

N.A.S.D. AWARD

NATIONAL ASSOCIATION OF SECURITIES DEALERS

In the Matter of the Arbitration Between

Name of Claimants

Joseph and Linda Sisti, JTWROS

93-03116

Name of Respondents

Chesapeake Securities Research Corporation
David Basoco

CASE SUMMARY

In a claim filed with the National Association of Securities Dealers, Inc. on August 10, 1993, Claimants Joseph and Linda Sisti, who appeared Pro Se, alleged that on July 8, 1992 they bought 250 shares of Cambridge Bio-Tech at \$7.00 a share from Respondent Chesapeake Securities Research Corporation by and through Respondent David Basoco, Account Executive, who told them to send a check for \$881.25 to set up a margin account for this transaction, at which time, Claimants would then have a total value of \$1,762.50 in their account. Claimants further alleged that about three weeks later, they were told by Respondent David Basoco that Bear Stearns informed Respondent Chesapeake Securities Research Corporation that all margin accounts must have a minimum balance of \$2,000.00 in their account and they were then told to send a check for \$350.00, thus, bringing the value of their account to \$2,462.50. Claimants contended that a few weeks later, they were told by Respondent David Basoco that Bear Stearns informed Respondent Chesapeake Securities Research Corporation that all margin accounts must have a cash value of \$2,000.00 in their account and this would then mean that they needed to send another check for approximately \$800.00 whereby Claimant did not want to do this. Claimants further contended that Respondent David Basoco told them that Bear Stearns could convert their margin account into a simple cash account. based on the monies they had already sent whereby Claimants should therefore have in their account, 175 shares at \$7.00 a share, bringing their account value to \$1,225.00. Claimants asserted that Respondent Chesapeake Securities Research Corporation had to buy and sell their stocks to correct their error at which time their shares were sold at \$7.00 and were re-bought at \$6.00, whereby they therefore lost \$1.00 per 175 shares and also had to pay additional commission fees and service charges for each transaction they had to correct, thus Respondents should be held liable for these losses.

Respondents Chesapeake Securities Research Corporation and David Basoco by and through Thomas T. Taylor, maintained that all of the conversations between Respondent David Basoco, during the time of these transactions, were with Claimant Joseph Sisti and it is clear that Claimant Joseph Sisti wanted to buy Cambridge stock at which time, when it was discovered that the amount of money necessary to complete the transactions exceeded Respondent David Basoco's original estimate, Claimant Joseph Sisti was willing to comply. Respondents further maintained that they believe Respondent David Basoco was acting in good faith during all of this period although on, in at least one instance, erroneous information about minimum margin requirements was given. Respondents contended that when Cambridge shares started to dip, Claimant Joseph Sisti became unwilling to complete the transactions or to return phone calls and Respondents began to hear from Claimant Linda Sisti, who was not directly involved in the transactions. Respondents further contended that they received a letter of complaint from Claimant Linda Sisti accusing them of stealing shares from her account, at which time, this letter was shown to the NASD examiners who were doing their routine audit at the time and replied to, apparently to the satisfaction of Claimants. Respondents asserted that it is certainly true that Claimant Joseph Sisti received erroneous information from Respondent David Basoco at the time of the original purchase as to the amount of money needed to be put up to pay for the transaction, it is also true that Claimant Joseph Sisti agreed to certain steps to rectify this situation and had Claimant Joseph Sisti not agreed, other measures would have been taken by Respondent Chesapeake Securities Research Corporation at the time that would have substantially reduced the loss. Respondents further asserted that had the Cambridge shares gone up they feel certain the Claimants would have completed the transaction, happily taken their profit and they would never have heard anything about the matter; however, after a time the stock began to go down, Claimant Joseph Sisti refused to communicate with them and they eventually heard from Claimant Linda Sisti. Respondents further maintained that in light of the foregoing they feel that the Claimants should be responsible for the 150 shares of Cambridge that they paid for on the original transaction, the costs of selling those shares in the final transaction, and the related principal loss at which time Respondents note in this regard that they do not claim that Claimant Joseph Sisti never wanted to own these shares or that they ever instructed them to sell them except when the account was closed. Respondents further contended that Respondent Chesapeake Securities Research Corporation is willing to be responsible for any excess shares purchased or subsequent "unnecessary" transactions and the commissions and service charges related to these any principle loss produced by these and the Claimants costs of filing their complaint and arbitration costs in the amount of \$206.00.

RELIEF REQUESTED

Claimants Joseph and Linda Sisti requested the sum of \$381.71 in actual damages.

Respondents Chesapeake Securities Research Corporation and David Basoco offered the sum of \$206.00 in settlement, or in the alternative, request that the arbitration be decided in this matter.

AWARD


Pursuant to Section 13 of the National Association of Securities Dealers, Inc. Code of Arbitration Procedure, a single Public Arbitrator, Irwin Kahn, Esq., was selected to review and determine the matter in controversy between the parties set forth in submissions to Arbitration signed by the Claimants on August 6, 1993 and not by the Respondents as required by Sections 12 & 13 of the NASD Code of Arbitration Procedure.

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 Chesapeake Securities Research Corporation and David Basoco are jointly and severally liable and shall pay to the Claimants Joseph and Linda Sisti the sum of \$381.71 in damages.
2. The parties shall bear their respective costs.
3. The \$30.00 filing fee previously deposited with the National Association of Securities Dealers, Inc. by the Claimants Joseph and Linda Sisti shall be retained by the NASD, Inc. Respondents Chesapeake Securities Research Corporation and David Basoco are jointly and severally liable and shall pay to the Claimants the sum of \$30.00, as reimbursement.

AFFIRMATION

I, **IRWIN KAHN, ESQ.**, 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.



Signature of Arbitrator

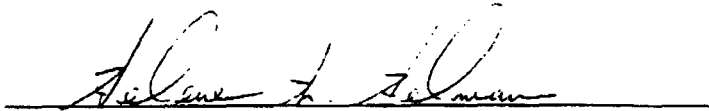
DATE OF DECISION: March 18, 1994

STATE OF: NEW YORK

SS:

COUNTY OF: MASSACHUSETTS

On this 17TH day of MARCH 1994, before me personally appeared Erwin Kahn, Esq. to me known and known before me to be the individual described in and who executed the foregoing instrument and he duly acknowledged to me that he executed the same.



HELENE A. HELMAN
Notary Public, State of New York
No. 43404598 RICHMOND
Qualified in Richmond County
Commission Expires Jan. 20, 1995