

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

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| In the Matter of the Arbitration Between | | } | AWARD |
| Lauren Kelly | Claimant | | |
| vs. | | | |
| Shearson Lehman Hutton, Inc. and Darrell Petrie | Respondents | | |
| | | | CASE NO. 89-01843 |

SUMMARY OF ISSUES

This case was filed with the National Association of Securities Dealers, Inc. ("NASD") on June 26, 1989. Claimant alleged that she executed a written authorization allowing Respondents to engage in an index option trading strategy that was recommended by her account executive; that the discretionary authorization provided that Respondents would cease trading when cumulative losses exceeded \$10,000.00; that Respondents failed to exercise prudent investment judgment in opening a new position when the cumulative losses in the account were approximately \$250 below the \$10,000 loss limit; and that Respondents' actions exceeded the scope of the authorization given.

Respondents maintained that the transactions were permitted by the terms of the written discretionary authorization which provided that uncovered index positions would be closed when the index closed in the money; and that when Respondents put on a new position the cumulative losses were not \$10,000.00 and therefore were authorized.

DAMAGES AND RELIEF REQUESTED

Claimant requested damages in the amount of \$103,120.16 and reimbursement of the \$750 filing fee paid to initiate this claim.

Respondents requested dismissal of the claim.

DAMAGES AND RELIEF AWARDED

On April 19, 1990, the undersigned arbitrators heard the controversy between the parties as set forth in submissions to arbitration signed by Claimant on June 22, 1989 and by Respondents on April 19, 1990. The hearing was held in Seattle, Washington and lasted two sessions. The

arbitration panel, having considered the pleadings, the testimony, and the evidence presented at the hearing, has determined in full and final resolution of the issues submitted for determination as follows:

1. Claimant is hereby awarded the sum of Thirty-Five Thousand Dollars and Zero Cents (\$35,000.00) assessed jointly and severally between Respondents.

2. The parties shall each bear their respective costs including attorneys' fees.

3. Pursuant to Section 43 of the NASD Code of Arbitration Procedure:

- a. the NASD shall retain the \$750.00 filing fee previously deposited by the Claimant;
- b. Respondent Shearson Lehman Hutton, Inc. is hereby assessed the sum of \$750.00 representing the filing fee and shall reimburse Claimant directly; and
- c. Respondent Shearson Lehman Hutton, Inc. is further assessed the sum of \$750.00 representing forum fees and shall pay this amount to the National Association of Securities Dealers, Inc. directly. This assessment is based upon Respondent's disregard for the filing deadlines provided in the Code of Arbitration Procedure.

OTHER ISSUES

The parties stipulated to the execution and service of the award in counterpart copies.

PRESIDING ARBITRATORS

DATE SERVED: 06/20/90

Mary C. Eklund
Mary C. Eklund
