

## N.A.S.D. AWARD

## NATIONAL ASSOCIATION OF SECURITIES DEALERS

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In the Matter of the Arbitration Between

Name of Claimant

Bridget Shaheen

93-01361

Name of Respondents

Robert Todd Financial Corp.  
Steve R. Cloyes

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CASE SUMMARY

In a claim filed with the National Association of Securities Dealers, Inc. on April 5, 1993, Claimant Bridget Shaheen, who appeared Pro Se, alleged that she became involved with Respondent Robert Todd Financial Corp. on September 26, 1991 when she began to purchase American Aircraft ("AARC") stock from Respondent Steve R. Cloyes. Claimant further alleged that she was initially told about Respondent Steve R. Cloyes by Mr. John Cronin who was at that time a client of Respondent Steve R. Cloyes whereby Mr. Cronin told Claimant that he had invested in AARC at the recommendation of Respondent Steve R. Cloyes at which time, Claimant called Respondent Steve R. Cloyes. Claimant contended that she explained to Respondent Steve R. Cloyes that she would have two children in college within two years and three the following year whereby she was hoping to secure money to pay their tuition and Claimant also told him of her tenuous financial circumstances. Claimant further contended that Respondent Steve R. Cloyes told her that AARC would be a perfect stock for her; that she would be more than able to pay all three of her children's tuitions whereby AARC was a very lucrative stock that would be selling for \$30.00 to \$50.00 within two years. Claimant asserted that Respondent Steve R. Cloyes called at least twice a week, encouraging further purchase of AARC knowing her financial situation, and that she never invested in or studied the stock market, or had any dealings with it or brokers before. Claimant further asserted that when she became concerned about the investment and first called Respondent Steve R. Cloyes to sell her stock, Respondent Steve R. Cloyes told her she "was worried about pennies when he was trying to make (her) multiples of what (she) invested". Claimant further alleged that she called again to sell her stock because now she was beginning to notice each time the price of the stock approached \$1.50 it would drop significantly whereby Respondent Steve R. Cloyes told her again that she was worried about pennies and that contrary to trying to sell she should be buying more stock.

Claimant further contended that about three days later Mr. Steven Kashian called to tell her he was taking over her account, at which time, Mr. Kashian transferred to Guilford Securities, and it was only then, after transferring her stock that she was able to sell AARC, at which time, Claimant tried to buy back to recover some of the losses that she had occurred. Claimant further asserted that Respondents had no right to sell her shares of AARC because it was not registered in Massachusetts and it was their responsibility to see that it was registered before selling her stock. Claimant further alleged that she incurred losses because of Respondents' fraudulent claims, Respondent Steve R. Cloyes' refusal to execute the sale and, because of being sold an unregistered and unsuitable stock.

Respondents Robert Todd Financial Corp. and Steve R. Cloyes by and through their counsel Leslie K. Case of Gersten, Savage, Kaplowitz & Curtin, New York, NY, maintained that Claimant Bridget Shaheen's American Aircraft Corp ("AARC") transaction history does not support her claims that Respondents induced her to buy AARC and then refused to sell the stock whereby Claimant bought a large number of AARC shares over three months, at which time, Claimant observed the increase in AARC share price, without complaint. Respondents further maintained that when Claimant transferred her account to Guilford Securities as the stock price was declining, she did not sell all of her AARC and instead, Claimant sold some, bought 10,000 shares the next day and sold it all a week later. Respondents contended that Claimant did not register one complaint about Respondents' management of her account until almost six months after she lost money on her investment. Respondents further contended that Claimant wrongfully attempts to place blame on Respondents for her losses incurred in connection with her purchase of AARC stock by claiming, that Respondent Robert Todd Financial Corp. sold AARC in Massachusetts when the securities had not been properly cleared for sale within the state; however, a company may sell its stock in a state even if the security is not Blue Skied by way of exemption from the registration process whereby AARC legally sells its securities in Massachusetts pursuant to a standard exemption. Respondents asserted that contrary to Claimant's assertion that she is entitled to a refund of her AARC losses because AARC was "never properly cleared for sale to residents of Massachusetts", Claimant must bear the consequences of her investment decisions whereby Respondent Robert Todd Financial Corp. fully complied with all applicable Massachusetts' regulations and lawfully trades AARC shares in the state. Respondents further asserted that Claimant's AARC transaction records do not support her claim that she was fraudulently induced to buy AARC whereby Claimant bought the shares over time, and after her first purchase, decided to invest more of her money in a company whose stock was increasing. Respondents further maintained that Claimant's claim that Respondent Steve R. Cloyes "refused to sell her stock when she called to sell it" is simply untrue; by November, 1991, before Claimant made her last purchase of AARC, Respondent Steve R. Cloyes was no longer her broker and had no further communication with her at which time, Respondent Steve R. Cloyes transferred Claimant's account to another broker at Respondent Robert Todd Financial Corp., Steven Kashian, at Mr. Kashian's request whereby upon information and belief, is Claimant's friend and neighbor. Respondents further contended that Claimant's third purchase of AARC on December 20, 1991 occurred when Mr. Kashian

