

NASD REGULATION, INC. AWARD

OFFICE OF DISPUTE RESOLUTION

In the Matter of the Arbitration Between

Name of Claimant

Timothy G. Shands

96-05308

Name of Respondents

J. B. Oxford & Company
James Galido

REPRESENTATION

For Claimant Timothy G. Shands ("Claimant") appeared J. Pat Sadler, Esq., of the law firm, Sadler and Associates, P.C. located in Atlanta, Georgia.

For Respondents J. B. Oxford & Company ("JBO"), and James Galido ("Galido"), (collectively, "Respondents") appeared Jeffery Cob of the law firm, Miller Milove & Kob, located in San Diego, California.

CASE INFORMATION

Statement of Claim filed: November 27, 1996.

Claimant's Submission Agreement signed on: November 19, 1996.

Joint Statement of Answer filed by Respondents on: February 6, 1997.

Respondent JBO's Submission Agreement signed on: December 11, 1996.

Respondent Galido's Submission Agreement signed on: December 9, 1996.

HEARING INFORMATION

Hearing Dates/Sessions:	August 5, 1997	-	Two Sessions
	August 6, 1997	-	Two Sessions

The hearings were held in the Terrace Garden Hotel, located in Atlanta, Georgia.

CASE SUMMARY

Claimant alleged that in July 1996, he was employed on the faculty of a university as a non-tenured research scientist, had maintained an account with JBO for two years, and had no other significant

financial resources. Claimant further alleged that he chose a day that appeared particularly suitable for purchasing call options, and instructed Galido to purchase options at 9:30 am, as soon as the prices and indices were known, but Galido actually made the purchases at 9:25 am, for 100 NDX July 615 calls. Claimant also alleged that when he learned that the options had been purchased early, he instructed Galido to cancel the order but after 15 minutes found that the purchase had been filled for \$226,563.00. Claimant asserted that four additional sets of options had also been purchased that morning, (NDXGF, OEXGB, SUQGI, and UQXGN) for a total of \$218,412.00 which exceeded the available funds in his account. Claimant further asserted that Galido assured him that the erroneous transaction would be canceled but later that morning Galido's supervisor, Mr. Michael Villanueva, told claimant that there was nothing that could be done and the trades would stand. Claimant also asserted that because of the risk the situation posed to him, he was forced to liquidate all the positions, resulting in an aggregate loss of \$156,337.69. Claimant contended that had the original order been placed as he intended, his risk would have been less than his available funds, but because JBO had overextended his account, his risk was more than \$225,000 beyond his means.

Respondents maintained that claimant initially selected NDX July 615 calls and instructed Galido to purchase 100 contracts, and to place the order before the market opened to catch the potential run-up anticipated based on the positive pre-market indications he perceived. Respondents further maintained that Galido informed claimant that he needed manager approval for this, which was granted, and then Galido reiterated the potential risks involved in this transaction, confirmed the order with claimant, and entered it into the system. Respondents also maintained that, at about 9:31 a.m., Galido observed that the NDX index was higher than the previous day's close and so advised claimant. Respondents contended that since the Chicago Board of Options Exchange ("CBOE") had yet to start, claimant told respondent to cancel the first transaction, and instead buy 100 NDX July 630. Respondents further contended that no option trades had gone through on the CBOE when Galido entered a trade cancellation at 9:32 am but he reminded claimant that they were not out of the trade until receipt of confirmation from the CBOE. Respondents also contended that claimant did not want to wait for confirmation before proceeding on the belief that he would make up the loss with other trades that morning. Respondents alleged that they soon received a report that the original 100 NDX July 615 trade had been filled at a price of 22 5/8 per share and had not been canceled as hoped. Respondents further alleged that calls were made to Galido's manager and the JOC compliance officer, Al Laubenstein, to explain the situation, and to contest the fill with the CBOE. Respondents alleged that claimant also asked respondents if these calls had been recorded, and when told that they were not recorded, this claim followed.

RELIEF REQUESTED

Claimant requested compensatory damages of \$156,337.69, interest at the legal rate of 6% per year, attorney's fees, and all costs.

Respondents requested that all claims be dismissed, that respondents motions to dismiss be granted, that claimant shall take nothing as to respondents by claimant's Statement of Claim, and that claimant reimburse respondents for their costs, expenses and attorney's fees.

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. Respondents J.B. Oxford & Co. and James Galido are jointly and severally liable and shall pay to Claimant compensatory damages of \$75,157.00.
2. Respondents J.B. Oxford & Co. and James Galido are jointly and severally liable and shall pay to Claimant simple interest at the rate of 6% per annum from July 17, 1996 to the date of payment of the award.
3. The parties shall bear their respective attorney's fees and costs.
4. All other relief requests are denied.

FORUM FEES

Pursuant to Rule 10332 of the Code of Arbitration Procedure, the arbitrators have determined that NASD Regulation, Inc. shall retain the \$200.00 non-refundable filing fee previously deposited by the Claimant and have assessed the following forum fees:

4 sessions x \$750	= \$3,000.00
Minus claimant's \$750.00 deposit	= <u>\$ 750.00</u>
Total outstanding	= \$2,250.00

Respondents J.B. Oxford & Co. and James Galido be and are hereby jointly and severally liable for the sum of \$3,000.00 representing the total amount of Forum Fees assessed. Claimant Shands previously deposited \$750.00 with NASD Regulation, therefore, Respondents J.B. Oxford & Co. and James Galido shall pay to NASD Regulation, Inc. the sum of \$2,250.00 and shall pay claimant \$750.00 as reimbursement of the hearing session deposit.

The panel determined that NASD Regulation shall retain respondent J.B. Oxford's \$350.00 payment for the member surcharge levied pursuant to Rule 10333.

ARBITRATORS' SIGNATURES

I, Richard Allan Kay, Esq., do hereby swear or affirm that I am the individual described herein, and who executed this instrument which is my oath and award.



Richard Allan Kaye, Esq.
Public Chairperson

I, John R. Camp, Jr., Esq., do hereby swear or affirm that I am the individual described herein, and who executed this instrument which is my oath and award.

John r. Camp, Jr., Esq.
Public Arbitrator

I, Edwin Barclay Coggan, do hereby swear or affirm that I am the individual described herein, and who executed this instrument which is my oath and award.

Edwin Barclay Coggan
Industry Arbitrator

Date of Decision: September 8, 1997

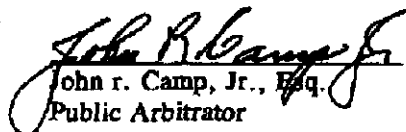
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ARBITRATORS' SIGNATURES

I, Richard Allan Kaye, Esq., do hereby swear or affirm that I am the individual described herein, and who executed this instrument which is my oath and award.

Richard Allan Kaye, Esq.
Public Chairperson

I, John R. Camp, Jr., Esq., do hereby swear or affirm that I am the individual described herein, and who executed this instrument which is my oath and award.


John R. Camp, Jr., Esq.
Public Arbitrator

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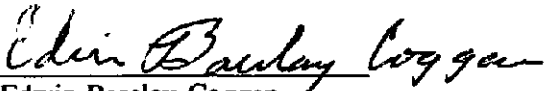
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