

N.A.S.D. STIPULATED AWARD

NATIONAL ASSOCIATION OF SECURITIES DEALERS

In the Matter of the Arbitration Between

Name of Claimants

Harry & Virginia A. Mason Trust
John Pew

96-01281 consolidated with
96-01951

Name of Respondents

Susan W. Byrd
Investors Security Company, Inc.
Wealth Resource Capital Corp.

REPRESENTATION

For Claimants: Jeffrey Coleman, Esq. of the law firm of Bonner, Hogan & Coleman, P.A., Clearwater, FL.

For Respondent Wealth Resource Capital Corp. ("Wealth"): Mark A. Schadrack, Esq. of the law firm of Grant & Laubscher, LLP, Irvine, CA.

For Respondent Investors Security Company, Inc. ("Investors"): Timothy S. Baird, Esq. of the law firm of Mays & Valentine, Richmond, VA.

The Respondent Susan W. Byrd ("Byrd") appeared pro se.

CASE INFORMATION

Statement of Claim filed by Claimant John Pew ("Pew") on: May 6, 1996.

Statement of Claim filed by the Harry and Virginia Mason Trust ("Mason") on: March 21, 1996.

Claimant John Pew's Submission Agreement signed on: May 1, 1996.

Claimant Harry and Virginia Mason Trust's Submission Agreement signed on: May 14, 1996.

Statement of Answer filed by Respondent Investors Security Company, Inc. in NASD Arbitration # 96-1281 on: August 10, 1996 and in NASD Arbitration # 96-1951 on: August 5, 1996.

Respondent Investors Security Company, Inc.'s Submission Agreement signed on August 2, 1996 in NASD Arbitration # 96-1951.

Respondent Investors Security Company, Inc. did not execute a Submission Agreement in NASD Arbitration # 96-1281 as required pursuant to Rule 10314(b) of the Code of Arbitration Procedure.

Statement of Answer filed by Respondent Wealth Resource Capital Corporation in NASD Arbitration # 96-1281 on: August 5, 1996 and in NASD Arbitration # 96-1951 on: August 7, 1996.

The Respondent Wealth Resource Capital Corporation did not execute Submission Agreements in NASD Arbitration Numbers 96-1281 and 96-1951 as required pursuant to Rule 10314(b) of the Code of Arbitration Procedure.

The Respondent Susan W. Byrd did not execute Submission Agreements or file Statements of Answer in NASD Arbitration Numbers 96-1281 and 96-1951 as required pursuant to Rule 10314(b) of the Code of Arbitration Procedure.

HEARING INFORMATION

One telephonic pre-hearing conference and one hearing session was conducted on March 11 and 13, 1997, respectively, in Tampa, Florida.

CASE SUMMARY

NASD Arbitration #96-1281: Harry Mason, et al. v. Wealth Resource Capital Corp. et al.

Claimant alleged a scheme to defraud on the part of Susan Byrd who was then a registered representative whereby the Claimant was duped into an investment of promissory notes in the amount of \$11,000.00 to Financial Shield, a corporation in part owned by Susan Byrd.

Claimant further alleged that Wealth Resource Capital Corp. knew, or should have known, of the investments in question and, therefore, breached its fiduciary duty and was negligent in its management of Susan Byrd, its registered representative.

Claimant next alleged that Respondent Investors having taken over the subject account took on liability for the predecessor's wrongdoings.

Respondent Wealth Resource Capital Corp. filed an Answer and Affirmative Defenses denying every allegation contained in the Statement of Claim and denying that it was liable to Claimant under any theory and/or in any amount. Furthermore, Respondent Wealth maintained that it had no knowledge of the investments in question and denied Claimant was a "customer" of Wealth and alleged, therefore, the NASD arbitration panel had no jurisdiction to decide whether Wealth which never entered into an arbitration agreement with the Claimant can be compelled to arbitrate this matter.

