

9/10/06/1

N.A.S.D. REGULATION AWARD

NATIONAL ASSOCIATION OF SECURITIES DEALERS REGULATION, INC.

In the Matter of the Arbitration Between

Name of Claimant

Mervin R. Buckwalter

96-01619

Name of Respondents

Sovereign Equity Management Corp.
Frank Rosso

REPRESENTATION

Claimant Mervin R. Buckwalter appeared *pro se*.

Respondent Sovereign Equity Management Corp. ("Sovereign Equity") was represented by Thomas W. Hands, Sovereign Equity Management Corp., Boca Raton, FL.

Respondent Frank Rosso ("Rosso") was represented by Curtis Carlson, Esq., Carlson & Bales, Miami, FL, who appeared via telephone conference call.

CASE INFORMATION

The Statement of Claim was filed April 15, 1996.

Claimant's Submission Agreement was signed on May 15, 1996.

Statement of Answer and Third Party Claim was filed by Respondent Sovereign Equity was filed on July 24, 1996.

Respondent Sovereign Equity's Submission Agreement was signed on July 18, 1996.

Respondent Rosso did not file an Answer to the Statement of Claim or the Third Party Claim, nor file an executed agreement to arbitrate.

HEARING INFORMATION

Hearing Date/Sessions: June 23, 1997/two sessions

Hearing Location: NASD Regulation District Office
Philadelphia, PA

9/18/06

CASE SUMMARY

Claimant alleged that Respondents Sovereign Equity and Rosso (collectively "Respondents") induced him to authorize inappropriate trading on margin and excessive trading in his account. Claimant asserted that Respondents contacted him in early 1992 and encouraged him to open an account with them. Claimant alleged that he informed Respondents that due to previous losses, he had no funds to invest unless he borrowed money. Claimant alleged that Respondents assured him that an account with them would make money and provide a good return. Despite those promises, Claimant alleged that the transactions in his account consistently lost money. Claimant further alleged that when he asked Respondents about the steady losses in his account, they repeatedly assured him to wait and they would "turn it around" and to be patient and the account "would do better." Claimant alleged that the excessive trading coupled with margin interest added to the losses he suffered and he finally closed the account. Claimant alleged that Sovereign Equity failed to adequately supervise Rosso in the management of Claimant's account.

Sovereign Equity denied the allegations of wrong-doing as asserted in the Statement of Claim. Sovereign Equity maintained that while Claimant did make demands for restitution by Claimant, Claimant's account was not subject to excessive trading or incompetent management. Sovereign Equity maintained that Rosso was adequately supervised in the management of Claimant's account. Sovereign Equity raised the affirmative defenses of failure to state a cause of action, the applicable statute of limitations, ratification, authorization and that there is no recovery for lost profits.

Sovereign, in the Third Party Claim, asserted that if it is held to be liable to Claimant for damages that those damages be indemnified by Rosso and/or there is apportionment of the judgment.

Rosso filed no answer to the Statement of Claim or the Third Party Claim.

RELIEF REQUESTED

Claimant requested damages of \$32,625.20 plus pre-award interest and the costs of this arbitration.

Respondent Sovereign Equity requested that the Statement of Claim be dismissed, that the costs and expenses of this arbitration be assessed to Claimant and that Respondent Rosso be required to indemnify Respondent Sovereign Equity in the event any liability is found for losses alleged by Claimant.

OTHER ISSUES CONSIDERED & DECIDED

The parties have agreed that a handwritten, signed Award may be entered. In this case, the parties have agreed to receive a conformed copy of the Award while the original remains on file with the NASD.

The arbitrator granted Respondent Rosso's Request to appear via telephone conference call.

Upon review of the file and consideration of Respondent Rosso's Motion to Dismiss Due to Lack of Adequate Service and the Response of Respondent Sovereign, the arbitrator determined that Respondent Rosso had been properly served pursuant to Rule 10314 of the NASD Code of Arbitration Procedure ("Code"), that Respondent Rosso had received due notice of the hearing as required under Rule 10315 of the Code and that the arbitration would proceed pursuant to Rule 10318.

9'10806'

The arbitrator also determined that Respondent Rosso is required to submit to arbitration pursuant to the By-Laws of the NASD notwithstanding his failure to execute an agreement to arbitrate and therefore, Respondent Rosso is bound by the rulings of the arbitrator

AWARD

After considering the pleadings, the testimony and the evidence presented at the hearing, the undersigned arbitrator has decided in full and final resolution of the issues submitted for determination as follows:

1. That Respondents Sovereign Equity and Rosso are jointly and severally liable to and shall pay to Claimant \$14,831.80.
2. That Respondents Sovereign Equity and Rosso are jointly and severally liable to and shall reimburse to Claimant \$300.00 for the hearing session deposit previously submitted to the NASD Regulation.
3. That Respondent/Third Party Claimant Sovereign Equity's Third Party Claim is denied.
4. That each party shall bear its own costs and expenses with the exception of Forum Fees as specified below.

5. That any and all relief not specifically addressed herein is denied.

FORUM FEES

Pursuant to Rule 10332(c) of the Code, the following Forum Fees are assessed:

2 sessions x \$300.00 = \$600.00

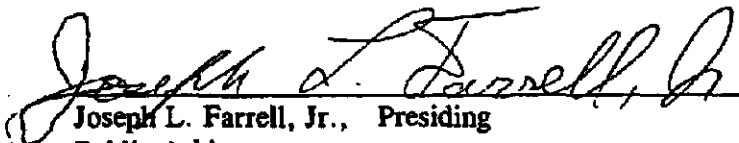
Forum Fees are assessed to Respondents Sovereign Equity and Rosso, jointly and severally. Respondents Sovereign Equity and Rosso are to receive credit for the \$300.00 they reimbursed to Claimant for the hearing session deposit submitted by Claimant to the NASD Regulation, leaving Respondents with a net assessment due of \$300.00.

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

DATE

ARBITRATOR'S SIGNATURE

7/25/97


Joseph L. Farrell, Jr., Presiding
Public Arbitrator

Date Decision Served by NASD Regulation:

August 5, 1997