

N.A.S.D. REGULATION AWARD

NATIONAL ASSOCIATION OF SECURITIES DEALERS REGULATION, INC.

In the Matter of the Arbitration Between

Name of Claimants

Larry G. and Lauren S. Deigh

96-05663

Name of Respondents

Cressida Capital Corp. (aka Norfolk Securities)  
Rondo O. Hosang  
Ian Richard Hosang

REPRESENTATION

Claimants Larry G. and Lauren S. Deigh ("Claimants") were represented by Larry G. Deigh, who appeared *pro se*.

Respondents Rondo O. Hosang, Ian R. Hosang and Cressida Capital, Inc. (aka Norfolk Securities Corp) did not appear.

CASE INFORMATION

The Statement of Claim was filed December 23, 1996.  
Claimants' First Amended Statement of Claim was filed March 19, 1997.  
Claimants' Second Amended Statement of Claim was filed July 15, 1997.  
Claimants' Uniform Submission Agreement was signed December 18, 1996.  
Claimants' Revised Uniform Submission Agreement was signed July 10, 1997.

HEARING INFORMATION

Prehearing Date/Sessions: July 1, 1997/one session  
Hearing Date: September 17, 1997/one session  
Hearing Location: NASD Regulation Headquarters  
Washington, DC

CASE SUMMARY

Claimants alleged that they first had contact with Rondo Hosang when he called Claimants soliciting business for a broker-dealer then known as Norfolk Securities Corp. (now known as Cressida Capital Corp). Claimants asserted that Rondo Hosang induced them to open an account upon his misrepresentations about the firm. Following an initial authorized purchase of 100 shares of Iomega, Claimants alleged Rondo Hosang and Norfolk Securities Corp./Cressida Capital Corp. (collectively "Respondents") made unauthorized trades in Claimants' account, beginning with \$2,000.00 investment

in Antares in August 1996, almost immediately after Claimants opened the account. Claimants alleged that Respondents, in response to an inquiry from Claimants about the transaction, indicated that it was an error which would be immediately corrected. However, Claimants asserted that the transaction for the Antares stock was never rescinded, the shares never sold nor was the error corrected.

Claimants further alleged that on August 29, 1996, Respondents attempted to persuade Claimants to authorize an investment in an IPO for a company called Stocknet, but Claimants refused to get involved in the IPO. Claimants alleged that based upon the misrepresentations of Respondents, they authorized the purchase of 400 shares of Stocknet at \$5 per share for a total of \$2,000.00. However, Claimants alleged that a few days later they received a confirmation for the purchase of 4,000 shares for a price of \$20,000.00. Claimants alleged that when they confronted Respondents, they were informed that while it was another error, the shares had already risen to \$8 per share and if Claimants immediately sent the additional \$18,000.00 to cover the transaction, they would have a profit of \$12,000.00. Claimants asserted that they believed Respondents and sent the additional \$18,000.00. Claimants alleged that they informed Respondents that they wanted the entire 4,000 shares of Stocknet sold immediately, but the sale was never executed.

Claimants further alleged that on October 7, 1996, Claimants received a confirmation showing that Respondents had sold the Iomega shares and used the proceeds to purchase more shares of Stocknet, again without authorization and absolutely contrary to Claimants' directive. Claimants alleged that they repeatedly informed Respondents to sell the Stocknet shares but Respondents failed to do so and in fact, purchased more Stocknet, nor did Respondents ever sell the shares of Antares stock as directed. Claimants alleged that both stock are virtually worthless at this point in time.

Respondents did not submit any response to Claimants' allegations.

#### **RELIEF REQUESTED**

Claimants requested relief in the amount of \$22,000.00 as well as reimbursement of all fees and costs of this arbitration, reasonable attorney's fees, preaward interest and punitive damages.

Respondents did not request relief.

#### **OTHER ISSUES CONSIDERED & DECIDED**

The parties in attendance at the hearing 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.

Panel determined that service was effective as to Rondo Hosang and Norfolk Securities Corp./Cressida Capital Corp. Therefore, Rondo Hosang and Norfolk Securities Corp./Cressida Capital Corp. are bound by the rules and determinations of the panel.

### AWARD

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

1. That based upon a finding that Respondents' conduct constituted fraud, Respondents Rondo Hosang and Norfolk Securities Corp./Cressida Capital Corp., jointly and severally, are liable to and shall pay to Claimants \$24,218.12 inclusive of pre-award interest. Claimants shall also receive post-award interest from September 17, 1997 at the statutory rate until the award is paid.
2. That based upon a finding that Respondents' conduct constituted fraud, Respondents Rondo Hosang and Norfolk Securities Corp./Cressida Capital Corp., jointly and severally, are liable to and shall pay to Claimants punitive damages of \$25,000.00.
3. That Respondents Rondo Hosang and Norfolk Securities Corp./Cressida Capital Corp., jointly and severally, are liable to and shall reimburse Claimants for the \$400.00 hearing session deposit previously submitted to the NASD Regulation.
4. That the claims asserted against Respondent Ian Hosang are denied.
5. That any and all relief not specifically addressed herein is denied.

### OTHER COSTS

Pursuant to Rule 10333 of the Code of Arbitration Procedure ("Code"), Norfolk Securities Corp., now known as Cressida Capital Corp. is assessed a member surcharge of \$200.00.

### FORUM FEES

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

1 prehearing session x \$300.00 =	\$300.00
1 session x \$400.00 =	<u>\$400.00</u>
Total Forum Fees	\$700.00

Forum Fees are assessed to Respondents Rondo Hosang and Norfolk Securities Corp./Cressida Capital Corp., jointly and severally. Respondents Rondo Hosang and Norfolk Securities Corp./Cressida Capital Corp. will receive credit for the \$400.00 hearing session deposit they have been ordered to reimburse to Claimants, thus the balance of Forum Fees due from Respondents is \$300.00.

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

9770/114

DATE

10/10/97

CONCURRING ARBITRATORS' SIGNATURES

Edward M. Statland  
Edward M. Statland, Presiding  
Public Arbitrator

Elaine A. Sehrt-Green  
Elaine A. Sehrt-Green  
Public Arbitrator

Stanley H. Ragle  
Stanley H. Ragle  
Industry Arbitrator

Date Decision Served by NASD Regulation:

October 15, 1997

DATE

CONCURRING ARBITRATORS' SIGNATURES

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Edward M. Statland, Presiding  
Public Arbitrator

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Elaine A. Sehart-Green  
Public Arbitrator

10/9/97

Stanley H. Ragle  
Stanley H. Ragle  
Industry Arbitrator

Date Decision Served by NASD Regulation:

October 15, 1997

11/10/97

DATE

CONCURRING ARBITRATORS' SIGNATURES

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Edward M. Statland, Presiding  
Public Arbitrator

September 24, 1997

Elaine A. Seht-Green  
Elaine A. Seht-Green  
Public Arbitrator

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Stanley H. Ragle  
Industry Arbitrator

Date Decision Served by NASD Regulation:

October 15, 1997