

AWARD

NASD Regulation, Inc.

In the Matter of the Arbitration Between

Names of Claimants

Bahram and Mina Khoobehi

96-04608

Name of Respondent

Raymond James & Associates, Inc.

REPRESENTATION

For Claimants: L. Jerome Stanley, Esq., Baton Rouge, Louisiana.

For Respondent: George L. Guerra, Esq., Associate Corporate Counsel, Raymond James & Associates, Inc. ("Raymond James")

CASE INFORMATION

Statement of Claim filed: October 16, 1996.

Claimants' Submission Agreement signed on: October 3, 1996.

Statement of Answer filed by Respondent on: December 13, 1996.

Respondent's Submission Agreement signed on: December 13, 1996.

HEARING INFORMATION

Four hearing sessions were conducted in this matter on April 19 and 20, 1999 in New Orleans, Louisiana.

CASE SUMMARY

Claimants alleged the following: Respondent, through its broker, advised Claimants to take a large covered call position in several stocks by using margin in the account. Subsequently, Respondent reversed its position and issued margin calls which were made without any relationship to the equity balance in the account, for the purpose of forcing the Claimants to either liquidate the covered call positions or transfer the account. The Claimants suffered losses when the positions were liquidated and paid substantial margin interest in carrying these covered

call positions.

Respondent denied all claims on the grounds that Dr. Khoobehi was a sophisticated investor who introduced his strategy to his broker and asserted the following: By writing deep in the money covered calls Dr. Khoobehi was able to generate enough cash to pay for the underlying stock. In addition, he used the excess SMA to write naked puts. The trading activity was exceedingly risky but the Claimants had represented on various occasions that they were able to tolerate that risk. Later, when asked to meet the margin call, Respondent learned that Claimants had misrepresented their net worth and did not have the financial wherewithal to support the credit risk they presented to the firm. The Respondent contended that its contractual agreement with the Claimants specifically allowed the Respondent to make margin calls as well as the other actions Claimants complained about.

RELIEF REQUESTED

Claimants requested damages from their trading losses and the margin interest paid in the sum of \$240,725.00 plus interest on that sum together with reasonable attorney's fees and the cost of the arbitration.

Respondent requested a dismissal of all claims.

OTHER ISSUES CONSIDERED & DECIDED

The parties have 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 original(s) remain on file with NASD Regulation, Inc.

AWARD

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

All claims by the Claimants against the Respondent are dismissed in all respects.

Each party shall bear their respective costs including attorneys' fees.

FORUM FEES

Pursuant to Rule 10332c of the Code of Arbitration Procedure, forum fees in the sum of \$3,000.00 (four sessions x \$750.00) are assessed as follows:

Claimant is assessed the sum of \$3,000.00 for which NASD Regulation, Inc. shall retain the \$750.00 previously deposited in partial satisfaction thereof leaving a balance due in the sum of \$2,250.00.

OTHER FEES

Pursuant to Rule 10332 of the Code of Arbitration Procedure, Claimants have paid to NASD Regulation, Inc. the \$200.00 claim filing fee.

Pursuant to Rule 10333 of the Code of Arbitration Procedure, Respondent has paid to NASD Regulation, Inc. the \$350.00 member surcharge. Further, Respondent has paid to NASD Regulation, Inc. \$20.00 in administrative costs.

Fees are payable to the NASD Regulation, Inc., Office of Dispute Resolution.

Concurring Arbitrators' Signatures
Name

Public/Industry

_____/s/_____
Lyman L. Jones, Jr., Esq.

Public

_____/s/_____
Michael B. McReynolds

Public

_____/s/_____
Robert J. Eitel

Industry

Date of Decision: May 7, 1999

OTHER FEES

Pursuant to Rule 10932 of the Code of Arbitration Procedure, Claimants have paid to NASD Regulation, Inc. the \$200.00 claim filing fee.

Pursuant to Rule 10933 of the Code of Arbitration Procedure, Respondent has paid to NASD Regulation, Inc. the \$350.00 member surcharge. Further, Respondent has paid to NASD Regulation, Inc. \$20.00 in administrative costs.

Fees are payable to the NASD Regulation, Inc., Office of Dispute Resolution.

Concurring Arbitrators' Signatures
Name

Public/Industry

Lyman L. Jones, Jr., Esq.

Public

Michael B. McReynolds

Public

Robert J. Eitel
Robert J. Eitel

Industry

Date of Decision: _____

OTHER FEES

Pursuant to Rule 10332 of the Code of Arbitration Procedure, Claimants have paid to NASD Regulation, Inc. the \$200.00 claim filing fee.

Pursuant to Rule 10333 of the Code of Arbitration Procedure, Respondent has paid to NASD Regulation, Inc. the \$350.00 member surcharge. Further, Respondent has paid to NASD Regulation, Inc. \$20.00 in administrative costs.

Fees are payable to the NASD Regulation, Inc., Office of Dispute Resolution.

Concurring Arbitrators' Signatures
Name

Public/Industry

Lyman L. Jones, Jr., Esq.

Public

Michael B. McReynolds

Public

Michael B. McReynolds

Industry

Robert J. Eltel

Date of Decision: _____

MAY 4 1999 3:11PM

OTHER FEES

Pursuant to Rule 10132 of the Code of Arbitration Procedure, Claimants have paid to NASD Regulation, Inc. the \$200.00 claim filing fee.

Pursuant to Rule 10133 of the Code of Arbitration Procedure, Respondent has paid to NASD Regulation, Inc. the \$350.00 member surcharge. Further, Respondent has paid to NASD Regulation, Inc. \$20.00 in administrative costs.

Fees are payable to the NASD Regulation, Inc., Office of Dispute Resolution.

Consenting Arbitrator Signatures
Name

Public/Industry

Public


Lyman L. Jones, Jr., Esq.

Public

Michael B. McReynolds

Industry

Robert J. Elkal

Date of Decision: May 4, 1999