

NATIONAL ASSOCIATION OF SECURITIES DEALERS REGULATION, INC.

In the Matter of the Arbitration Between

Name of Claimant

Taysir Y. Habrumman

96-05155

Name of Respondents

Smith Barney, Inc.  
Robert G. Langstrom  
Patrick K. Neid

REPRESENTATION

Claimant Taysir Y. Habrumman ("Claimant") was represented by Marvin L. Szymkowicz, Esq., Mendelsohn & Szymkowicz, Washington, DC.

Respondents Smith Barney, Inc. ("SBI"), Robert G. Langstrom ("Langstrom") and Patrick Neid ("Neid") were represented by Victor A. Machcinski, Jr., Esq., Smith Barney, Inc., New York, NY.

CASE INFORMATION

The Statement of Claim was filed November 19, 1996.

Claimant's Uniform Submission Agreement was signed December 4, 1996.

The Joint Statement of Answer and Motion To Dismiss filed by SBI, Langstrom and Neid (collectively "Respondents") was filed February 7, 1997.

SBI's Uniform Submission Agreement was signed February 6, 1997.

Langstrom's Uniform Submission Agreement was signed February 7, 1997.

Neid's Uniform Submission Agreement was signed February 10, 1997.

HEARING INFORMATION

Prehearing Date/Sessions: August 13, 1997/one session

Hearing Dates/Sessions: August 26, 1997/two sessions  
August 27, 1997/two sessions  
August 28, 1997/two sessions

Hearing Location: NASD Regulation Headquarters  
Washington, D.C.

CASE SUMMARY

Claimant alleged that Respondents induced him to authorize transactions in unsuitable options trading and refused to execute a transaction in June 1996 in which Claimant may have recouped some of his losses.

Claimant alleged that when he opened his account Respondents instructed Claimant to overstate his assets on the account application so that Claimant would pass suitability tests. Claimant asserted that he is an unsophisticated investor with only a secondary school education and he had a seriously ill wife and two young children in addition to personal health problems. Claimant alleged that Respondents made no attempt to determine over the fourteen years Claimant held the account, why there was continuous losses, with a loss of \$50,000.00 in 1996 along. Claimant alleged that Respondents refused to execute Claimant's order to purchase \$6,755.00 worth of crude oil contracts in August 1966 whereby Claimant lost a potential profit of \$32,000.00. Claimant alleged that SBI failed to adequately supervise Neid and Langstrom in the management of Claimant's account. Claimant alleged that Respondents actions constituted common law fraud, breached Respondents' fiduciary duty to Claimant and violated state and federal securities laws.

Respondents denied all allegations of wrong-doing as asserted in the Statement of Claim. Respondents maintained that Claimant, who actually began his trading with E.F. Hutton and not Shearson Lehman though E.F. Hutton merged with Shearson Lehman in 1988) was a knowledgeable options trader and all transactions over the fourteen years were unsolicited. Respondents maintained that Claimant purposefully chose buying options as his investment vehicle in order to limit his losses on the one hand, while maintaining substantial upside profit potential on the other. Respondents maintained that Claimant used his brokers solely for fundamental and technical information and to process his orders. Respondents maintained that Claimant's insistence that the one transaction on crude oil contracts was suitable and all similar transactions during the previous fourteen years were unsuitable is inconsistent. Respondents further maintained that Claimant was well aware of the risk involved in trading options but was willing to take the risk for the potential profit. Respondents maintained that Neid and Langstrom were appropriately supervised in the management of Claimant's account and any losses suffered by Claimant were the result of Claimant's own decisions in his options trading.

#### **RELIEF REQUESTED**

Claimant requested damages of \$145,000.00; punitive damages of an equal amount; pre-award interest at 10%; as well as the costs and expenses, including attorney's fees, of this arbitration.

Respondents requested that the Statement of Claim be dismissed in its entirety and that the costs and expenses of the arbitration, including attorney's fees, be assessed to Claimant.

#### **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 originals remain on file with the NASD.

**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 the Statement of Claim is denied in its entirety.
2. That the claim for punitive damages is denied.
3. That each party shall bear its own costs and expenses, including attorney's fees, with the exception of Forum Fees as specifically addressed below.
4. That any and all relief not specifically addressed herein is denied.

**OTHER COSTS**

Pursuant to Rule 10333, Respondent Smith Barney Inc. is assessed a member surcharge of \$350.00.

**FORUM FEES**

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

1 Prehearing session x \$300.00 =	\$300.00
6 Hearing sessions x \$750.00 =	\$4,500.00
<b>TOTAL FORUM FEES</b>	<b>\$4,800.00</b>

Forum Fees are assessed at \$1,600.00 to Claimant and \$3,200.00 to Respondents, jointly and severally. Claimant is to receive credit for the \$750.00 previously submitted to the NASD Regulation, leaving a net assessment for Claimant of \$850.00. Respondents have a net assessment due for Forum Fees of \$3,200.00.

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

**DATE**

Sept 3, 1997

**CONCURRING ARBITRATORS' SIGNATURES**

Morris J. Levin  
Morris J. Levin, Presiding  
Public Arbitrator

Gerald P. LeNoir  
Gerald P. LeNoir  
Public Arbitrator

John P. Rodler  
John P. Rodler  
Industry Arbitrator

Date Decision Served by NASD Regulation:

September 11, 1997

**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 the Statement of Claim is denied in its entirety.
2. That the claim for punitive damages is denied.
3. That each party shall bear its own costs and expenses, including attorney's fees, with the exception of Forum Fees as specifically addressed below.
4. That any and all relief not specifically addressed herein is denied.

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**DATE**

**CONCURRING ARBITRATORS' SIGNATURES**

Sept 4 '97

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Morris J. Levin, Presiding  
Public Arbitrator

Gerald P. LeNoir  
Gerald P. LeNoir  
Public Arbitrator

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John P. Rodler  
Industry Arbitrator

Date Decision Served by NASD Regulation:

September 11, 1997

**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 the Statement of Claim is denied in its entirety.
2. That the claim for punitive damages is denied.
3. That each party shall bear its own costs and expenses, including attorney's fees, with the exception of Forum Fees as specifically addressed below.
4. That any and all relief not specifically addressed herein is denied.

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Public Arbitrator

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Gerald P. LeNoir  
Public Arbitrator

Sept. 4, 1997

John P. Rodler  
John P. Rodler  
Industry Arbitrator

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