

NASD REGULATION AWARD

NATIONAL ASSOCIATION OF SECURITIES DEALERS

In the Matter of the Arbitration Between

Name of Claimant

Myrtledale Associates One, Inc.

95-06006

Name of Respondent

Network Capital Corporation

REPRESENTATION

For Claimant Myrtledale Associates One, Inc., ("claimant") appeared S. David Harrison, Esq., of the law offices Lesser & Harrison located in New York, New York.

For Respondent Network Capital Corporation ("respondent") appeared Roger L. Fidler, Esq. with law offices located in Glen Rock, New Jersey.

CASE INFORMATION

Statement of Claim was filed on: December 21, 1995.

Claimant's Submission Agreement was signed on: December 19, 1995.

Statement of Answer was filed by respondent on: July 24, 1996.

Respondent's Submission Agreement was signed on: July 24, 1996.

HEARING INFORMATION

Hearing Date/Session: March 17, 1997 - 1 session

The hearing was held at the offices of NASD Regulation, Inc. located at 125 Broad Street, New York, New York.

CASE SUMMARY

Claimant alleged that it was organized to function as a "blank check" company and that it planned to effect a public issue of its shares of common stock. Claimant further alleged that on or about February 15, 1995, it entered into a letter of intent agreement with respondent,

pursuant to which respondent undertook to underwrite an issue of \$500,000 shares of its common stock at a price of \$5.00 per share. In addition, claimant contended that, in furtherance of the plan set forth in the letter of intent, it paid respondent the sum of \$20,000.00 as an advance against its expense allowance under the proposed transaction. Claimant also maintained that, in reliance upon the undertakings of the respondent which were contained in the letter of intent, it's counsel prepared and filed with the SEC and the NASD a Registration Statement with respect to the proposed offering.

Claimant further alleged that, despite repeated requests, respondent and its counsel failed to cooperate with the claimant in formulating a response to the SEC's and the NASD's comments. Claimant contended that, despite the failure of respondent to cooperate fully, it prepared and filed an amendment to the Registration Statement. In addition, claimant alleged that, after the receipt of the comments to the amendment, the respondent neglected, failed and refused to respond to its requests to assist in the preparation of a further amendment. Moreover, claimant maintained that, without the cooperation of the respondent, the proposed public offering could not proceed and, therefore, the Registration Statement had to be withdrawn.

Respondent maintained that the letter of intent was not a contract and that it made no promises nor obligated itself in any manner to perform. Respondent also contended that the letter of intent simply set forth certain elements upon which the parties would proceed with the goal of eventually entering into an underwriting agreement.

In addition, respondent maintained that, even if the letter of intent were construed to be an agreement under which respondent was obligated, any obligations were subject to the following defenses: illegality, impossibility, impracticability because of circumstances beyond the control of respondent and, any terms of such an agreement were vague, uncertain and unenforceable. In addition, respondent contended that claimant was aware of the risks in attempting to proceed with a "blank check" offering and was also aware that this type of offering was extremely risky, difficult and uncertain. Moreover, respondent maintained that its dealings with claimant always proceeded in good faith.

RELIEF REQUESTED

Claimant requested the return of the \$20,000.00 advance payment and reimbursement of its out-of-pocket expenses incurred in connection with the proposed public offering in the amount of \$25,000.00.

Respondent requested that the statement of claim be dismissed with prejudice and that it be awarded its costs and attorneys' fees in connection with this action.

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. Respondent be and hereby is liable and shall pay claimant the sum of **TEN THOUSAND FIVE HUNDRED THIRTY SEVEN DOLLARS and SIXTEEN CENTS (\$10,537.16)**.
2. Respondent is liable and shall pay to claimant the sum of \$300.00 to reimburse claimant for one-half of the amount of fees previously paid to NASD Regulation.
3. Each party shall bear their respective costs, including attorneys' fees.
4. All other requests are hereby denied.

FORUM FEES

Pursuant to Rule 10332 of the Code of Arbitration Procedure, the arbitrators have determined that NASD Regulation shall retain the \$500.00 non-refundable filing fee previously paid by claimant and have assessed the following forum fees:

1 Hearing Session x \$600.00 = \$600.00

1. Claimant be and hereby is liable for the sum of \$300.00, representing one-half of the total amount of forum fees assessed. Claimant previously deposited \$600.00 with NASD Regulation and, therefore, owes nothing.
2. Respondent be and hereby is liable and shall pay claimant the sum of \$300.00, representing one-half of the total amount of forum fees assessed.

Arbitrators' Signatures

Diane Getzler, Esq.

Diane Getzler, Esq.
Chairperson-Public Arbitrator

Robert R. Salmon, Esq.
Public Arbitrator

John B. Ryan
Industry Arbitrator

Date of Decision: May 1, 1997

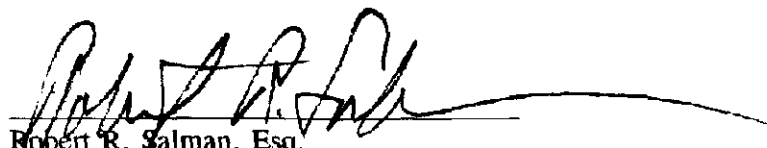
I, Diane Getzler, Esq., do hereby affirm, pursuant to Article 7507 of the Civil Practice Law and Rules, that I am the individual described herein, and who executed this instrument which is my award.

Diane Getzler, Esq.

Diane Getzler, Esq.

Arbitrators' Signatures

Diane Getzler, Esq.
Chairperson-Public Arbitrator




Robert R. Salman, Esq.
Public Arbitrator

John B. Ryan
Industry Arbitrator

Date of Decision: May 1, 1997

I, **Robert R. Salman, Esq.**, do hereby affirm, pursuant to Article 7507 of the Civil Practice Law and Rules, that I am the individual described herein, and who executed this instrument which is my award.

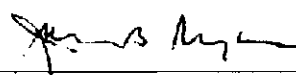


Robert R. Salman, Esq.

Arbitrators' Signatures

Diane Getzler, Esq.
Chairperson-Public Arbitrator

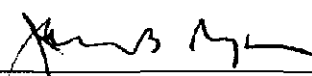
Robert R. Salman, Esq.
Public Arbitrator



John B. Ryan
Industry Arbitrator

Date of Decision: May 1, 1997

I, **John B. Ryan**, do hereby affirm, pursuant to Article 7507 of the Civil Practice Law and Rules, that I am the individual described herein, and who executed this instrument which is my award.



John B. Ryan