

N.A.S.D. AWARD

NATIONAL ASSOCIATION OF SECURITIES DEALERS

In the Matter of the Arbitration Between

Don Wolding

Claimant

and

88-02483

Richard Chancis Shearson Lehman Brothers, Inc.
Respondent

and

Shearson Lehman Hutton

Third Party Respondent

REPRESENTATION OF PARTIES

Claimant Don Wolding was represented by Rebecca A. Erhardt, Esq. of Bourdman, Suhr, Curry & Field, Madison Wisconsin. Respondent Shearson Lehman Brothers, Inc. was represented by Lee Ann Russo, Esq. of Jones, Day, Reavis & Pogue, Chicago, Illinois. Respondent Richard Chancis was represented by Jacqueline Meyer, Esq. of Bondy & Schloss, New York, New York. Respondent Chancis appeared at the hearing pro se.

CASE SUMMARY

In a Statement of Claim filed with the National Association of Securities Dealers Inc. ("NASD") on or about August 8, 1988, Claimant Don Wolding ("Wolding") alleged causes of action arising under the provisions of Section 10(b) of the Securities Exchange Act of 1934, Rule 10b-5 promulgated thereunder and the Wisconsin Uniform Securities Law. Wolding alleged that Respondent Richard Chancis ("Chancis") made misrepresentations to Wolding concerning Chancis' expertise in the securities investment field. Chancis allegedly induced Wolding to give de facto control of Woldings' account to Chancis who "churned" Wolding's account from January 1986 to June 1987. Wolding alleged that the activities of Chancis in connection with the trading in Wolding's account were excessive in size and frequency in light of Wolding's financial objectives and were without regard to Wolding's needs or investment objectives.

In a statement of answer filed with the NASD on or about January 26, 1989 Chancis alleged that all trades were discussed in advance with Wolding. Additionally, Chancis alleged that Wolding directed the aggressive short term trading policy in his account, that Wolding was financially sophisticated and that the trading in Wolding's account was suitable. Chancis filed an amended answer with a third party claim against Shearson in which he reiterated the defenses set forth in his answer and requested that Shearson indemnify him in the event any award was entered against him.

In an answer to the third-party claim and motion to dismiss filed on July 2, 1990 by Shearson, it was alleged that the third-party claim was defective and should be dismissed for failure to state a claim and as a matter of law.

RELIEF REQUESTED

Wolding requested actual damages of \$300,000.00, punitive damages of \$1,000,000.00, costs of the arbitration and reasonable attorney's fees. Chancis requested dismissal of the claim and an award of his attorney's fees. Shearson requested dismissal of the claim. Chancis requested in his third party claim against Shearson that he be indemnified for any award. Shearson requested dismissal of the third-party claim.

OTHER ISSUES

Shearson's motion to dismiss Chancis' third party claim was based on the fact that the settlement of Wolding's claims against Shearson precluded any action for indemnity by Chancis. The panel received briefs on this issue and was prepared to issue a ruling on the motion. Prior to issuance of the ruling, Chancis voluntarily dismissed, with prejudice, his third-party claim against Shearson.

At the close of the hearing on April 16, 1991 the panel asked for written closing arguments to be filed. The parties filed these written arguments with the NASD and the panel read these arguments prior to rendering a decision.

PROCEDURAL MATTERS

In a telephonic hearing on February 7, 1991 and on April 16, 1991 in Chicago, Illinois during a hearing lasting a total of three (3) sessions, the undersigned arbitrators heard the controversy between the parties as set forth in submissions to arbitration signed on July 25, 1988 by Claimant Donald Wolding, and on January 26, 1989 by Respondent Richard Chancis. Shearson did not file a submission to arbitration, but was voluntarily dismissed prior to the hearing.

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 original(s) remain on file with the NASD.

