

**NASD REGULATION, INC. AWARD**

**BEFORE THE  
NATIONAL ASSOCIATION OF SECURITIES DEALERS REGULATION, INC.  
OFFICE OF DISPUTE RESOLUTION**

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RAY TRADING, INC.,

Claimant,

v.

LEHMAN BROS., INC.,

Respondent.

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NASD File Number 96-04735

**REPRESENTATION**

For Claimant:

Lloyd Kadish  
Lloyd Kadish & Associates, Ltd.  
Chicago, IL 60603

For Respondent:

William Olshan  
Lehman Bros., Inc.  
New York, NY 10285

**CASE INFORMATION**

Statement of Claim filed on or about: October 23, 1996

Claimant's Submission Agreement signed: November 25, 1996

Statement of Answer filed on or about: February 20, 1997

Respondent's Submission Agreement  
signed by Qussama Lababedi,  
President, on:

March 3, 1998

**HEARING INFORMATION**

Pre-Hearing Conference: July 24, 1997 for one (1) pre-hearing session.

Hearing Dates: February 11, 1998 for two (2) sessions,  
February 12, 1998 for two (2) sessions; and  
February 13, 1998 for two (2) sessions.

Hearing Location: Houston, Texas

### CASE SUMMARY

Claimant alleged that: Ray Trading was fraudulently induced to invest in a managed account program between October 1993 and April 1994 and was defrauded in connection with the purchase of a derivative in June 1992.

Respondent alleged that: Claimant was an experienced, sophisticated investor who fully understood all of the characteristics, including the risks, of the managed account program and medium term note investments that he made through Lehman. The overwhelming weight of the evidence makes clear that Lehman provided precisely what it promised and Claimant's allegations of wrongdoing are meritless and provide no basis for awarding the damages it seeks.

### RELIEF REQUESTED

Claimant requested an award for \$1,169,875 in actual damages for the loss incurred on the investment in the managed account program, plus simple interest from April 12, 1994; and \$1,527,473 in actual damages for the damages incurred on the investment in the derivative product purchased in June 1992, plus simple interest from the time of the alleged underpayments.

Respondent requested that the Claim be dismissed in its entirety and Lehman be awarded its reasonable costs of defending this action.

### OTHER ISSUES CONSIDERED AND 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) of the award remain on file with the NASD Regulation, Inc. Office of Dispute Resolution.

### AWARD

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

1. Respondent, Lehman Brothers, Inc. is liable for and shall pay to Claimant, Ray Trading, Inc. the sum of \$1,100,000 in actual damages plus post judgement interest on this amount to accrue beginning thirty (30) days after receipt of this award at the maximum legal rate in Texas until paid.
2. The parties shall bear their own attorneys' fees.
3. With the exception of forum fees addressed below, all claims and relief not specifically awarded are hereby denied in their entirety and dismissed with prejudice.

### FORUM FEES

Forum fees are calculated at the rate of \$1,000 per hearing session and \$300 for each pre-hearing conference, if any. There was one (1) pre-hearing conference x \$300 plus there were seven (7) hearing sessions x \$1,000 = \$7,300 in forum fees. Pursuant to Section 10332 of the Code of Arbitration Procedure ("the Code"), a hearing session is any meeting between the parties and the arbitrator(s), including a pre-hearing conference with an arbitrator, which lasts four hours or less.

Pursuant to Section 10332 of the Code, the NASD Regulation, Inc. Office of Dispute Resolution shall retain the claim filing fee in the amount of \$250 and shall retain as forum fees the hearing session deposit in the amount of \$1,000 previously submitted by Claimant, Ray Trading, Inc.

Pursuant to Section 10332 of the Code, Respondent, Lehman Brothers, Inc. is liable for and shall pay to Claimant, Ray Trading, Inc. the sum of \$1,000 as reimbursement of the hearing session deposit. Respondent, Lehman Brothers, Inc. is liable for and shall pay to the NASD Regulation, Inc. Office of Dispute Resolution the sum of \$6,300 in forum fees.

Pursuant to Section 10333 of the Code, Respondent, Lehman Brothers, Inc. is also liable for and shall pay to the NASD Regulation, Inc. Office of Dispute Resolution the member surcharge in the amount of \$500.

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

Concurring Arbitrators' Signatures

Patrick Lanier, Esquire  
Patrick Lanier, Esquire  
Public Arbitrator  
Chairman

March 16, 1998  
Dated:

Richard R. Nelson, Jr.  
Richard R. Nelson, Jr.  
Public Arbitrator  
Panelist

March 12, 1998  
Dated:

John E. Easterling  
John E. Easterling  
Industry Arbitrator  
Panelist

March 11, 1998  
Dated:

For NASD use only:  
Date served: March 17, 1998