

Award
NASD Dispute Resolution, Inc.

In the Matter of the Arbitration Between:

LINDA L. PREMO,

Claimant,

Case No.: 99-05220

v.

Hearing Location: Saginaw, Michigan

SALOMON SMITH BARNEY, INC. and

John Doe,

jointly and severally,

Respondents.

REPRESENTATION OF PARTIES

Claimant, Linda L. Premo ("Premo"), hereinafter referred to as "Claimant": Laurence S. Schultz, Esq., Driggers, Schultz & Herbst, Troy, Michigan.

Respondent, Salomon Smith Barney, Inc. ("SSB"), and John Doe, hereinafter referred to as "Respondents": Joanne M. Chormanski, Esq., Salomon Smith Barney, Inc., New York, New York.

CASE INFORMATION

Statement of Claim filed on or about: November 19, 1999

Claimant signed the Uniform Submission Agreement: November 19, 1999

Statement of Answer filed by Respondents SSB and John Doe on or about: December 23, 1999

Respondent SSB signed the Uniform Submission Agreement: December 22, 1999

Claimant's Motion to Schedule Arbitration in Saginaw, Michigan, filed on or about: May 22, 2000

Respondents Response to Claimant's Motion to Schedule Arbitration in Saginaw, Michigan filed on or about: May 25, 2000

CASE SUMMARY

Claimant alleged that she was an unsophisticated investor and had no knowledge or understanding of the risk involved in the purchase at issue. Claimant alleged that Respondent Parks, instead of entering a limit order to purchase Lotsoff at \$1 a share, entered a market order. Claimant asserted that Parks was aware that Lotsoff was a

bulletin-board stock which closed at approximately \$1 a share the previous day and that Lotsoff was receiving publicity and would likely open higher. Claimant alleged that Parks failed to disclose the risks of the transaction and violated Salomon Smith Barney's regulations. Claimant also contended that there were various misrepresentations and omissions by Respondents, including the failure to disclose that Lotsoff was a thinly traded, speculative stock; failing to disclose that a market order was being entered; failing to disclose that the entry of a market order in a thinly traded, speculative stock could result in a purchase substantially in excess of the quoted price of the stock; and failure to disclose the risks in the transaction and other material information. Claimant asserted that four thousand shares of Lotsoff were purchased in Claimant's account for \$9.75 a share and that the Lotsoff stock was sold the same day for \$4.50 a share, resulting in a loss.

Claimant alleged violation of Section 410 of the Michigan Uniform Securities Act; Section 3(1) of the Michigan Consumer Protection Act; and the common law, including common law fraud, innocent misrepresentation, and negligence. Claimant also alleged violation of the NASD rules, breach of contract, respondeat superior, and breach of fiduciary duty. The causes of action relate to the purchase and sale of Lotsoff stock in Claimant's account.

Unless specifically admitted in their Answer, Respondent Salomon Smith Barney, Inc. and John Doe Broker denied the allegations made in the Statement of Claim and asserted affirmative defenses including the following: Claimant fails to state a claim upon which relief can be granted; Claimant is barred from the recovery of any alleged damages because she assumed and understood the risks of the complained of transactions; Claimant is barred from the recovery of any alleged damages because she directed the complained of transactions; Claimant is barred from the recovery of any alleged damages because she authorized and approved of the complained of transactions.

RELIEF REQUESTED

Claimant requested out-of-pocket damages of \$22,219.00, plus 8 percent interest, plus alleged lost opportunity and emotional distress damages, plus costs, forum fees, and attorneys' fees. Attorneys' fees are sought pursuant to Section 410 of the Michigan Uniform Securities Act, which specifically provides for attorneys' fees.

Respondent requested dismissal, plus costs and attorney's fees.

OTHER ISSUES CONSIDERED AND DECIDED

The Arbitrator granted Claimant's Motion to Change Venue to Saginaw, Michigan.

The Claimant named an unknown "John Doe" broker in her Statement of Claim. The

broker later was identified as Eldridge Parks. Mr. Parks was not added as a party to the above-captioned matter. The Panel did not adjudicate any claims against Mr. Parks in the course of this proceeding.

AWARD

After considering the pleadings, the testimony and evidence presented at the hearing, the Arbitrator has decided in full and final resolution of the issues submitted for determination as follows:

- 1.) Claimant's claims, each and all, are denied in their entirety;
- 2.) Respondent Salomon Smith Barney, Inc., is solely liable for and shall pay to Claimant Linda L. Premo the sum of \$140.00 pursuant to the NASD Regulation, Inc. Code of Arbitration Procedure Rule 10332;
- 3.) Respondent Salomon Smith Barney, Inc., is solely liable for and shall pay to Claimant Linda L. Premo the sum of \$125.00 as reimbursement for the non-refundable NASD filing fee.
- 4.) That other than Forum Fees which are specified below, the parties shall each bear their own costs and expenses incurred in this matter;
- 5.) That any relief not specifically enumerated, is hereby denied with prejudice.

FEES

Pursuant to the Code, the following fees are assessed:

Filing Fees

NASD Regulation, Inc. will retain or collect the non-refundable filing fees for each claim:

Initial claim filing fee = \$125.00

Member Fees

Member fees are assessed to each member firm that is a party in these proceedings or to the member firm that employed the associated person(s) at the time of the event(s) giving rise to the dispute. In this matter, the member firm is a party.

Member surcharge = \$400.00

Forum Fees and Assessments

The Arbitrator assesses forum fees for each hearing session conducted. A hearing session is any meeting between the parties and the arbitrator, including a pre-hearing conference with the arbitrator, that lasts four (4) hours or less. Fees associated with these

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proceedings are:

One (1) Pre-hearing session with a single arbitrator x \$450.00 = \$ 450.00
Pre-hearing conference: May 4, 2000 1 session

Three (3) Hearing sessions x \$450.00 = \$1,350.00

Hearing Date: September 26, 2000 3 sessions

Total Forum Fees = \$1,800.00

The Arbitrator has assessed \$1,800.00 of the forum fees to Salomon Smith Barney, Inc.

Fee Summary

Claimant, Linda L. Premo, be and hereby is solely liable for:

Initial Filing Fee	= \$ 125.00
Forum Fees	= \$ 0.00
Total Fees	= \$ 125.00
Less payments	= \$ 575.00
Refund Due from NASD Dispute Resolution, Inc.	= \$ 450.00

Respondent, Salomon Smith Barney, Inc., be and hereby is solely liable for:

Member Fees	= \$ 400.00
Forum Fees	= \$ 1,800.00
Total Fees	= \$ 2,200.00
Less payments	= \$ 850.00
Balance Due NASD Dispute Resolution, Inc.	= \$ 1,350.00

All balances are due to NASD Dispute Resolution, Inc.

Concurring Arbitrator's Signature



Larry A. Feldman
Public Arbitrator, Presiding Chair

OCT. 18TH 2000
Signature Date

Date of Service (For NASD office use only)