

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

In the Matter of Arbitration Between

DREXEL BURNHAM LAMBERT, INC.

Claimant

v.

GARY HOUSTON

Respondent

NASD NO. 88-00462

CASE SUMMARY

In a claim filed on February 8, 1988, and amended on April 12, 1989, the Claimant alleged that the decline in the value of securities in the Respondent's margin account resulted in an unsecured debit balance which Respondent has failed to pay. The Respondent alleged that the securities in his account were unsuitable and that he is therefore not obligated to pay the Claimant. The Respondent further stated that the Claimant failed to supervise the broker assigned to his account. For his counterclaim, Houston alleged unlawful trading practices, churning and misrepresentation of the risks associated with options trading in his account. Further, Houston re-alleged the failure to supervise as set forth in his defenses. At the hearing, Houston alleged that Drexel breached an agreement to allow him 5 days to make his margin call. In response to the Counterclaim, Drexel denied that the account was churned and denied any wrongdoing or liability to Houston.

RELIEF REQUESTED

Drexel sought the recovery of \$18,873.06 plus interest, costs and attorneys fees. Houston requested that the claim be dismissed and sought \$30,000, plus interest, costs and attorneys fees.

The Claimant asked the panel to award additional costs incurred in rescheduling the hearing from June 12 to June 13 because of Mr. Houston's inability to appear as originally scheduled.

August 11, 1989

AWARD

On June 13, 1989 in Dallas, Texas, in a hearing lasting two sessions, the undersigned arbitrators heard the controversy between the parties as set forth in submissions to arbitration signed by Karen Cullen on behalf of the Claimant on February 12, 1988 and in the answer and counterclaim filed by the Respondent on July 18, 1988.

Having considered the pleadings and amendments thereto, the testimony, evidence and brief presented at the hearing, we have found in full and final resolution as follows:

1. The Respondent, Gary Houston, is hereby liable for and shall pay to the Claimant the sum of (\$22,482.92) Twenty-two Thousand Four Hundred Eighty-two Dollars and Ninety-two Cents plus additional interest to accrue on said sum at 10% per annum from May 26, 1989 until the date of payment;

2. All counterclaims of the Respondent are hereby dismissed in all respects;

3. Having found the authority to award attorneys fees pursuant to the Texas Civil Practice & Remedy Code, Section 38.001, we order that, in addition to the amounts specified in paragraph 1 above, the Respondent shall pay to the Claimant Drexel Burnham Lambert, Inc., Four Thousand Dollars (\$4,000.00) in attorneys fees.

4. Except at otherwise provided above, each party shall bear its own costs and expenses; and

5. Pursuant to Section 43 of the NASD Code of Arbitration Procedure, the \$400.00 previously deposited by the Claimant shall be retained and an additional \$400.00 shall be assessed against the Respondent with said amount to be paid directly to the NASD.

BY THE PANEL

Dated: 8/7/89

S/S Howard V. Tygrett, Jr. Esq.
Presiding Chair

Dated: 8/7/89

S/S James Broome

Dated: 8/7/89

S/S Phillip Lee Scheldt

Date Served: 8-11-89