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## Florida Couple Wins \$830,000 After Lehman Investment

Russell and Linda Rupp of Bonita Springs said their financial adviser assured them the U.S. government would never allow Lehman Brothers Holdings to go under.

John Pacenti

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Like many retirees, Russell and Linda Rupp of Bonita Springs wanted a safe source of income. Instead, they got preferred stock in Lehman Brothers Holdings Inc. in its dying months.

The couple's financial adviser, Albert Booth of RBC Capital Markets LLC in New Jersey, assured them the U.S. government would never allow the fourth-largest investment bank to go under.

But RBC was wrong — the government did let Lehman fail. Its 2008 bankruptcy filing became the largest bankruptcy in U.S. history and took place as the financial crisis took hold.

A three-member arbitration panel for the Financial Industry Regulatory Authority said RBC Capital Markets LLC should have been at the very least monitoring the Rupps' money. Arbitrators awarded them \$830,000, including \$250,000 in punitive damages after they invested about \$3.4 million.

Jeffrey Erez, a partner at Sonn & Erez in Fort Lauderdale, said it's rare to get a FINRA panel to grant punitive damages. He said Booth, who worked in RBC Capital Markets LLC, had to be found to act to purposely hurt the Rupps or to have acted in reckless disregard.

What was learned later was that RBC Capital Markets was underwriting the preferred stock offering and told Booth to inform his clients the federal government would not let Lehman fail, Erez said.

"That is a very powerful statement when a financial adviser tells a client that the government basically has the company's back," he said.

The FiNRA panel made the decision May 29 after a four-day hearing in Fort Lauderdale.

FiNRA is a private corporation that acts as a self-regulatory body for stockbrokers and financial analysis. Disputes are heard by three-member arbitration panels.

What worked in the Rupps' favor was that Booth had the obligation to monitor the couple's investment once he bought the stock in February 2008, Erez said.

"It might have been OK in February, but by June there were some major red flags there," Erez said.

Lehman emerged from Chapter 11 bankruptcy in May 2012 as a liquidating company whose business is repaying creditors and investors.

Joel M. Wertman, a shareholder at Marshall, Dennehey, Warner Coleman & Groggin in Philadelphia, represented RBC Capital Markets. He said he had no comment.

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