handled her account, not Respondent Steve R. Cloyes and if Claimant made any requests to sell her AARC stock after December 20, 1991, she would have made her request to Mr. Kashian. Respondents further asserted that Claimant never asked Respondent Steve R. Cloyes to sell the stock and he did not refuse to sell her shares because he did not speak with her after he gave her account to Mr. Kashian, whereby Claimant transferred her AARC account from Respondents to Guilford Securities in or about late January 1992, at the same time Mr. Kashian left to work at Guilford Securities. Respondents further maintained that Claimant transferred her account to Guilford Securities when Mr. Kashian, her broker, began working there and Claimant's Guilford Securities account activity belies her contention that "the only way she was able to sell the stock was to transfer it to another company namely Guilford Securities" whereby Claimant did not sell all of her 22,600 AARC shares when she transferred her account, instead, on February 6, 1992 she sold some, not all of her stock and subsequently, the next day purchased 10,000 shares at \$1.00 which was more than two weeks after she transferred her account, Claimant owned 19,970 shares of AARC, she did not sell all of her shares until February 13, 1992. Respondents further contended that Claimant's claim should not be permitted to stand; she lost money trying to predict a market, made the wrong decisions, and should not now be successful in placing the blame for her losses on Respondents.

### **RELIEF REQUESTED**

Claimant Bridget Shaheen requested \$10,000.00 in actual damages.

Respondents Robert Todd Financial Corp. and Steve R. Cloyes requested the claim be dismissed in its entirety.

### **AWARD**

Pursuant to Section 13 of the National Association of Securities Dealers, Inc. Code of Arbitration Procedure, a single Public Arbitrator, Lawrence R. Bowers, was selected to review and determine the matter in controversy between the parties set forth in submissions to Arbitration signed by the Claimant on March 19, 1993 and by the Respondents on July 12, 1993.

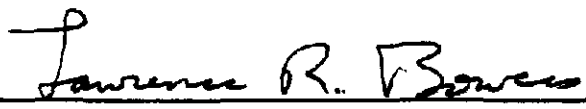
And, the Arbitrator, having considered the proof of the Parties, has decided and determined in full and final resolution of the issues submitted for determination as follows:

1. Respondents Robert Todd Financial Corp. and Steve R. Cloyes are jointly and severally liable and shall pay to the Claimant Bridget Shaheen the sum of \$564.50 in damages.

2. Respondents Robert Todd Financial Corp. and Steve R. Cloyes are jointly and severally liable and shall pay to the Claimant Bridget Shaheen simple interest at the rate of 6% per annum from February 1, 1992 to the date of payment of the award.
3. The parties shall bear their respective costs.
4. The \$150.00 filing fee previously deposited with the National Association of Securities Dealers, Inc. by the Claimant Bridget Shaheen shall be retained by the NASD, Inc. Respondents Robert Todd Financial Corp. and Steve R. Cloyes are jointly and severally liable and shall pay to the Claimant the sum of \$150.00, as reimbursement.

**AFFIRMATION**

I, **LAWRENCE R. BOWERS**, do hereby affirm upon my oath as arbitrator that I am the individual described herein and who executed this instrument, which is my oath and award.

  
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Lawrence R. Bowers

DATE OF DECISION: September 30, 1993