

NATIONAL ASSOCIATION OF SECURITIES DEALERS REGULATION

In the Matter of the Arbitration Between

Name of Claimant

Laurie Ventura

9544307

Name of Respondents

Investment Advisory Services
Estate of Emery E. Boudreau

© National Association of
Securities Dealers, Inc.

All Rights Reserved

REPRESENTATION

Claimant Laurie Ventura ("Claimant") was represented by John P. Connolly, Esq. of Law Offices of John P. Connolly, Alexandria, Virginia

Respondents Investment Advisory Services ("IAS") and the Estate of Emery E. Boudreau ("Boudreau") were represented by George H. Memick, Esq. of the law firm of Hogan & Hartson, Washington, D.C.

CASE INFORMATION

Statement of Claim filed: September 8, 1995

Claimant's Submission Agreement signed on: August 22, 1995

Statement of Answer filed by Respondents IAS and Boudreau (collectively referred to as "Respondents") on: November 7, 1995

Boudreau's Submission Agreement signed on: November 2, 1995

IAS's Submission Agreement executed by Boudreau as President on November 2, 1995

HEARING INFORMATION

Hearing Dates/Sessions: July 18, 1996 - two sessions
July 19, 1996 - two sessions

Hearing Location: NASD, Inc., Executive Office
Washington, D.C.

CASE SUMMARY

Claimant in her pleading alleged, among other things, that she was an unsophisticated investor who relied on Boudreau for investment advice. Claimant alleged that she informed Boudreau that one of her investment objectives was to provide for the care of her ill father. Claimant alleged that she told Boudreau that her investment objectives were safety and long term growth. Claimant alleged that Boudreau indicated to Claimant that he would place Claimant into diversified investments that would permit Claimant to realize long-term growth. Claimant alleged that of her initial investment of \$37,000; \$35,000 was placed in seven different mutual funds. Claimant alleged that she made a second deposit of \$20,000 and once again Boudreau placed Claimant into additional mutual funds. Claimant alleged that after Boudreau had invested her monies in mutual funds, he informed Claimant that she should consider ways to improve her income tax situation and suggested that Claimant invest in a limited partnership called Walker's Ridge Associates. Claimant alleged that Walkers Ridge was a speculative and illiquid investment and was unsuitable for her. Claimant alleged that she would not derive any tax benefits from the investment. Claimant alleged that once again Boudreau informed her that she needed an investment to assist her with her income taxes. Claimant alleged that Boudreau recommended that she purchase boat slips at Club on Fishing Bay and that he failed to disclose the risks related to the investment and that he was the President and a Director of Club on Fishing Bay. Claimant alleged that Club On Fishing Bay was similarly unsuitable for her. Claimant alleged that a little over three years from her initial meeting and investments with Boudreau her father passed away. Claimant alleged that she contacted Boudreau and stated that she needed funds to take care of her father's funeral expenses and that Boudreau informed Claimant that if she liquidated funds, her entire investment program would be compromised. Claimant alleged that Respondents placed her on margin without explaining the significance of margin. Claimant alleged, that given her investment goals and objectives, placing her account on margin to purchase unsuitable investments compounded the risks that Claimant was exposed to. Claimant alleged that Respondents acted knowingly and intentionally in making unsuitable recommendations. Claimant alleged that Respondents breached their fiduciary and contractual duty owed to Claimant; that they violated Section 10(b) of the Securities Exchange Act and Rule 10b-5 promulgated thereunder; that Respondents violated Sections 13.1-502 and 13.1-503 of the Code of Virginia; that Respondents violated the NASD Rules of Fair Practice; and, that Respondents committed common law fraud and deceit.

Respondents in their pleading categorically denied all allegations of wrongdoing asserted by Claimant, and specifically maintained, among other things, that contrary to Claimant's assertions, she evidenced a high level of understanding and sophistication concerning her finances; Respondents maintained that Claimant had lost her only significant tax deductions, therefore, Boudreau recommended that they search for an investment that would provide some measure of tax benefit to replace the home mortgage interest deduction. Respondents maintained that several alternative investments that afforded tax benefits were discussed with Claimant. Respondents maintained that the concept of margin was discussed with Claimant and she decided to borrow against her mutual funds to purchase Walkers Ridge and Club on Fishing Bay. Respondents maintained that Boudreau disclosed to Claimant that he was President and part owner of Club on Fishing Bay. Respondents maintained that all investments were fully discussed with Claimant before an investment was selected. Respondents maintained that all investments met Claimant's investment objectives. Respondents maintained that Claimant has enjoyed a healthy return on her investments and today holds assets that are sound and secure, and that provide a reasonable likelihood of growth. Respondents maintained that they breached no duties owed to Claimant, and Claimant has suffered no monetary loss on account of any action or advice from Respondents.

