

N.A.S.D. AWARD

NATIONAL ASSOCIATION OF SECURITIES DEALERS

In the Matter of the Arbitration Between

Name of Claimant(s)

Alvina Brandon

89-01659, \_\_\_\_\_, 90-01776 and  
90-01769

Name of Respondent(s)

Blinder Robinson & Co., Inc.  
Meyer Blinder  
Harvey Cohen  
Blinder International Enterprises, Inc.

CASE SUMMARY

Alvina Brandon, Sanford D. Klein, Paul T. Ferda, Jr. and Myrl C. and Nan I. Willbanks (collectively referred to herein as "Claimants") alleged as follows:

1. Agents for Blinder, Robinson & Co., Inc. made various misrepresentations and omissions regarding Federal National Mortgage Association Interest Only Securities (FNMA Strips). Agents of Blinder, Robinson misrepresented that the FNMA Strips a) were safe and secure investments b) were suitable for retirement savings, c) would provide a steady stream of income, d) were a suitable investment for a conservative investor e) would only be subject to a margin call if interest rate fell to 4%, and f) were backed by the government.

2. Agents for Blinder, Robinson also failed to inform the Claimants that the FNMA Strips 1) were speculative, 2) were highly risky which was even further compounded when the FNMA Strips were heavily margined, 3) that their interest income and principal investment could fluctuate and could be totally lost, and 4) were not suitable for retail customers but only as a hedge investment for certain institutions.

3. Meyer Blinder is the president and chairman of Blinder, Robinson and Blinder International. Harvey Cohen was head of Blinder, Robinson's bond department. (Meyer Blinder and Harvey Cohen are collectively referred to herein as "Respondents". (Blinder International was and is not a member of the National Association of Securities Dealers, Inc. ("NASD") and would not voluntarily submit to its jurisdiction. Blinder, Robinson filed for bankruptcy before the hearing and therefore this proceeding was stayed against them.)

4. The Respondents were both personally involved in arranging for the promotion and sale of Blinder, Robinson's FNMA strip program.

5. The Respondents were informed by a letter from FNMA that the FNMA Strips were not a suitable investment for retail customers. Neither of the Respondents took the necessary steps to inform the Claimants or the agents that sold them the product that FNMA Strips were not suitable for them.

6. The Respondents failed to a) complete its due diligence with regard to the FNMA Strips, b) properly advise the agents selling the FNMA Strips of their risks.

7. The Respondents organized and furthered the scheme to defraud Blinder, Robinson customers using FNMA Strip program;

8. The Respondents are liable to the Claimants for breach of fiduciary duty, unsuitability, common law fraud, Federal RICO, and misrepresentation and omission.

The Respondents denied the claims of the Claimants' and further alleged that:

1. Harvey Cohen conducted proper due diligence when setting up the FNMA Strip program.

2. Meyer Blinder was not involved in setting up the FNMA Strip program nor did he have any contact with Blinder Robinson agents selling the same;

3. Meyer Blinder properly delegated oversight responsibility to other managers;

4. Harvey Cohen properly advised customers and Blinder Robinson agents of the risks of the FNMA strip programs;

5. The Claimants were aware of the risks inherent in the product and of the use of margin;

6. The Respondents could not foresee the cause of the market drop in the FNMA Strips, and

7. The Claimants claims are barred by the doctrine of ratification.

#### RELIEF REQUESTED

Claimants requested the following:

1. Compensatory Damages: which includes the trebling factor under RICO, assessed jointly and severally against the Respondents:

Paul T. Ferda -

\$108,657.00

Nan T. and Myrl C. Willbanks - \$ 93,720.00  
Sanford D. Klien - \$140,658.00  
Alvina Brandon - \$201,873.00;

2. Punitive Damages:

Against Harvey Cohen - \$50,000 to \$100,000 per Claimant

Against Meyer Blinder - \$500,000 to \$750,000 per Claimant;

3. Attorneys fees \$45,200; and

4. Expert Fees \$28,350.

Respondents requested that all the claims of the Claimants be dismissed.

PROCEDURAL SUMMARY

We received the Claimants claims and/or the parties signed their Uniform Submission Agreements ("USA") on the following dates:

	Claim received on:	USA Signed on:
Alvina Brandon	6-6-89	5-25-89
Sanford Klien	6-12-89	6-2-89
Paul Ferda	6-22-90	6-19-90
Myrl C. and Nan I. Willbanks	6-22-90	6-19-90
Meyer Blinder		8-16-90
Harvey Cohen		7-19-90

Prior to the hearing the Respondents requested a stay in the proceeding until both Amadio, et al. v. Blinder Robinson & Co., Inc. and Meyer Blinder 90-N-1062 and criminal action pending in Nevada involving Meyer Blinder are completed. The motions requesting a stay were denied. Claimants' motion to consolidate their cases was granted over the objection of the Respondents.

The hearing was held on January 21, 22, 23, 24 and 25, 1991 in Denver, Colorado in nine sessions. There was also two pre-hearing conferences between the parties and the arbitrators in which the motions to stay and consolidate were heard.

AWARD

The parties have agreed that the Award in this matter may be executed in counterpart copies. The parties have agreed to receive conformed copies of the Award while the originals remain on file with the NASD.

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

1. All claims asserted by the Claimants against the Respondents are hereby dismissed;
2. The parties shall bear their own costs including attorneys' fees.
3. Pursuant to Section 43(c) of the NASD Code of Arbitration Procedure, the NASD shall retain the \$1,700 filing fee deposited by the Claimants and the Claimants shall be jointly and severally liable for and shall pay to the NASD \$550.00. The Respondents shall be jointly and severally liable for and shall pay to the NASD \$2,250.00.

Concurring Arbitrator(s) Signature

Carol Zamperini

James B. Eichberg  
James Eichberg

Arbitrator Dissenting

Jerome Kelley  
Industry Arbitrator

3. Pursuant to Section 43(c) of the Code of Arbitration Procedure, the National Association of Securities Dealers, Inc. shall retain the hearing session deposit in the amount of \$550.00 previously deposited with the NASD by the Claimant Lissa Poe. Claimant shall pay to the NASD the sum of \$575.00 and Respondents Stuart-James Company; Dirk Nye and C. James Padgett shall be jointly and severally liable for and shall pay to the NASD the sum of \$1,125.00 as forum fees. The NASD shall retain the \$100.00 postponement fee previously deposited on behalf of Respondent Stuart-James Company, Inc., Dirk Nye and C. James Padgett.

Dated:

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Thaddeus J. Tecza, PhD  
Presiding Chair

\_\_\_\_\_  
John Barton

May 6, 1991

Gary M. Biesiadecki  
Gary Biesiadecki  
Industry Arbitrator

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Dated:

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Thaddeus J. Tecza, PhD.  
Presiding Chair

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John Barton

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Gary Biesiadecki  
Industry Arbitrator

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