltzer



Bryan Morse

Date of Decision: 10/24/95

Date Served: 10/26/95