AWARD

The arbitration panel, having considered the pleadings, the testimony, the evidence presented at the hearing and the remaining parties' post-hearing written argument, has decided in full and final resolution of the issues submitted for determination as follows:

1. Respondent Chancis is liable for and shall pay to Claimant Wolding, the sum of Thirty two thousand Three hundred Ninety six Dollars and no cents (\$32,396.00).
2. The parties shall each bear their own costs, expenses and attorney's fees incurred in this matter;
3. Wolding's claim for punitive damages is specifically dismissed;
4. Pursuant to Section 30(b) of the NASD Code of Arbitration the NASD shall retain the \$1000 postponement fee paid by Chancis to the NASD for a prior postponement of a hearing date set in this matter; and

presented at the hearing, has determined in full and final resolution of the issues submitted for determination as follows:

1. Claimant Uma P. Reddi (who directed the trades in the account) met the suitability standards for options trading.

2. Respondent E. F. Hutton & Co., Inc. failed to reasonably supervise its employee in connection with the handling of Claimants' account, specifically in reference to the covering of options on October 15, 1987 as requested by Claimants before the close of market on that day. Therefore, Respondent E.F. Hutton & Co., Inc. is solely liable for and shall pay to Claimants the sum of Thirty-Seven Thousand, Five Hundred Thirty-One Dollars and Seventy-Five Cents (\$37,531.75) calculated as follows:

a. Loss to Claimants covering option 10-16-87	\$ 88,747.41
b. Loss if options covered 10-15-87	\$ (40,000.00)
c. Gross Amount	\$ 48,747.41
d. Offset by debit balance due Respondent 12-31-87	\$ (11,215.66)
e. Amount awarded	\$ 37,531.75

3. Respondent E. F. Hutton & Co., Inc. is further assessed interest at ten percent (10%) per annum on the principal sum of \$37,531.75 from October 15, 1987 until date paid, or alternatively \$10.2827 per diem.

4. The parties shall each bear their respective costs including attorneys' fees.

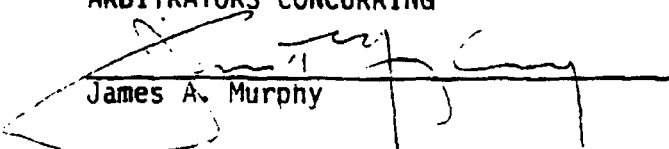
5. Pursuant to Section 43 of the National Association of Securities Dealers, Inc. ("NASD") Code of Arbitration Procedure, the NASD shall retain the \$750.00 filing fee previously deposited by the Claimant.

OTHER ISSUES

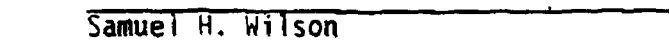
The parties stipulated to the execution and service of the award in counterpart copies.

DATE SERVED: 12/12/89

ARBITRATORS CONCURRING


James A. Murphy


Al T. Hays


Samuel H. Wilson

5. Pursuant to Section 43(c) of the Code of Arbitration Procedure, the National Association of Securities Dealers, Inc. shall retain the hearing session deposit in the amount of \$ 1000.00 previously deposited with the NASD by the Claimant Donald Wolding. The NASD shall also retain the \$750.00 paid by Chancis and Chancis is assessed and shall pay additional forum fees to the NASD in the amount of \$1250.00.

Panel Members Concurring

Dated 7-15-91

Thomas R. McMillan
Thomas R. McMillan
Presiding Chair
Public Arbitrator

Dated _____

George T. Donoghue
George T. Donoghue
Public Arbitrator

Dated _____

Donald Whiteman
Donald Whiteman
Industry Arbitrator

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Panel Members Concurring

Dated

Thomas R. McMillan
Presiding Chair
Public Arbitrator

Dated

7/19/91

George T. Donoghue
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Public Arbitrator

Dated

Donald Whitman
Industry Arbitrator

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Public Arbitrator

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George T. Donoghue
Public Arbitrator

Dated 7-2-91 _____

Donald Whiteman
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Industry Arbitrator