

**AWARD**  
**NASD Dispute Resolution**

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In the Matter of the Arbitration Between

Name of Claimant

UBS Financial Services, Inc.

and

Case Number: 03-03670  
Hearing Site: Houston, Texas

Name of Respondent

Joseph E. Paffie

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**NATURE OF DISPUTE**

Member Firm v. Associated Person

**REPRESENTATION OF PARTIES**

UBS Financial Services, Inc. ("**Claimant**" or "**UBS Financial**") was represented by Brent A. Burns, Esq., of Davidson, Manchel & Brennan, of Northvale, New Jersey.

Joseph E. Paffie ("**Respondent**") was represented by J. Bruse Loyd, Esq., of Jones & Gillaspia, LLP, of Houston, Texas.

**CASE INFORMATION**

The Statement of Claim was filed on or about May 20, 2003.

The Submission Agreement of Claimant UBS Financial Services, Inc. was signed on or about May 13, 2003.

Respondent Paffie did not file either a Submission Agreement or a Statement of Answer.

**CASE SUMMARY**

Claimant alleges a failure to repay a promissory note. On or about July 13, 2001, UBS Financial Services, Inc. hired Paffie as a Financial Advisor in its The Woodlands-Houston, Texas branch office. In connection with Paffie's hire, on or about August 15, 2001, UBS Financial advanced to Paffie as a loan the sum of \$68,500.00. This loan was memorialized

in a promissory note entitled, Promissory Note #31147 ("Note"). Note #31147 provides that if Paffie's employment should terminate, whether voluntarily or involuntarily, no part of the unpaid Principal Amount shall be forgiven. Paffie resigned prior to the second forgiveness date of Note #31147. One of the five equal, annual installments of this loan, or \$13,700.00, was forgiven. According to the Claimant, the amount of the principal outstanding on Note #31147 on the date of Paffie's voluntary resignation from UBS Financial was \$54,800.00. During the time of Paffie's employment, the amount of \$347.94 was withheld from Paffie's compensation by UBS Financial for the purpose of pre-paying Paffie's Note #31147 obligations. This entire amount was applied, pursuant to the Note #31147 agreement, to reduce the aggregate principal amount owed by Paffie. As a result, the amount due decreased to \$54,452.06 and remains due and owing to UBS Financial.

Note #31147 further provided that should Paffie default in the timely payment of any portion of the principal amount, Paffie is obligated to pay interest on any such outstanding amount. Also, Note #31147 provides that should UBS Financial be required to enforce any and all provisions, Paffie is obligated to pay any and all costs and expenses, including, without limitation, reasonable attorney's fees and disbursements incurred by UBS Financial.

#### **RELIEF REQUESTED**

Claimant requested an award in the amount of:

Actual/Compensatory	\$54,452.06
Interest	Unspecified
Attorney's Fees	Unspecified
Other Costs	Unspecified
Other Monetary Relief	Unspecified

#### **OTHER ISSUES CONSIDERED & DECIDED**

By letter dated July 31, 2003, Respondent Paffie's counsel, J Bruse Loyd, stated that "Mr. Paffie will not participate in the above-referenced matter. No Statement of Answer will be forthcoming."

By letter dated November 13, 2003, Claimant opted to proceed against Respondent Paffie pursuant to Rule 10314(e) of the NASD Code of Arbitration Procedure ("Code").

The arbitrator determined that Respondent Paffie was properly served notice of the Statement of Claim and Notification of the Arbitrator by certified mail, and that Respondent

Paffie is required to submit to arbitration pursuant to the Code and is bound by the determination of the Arbitrator on all issues submitted.

### **AWARD**

The undersigned arbitrator has decided and determined in full and final resolution of the issues for determination as follows:

- 1.) Respondent, Joseph E. Paffie, is liable for and shall pay to Claimant, UBS Financial Services, Inc., the sum of \$54,452.06 in compensatory damages;
- 2.) Respondent, Joseph E. Paffie, is liable for and shall pay to Claimant, UBS Financial Services, Inc., interest at the prime rate + 2% compounded monthly pursuant to the Promissory Note dated August 15, 2001. The interest is to begin accruing on October 31, 2002 and to cease when paid in full or otherwise discharged;
- 3.) Respondent, Joseph E. Paffie, is liable for and shall pay to Claimant, UBS Financial Services, Inc., the sum of \$4,038.39 in attorneys fees pursuant to the Promissory Note dated August 15, 2001;
- 4.) Respondent, Joseph E. Paffie, is liable for and shall pay to Claimant, UBS Financial Services, Inc., the sum of \$2,850.00 in costs pursuant to the Promissory Note dated August 15, 2001; and
- 5.) Any relief not specifically enumerated, including punitive damages, is hereby denied with prejudice.

### **FEES**

Pursuant to the Code, the following fees are assessed:

#### **Filing Fees**

NASD Dispute Resolution will retain or collect the non-refundable filing fees for each claim:

Initial claim filing fee	= \$1000.00
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### **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 at the time of the events giving rise to the dispute. In this matter, the member firm is UBS Financial Services, Inc.

Member surcharge	= \$1100.00
Pre-hearing process fee	= \$ 750.00

### **Forum Fees and Assessments**

The Arbitrator assesses a forum fee for an Award issued under the Default Proceedings. Fees associated with these proceedings are:

Default Proceedings	= \$300.00
<hr/> Total Forum Fees	<hr/> = \$300.00

The Arbitration Panel has assessed \$300.00 of the forum fees to Joseph E. Paffie.

### **FEE SUMMARY**

Claimant, UBS Financial Services, Inc., is liable for:

Initial Filing Fee	= \$ 1000.00
Member Fees	= \$ 1850.00
<hr/> Total Fees	<hr/> = \$ 2850.00
Less payments	= \$ 3600.00
Refund Due from NASD Dispute Resolution	= \$ 750.00

Respondent, Joseph E. Paffie, is liable for:

Forum Fees	= \$ 300.00
<hr/> Total Fees	<hr/> = \$ 300.00
Less payments	= \$ 0.00
Balance Due NASD Dispute Resolution	= \$ 300.00

All balances are payable to NASD Dispute Resolution and are due upon receipt pursuant to Rule 10330(g) of the Code.

**ARBITRATOR**

James M. Alexander – Industry Arbitrator, Presiding Chair

Arbitrator:

/s/ James M. Alexander  
James M. Alexander  
Industry Arbitrator, Presiding Chair

February 27, 2004  
Signature Date

February 27, 2004  
Date of Service (For NASD office use only)