RELIEF REQUESTED

Claimant, in her pleading, requested compensatory and investment opportunity loss damages in the amount of \$115,000.00; rescission of Claimant's investment in Club on Fishing Bay and Walker's Ridge Associates; interest from the date of the activities complained of up to the time of payment of the award; costs, NASD fees, and attorneys' fees incurred by Claimant; and punitive damages in the sum of \$200,000.00.

Respondents' requested, in their pleading, that a decision and award be rendered against Claimant and in Respondents' favor denying all of Claimant's claims and awarding Respondents their costs, including reasonable attorneys' fees incurred in defense of this claim.

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.

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. The Panel find in favor of Claimant Laurie Ventura and against Respondents Investment Advisory Services, Inc. and the Estate of Emery H. Boudreau, jointly and severally, in the amount of \$17,000 in compensatory damages, plus \$2,720 in prejudgment interest and the transfer to and assumption by Respondents of all rights and obligations, if any, under the Lease Agreements dated June 2, 1992 and October 21, 1991 between Claimant and the Club on Fishing Bay, Inc., or as determined by the United States Bankruptcy Court in Case No. 96-16749-DOT - In Re Club on Fishing Bay, Inc.

2. Claimant's claim for punitive damages is denied in its entirety.
3. The parties shall bear their respective costs and attorneys' fees, except as forum fees are specifically addressed below.
4. Any and all relief requested not specifically addressed herein is denied in its entirety.

FORUM FEES

Pursuant to Rule 10332 of the Code of Arbitration Procedure, the following forum fees are assessed.

4 hearing sessions x \$750 = \$3,000 total forum fees minus Claimant hearing session deposit of \$750 = \$2,250 net due to the NASDR, Inc.

960812

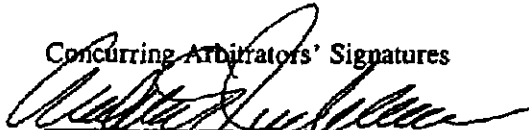
Ventura Award
Case Number 95-04307
Page 4

Forum fees are assessed against Respondents jointly and severally. Respondents are assessed forum fees in the amount of \$3,000 of which \$2,250 shall be paid to the NASDR, Inc. and \$750 shall be paid to Claimant as a reimbursement for her hearing session deposit.

Date

8/22/96

Concurring Arbitrators' Signatures


Mahlon M. Frankhauser, Esq., Presiding
Public Arbitrator

Joseph E. Godridge, Jr.
Public Arbitrator

Patrick J. Philbin, Esq.
Industry Arbitrator

Date Award Served by the NASDR:

August 27, 1996

9608126

Ventura Award
Case Number 95-04307
Page 4

Forum fees are assessed against Respondents jointly and severally. Respondents are assessed forum fees in the amount of \$3,000 of which \$2,250 shall be paid to the NASDR, Inc. and \$750 shall be paid to Claimant as a reimbursement for her hearing session deposit.

Date

Concurring Arbitrators' Signatures

8/22/96

Mahlon M. Frankhauser, Esq., Presiding
Public Arbitrator

Joseph E. Godridge, Jr.
Public Arbitrator

Patrick J. Philbin, Esq.
Industry Arbitrator

Date Award Served by the NASDR:

August 27, 1996

9608126

Ventura Award
Case Number 95-04307
Page 4

Forum fees are assessed against Respondents jointly and severally. Respondents are assessed forum fees in the amount of \$3,000 of which \$2,250 shall be paid to the NASDR, Inc. and \$750 shall be paid to Claimant as a reimbursement for her hearing session deposit.

Date

Concurring Arbitrators' Signatures

Mahlon M. Frankhauser, Esq., Presiding
Public Arbitrator

Joseph E. Godridge, Jr.
Public Arbitrator

8/23/96

Patrick J. Philbin

Patrick J. Philbin, Esq.
Industry Arbitrator

Date Award Served by the NASDR: August 27, 1996