Respondent Wealth Resource Capital Corp. further maintained it employed Susan W. Byrd as an independent contractor and Financial Shield which was owned and operated by Susan W. Byrd and another individual was not an agent of Wealth Resource Capital Corp. and there is no common ownership and no contractual obligations or agreements had ever occurred between Wealth and Financial Shield; therefore, Wealth Resource Capital Corp. is not liable under any theory.

Respondent Investors Security Company, Inc. maintained both promissory notes were executed prior to Susan W. Byrd's employment by Investors in October of 1991, and the Claimant in the Statement of Claim does not attempt to explain how Investors can be liable for actions taken by Susan W. Byrd at a time when Susan W. Byrd had no affiliation at all with Investors. Therefore, Respondent Investors maintained that the Statement of Claim lacked any basis at all for holding Investors liable for the alleged misconduct of Susan W. Byrd. Respondent Investors further maintained that the Claimant's claims were barred by the applicable statute of limitations, and absent evidence of personal injury or property damage, a Claimant cannot raise tort claims to recover solely economic damages flowing from a breach of contract and they cannot be liable for punitive damages under Florida law. Respondent Investors further maintained the transactions were personal loans and not "sales" of securities; therefore, Byrd did not violate any NASD rules.

NASD Arbitration #96-1951: John Pew v. Wealth Resource Capital Corporation et al.

Claimant alleged a scheme to defraud on the part of Susan W. Byrd who was then a registered representative whereby the Claimant was duped into an investment of promissory notes in the amount of \$25,000.00 to Financial Shield, a corporation in part owned by Susan W. Byrd.

Claimant further alleged that Wealth Resource Capital Corp. knew, or should have known of the investments in question and, therefore, breached its fiduciary duty and was negligent in its management of Susan Byrd, its registered representative.

Claimant next alleged that Investors having taken over the subject account took on liability for the predecessor's wrongdoings.

Respondent Wealth Resource Capital Corp. filed an Answer and Affirmative Defenses denying every allegation contained in the Statement of Claim and denying that it was liable to Claimant under any theory and/or in any amount. Furthermore, Respondent Wealth maintained that it had no knowledge of the investments in question and denied Claimant was a "customer" of Wealth and alleged, therefore, the NASD arbitration panel had no jurisdiction to decide whether Wealth Resource Capital Corp. which never entered into an arbitration agreement with the Claimant can be compelled to arbitrate this matter.

Respondent Wealth Resource Capital Corp. further maintained it employed Susan W. Byrd as an independent contractor and Financial Shield which was owned and operated by Susan W. Byrd and another individual was not an agent of Wealth Resource Capital Corp. and there was and is no common ownership and no contractual obligations or agreements had ever occurred between Wealth and Financial Shield; therefore, Wealth is not liable under any theory.

Respondent Investors Security Company, Inc. maintained the first two promissory notes were executed prior to Susan W. Byrd's employment by Investors in October of 1991, and the Claimant in the Statement of Claim does not attempt to explain how Investors can be liable for actions taken by Susan W. Byrd at the time when Susan W. Byrd had no affiliation at all with Investors. Therefore, Respondent Investors maintained that the Statement of Claim lacked any basis at all for holding Investors liable for the alleged misconduct of Byrd. Respondent Investors further maintained that the Claimant's claims were barred by the applicable statute of limitations and absent evidence of personal injury or property damage, a Claimant cannot raise tort claims to recover solely economic damages flowing from a breach of contract and they cannot be liable for punitive damages under Florida law. Further, Respondent Investors maintained that because the transactions were loans and not "sales" of securities, Byrd did not violate any NASD rules.

Respondent Investors further maintained a third note was executed by Ms. Byrd which was made payable to Claimant Pew and this was her personal note which Ms. Byrd signed in her individual capacity after Financial Shield had failed as a business and had defaulted on its payments to Pew and Ms. Byrd executed the note to acknowledge personal responsibility for one-half of the principal loaned by Claimant Pew to Financial Shield. Respondent Investors further maintained Claimant Pew did not tender any money to Ms. Byrd in exchange for the note and because the transaction in no way involved the sale of a security, the NASD does not have jurisdiction to arbitrate any dispute with respect to that note.

RELIEF REQUESTED

NASD Arbitration #96-1281: Harry Mason, et al. v. Wealth Resource Capital Corp., et al.

Claimant Mason requested compensatory damages of \$11,000.00, which included interest plus all costs, expenses, filing fees, forum fees, disbursements and such other relief that the arbitration panel deemed just and proper.

Respondent Investors Security Company, Inc. requested dismissal of the claim in its entirety, an award of its costs and expenses incurred in defending this Arbitration and that it be granted such additional relief as the arbitration panel deemed just and appropriate under the circumstances.

Respondent Wealth Resource Capital Corporation requested a dismissal of the claim.

NASD Arbitration #96-1951: John Pew v. Wealth Resource Capital Corporation et al.

Claimant Pew requested compensatory damages of \$30,000.00, which included interest plus all costs, expenses, filing fees, forum fees, disbursements and such other relief as the arbitration panel deemed just and proper.

Respondent Investors Security Company, Inc. requested a dismissal of the claim in its entirety, an award of its costs and expenses incurred in defending this Arbitration and that it be granted such additional relief as the arbitration panel deemed just and appropriate under the circumstances.

Respondent Wealth Resource Capital Corp. requested a dismissal of the 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.

Prior to the commencement of the first hearing session, the arbitration panel was informed that the Claimants had entered into settlement agreements with Respondents Investors Security Company, Inc. and Wealth Resource Capital Corp.

At the hearing on March 3, 1997 Respondent Susan W. Byrd appeared by telephone and after being duly sworn, admitted to the facts set forth in the Claimants' claims. Respondent Byrd affirmatively agreed to submit herself to the jurisdiction of the NASD in this matter. Furthermore, Respondent Byrd entered into the stipulation freely and voluntarily and declined to consult with counsel with respect to these matters.

AWARD

Having considered the pleadings, the testimony and the evidence presented at the hearing and the Stipulation for Entry of Arbitration Award, the undersigned arbitrators hereby consent to the following Stipulated Award:

For purposes of NASD Arbitration Numbers 96-01281 and 96-01951 the actions of Susan W. Byrd with respect to the Claimants were in violation of Section 517.301 Florida Statutes and the promissory notes were "investments" as defined by Chapter 517 of the Florida Statutes. Furthermore, the panel determined that it had jurisdiction over the subject matter and Susan W. Byrd.

NASD Arbitration #96-1281: Harry Mason, et al. v. Wealth Resource Capital Corp., et al.

Respondent Susan W. Byrd shall pay to the Claimant Mason the sum of \$5,500.00 plus interest accruing at the rate of 7% per annum from March 1, 1993 until the date of payment of the Award.

The Claimant Mason's requests for attorneys' fees, punitive damages and costs were withdrawn.

NASD Arbitration #96-1951: John Pew v. Wealth Resource Capital Corporation et al.

Respondent Susan W. Byrd shall pay to the Claimant Pew the sum of \$15,000.00 plus interest accruing at the rate of 7% per annum from March 1, 1993 until the date of payment of the Award.

The Claimant Pew's requests for attorneys' fees, punitive damages and costs were withdrawn.

FORUM FEES

Pursuant to Section 10332(c) of the Code of Arbitration Procedure, NASD Regulation, Inc. shall retain the hearing session deposits previously paid by the Claimants to NASD Regulation, Inc. representing payment for one pre-hearing conference (panel) and one session conducted in this matter.

The Respondent Wealth Resource Capital Corp. is liable and shall pay to NASD Regulation the sum of \$400.00 representing the member surcharges in NASD Arbitration Numbers 96-01281 and 96-01951 pursuant to Section 10333 of the Code of Arbitration Procedure.

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

Concurring Arbitrators' Signatures

Name

Public/Industry

/S/

Public

Paul Sidney Elliott, Esq.

/S/

Public

Gerald B. Conley

/S/

Public

Bernard Y. Cockrell, II

April 21, 1997

Date of Decision: