

N.A.S.D. AWARD

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

---

In the Matter of the Arbitration Between

Name of Claimants

Warren and Marie Anderson

91-03022

Name of Respondents

Shearson Lehman Hutton, Inc.  
Paul DeBey

---

REPRESENTATION

For Claimants Warren and Marie Anderson: Wayne E. Boyd and Laurie Petti, Attorneys At Law, South Sioux City, Nebraska.

For Respondents Shearson Lehman Hutton, Inc. and Paul DeBey: William A. Bohausser, Shearson Lehman Brothers, Inc., New York, New York.

CASE INFORMATION

Statement of Claim filed: September 27, 1991. Reply to the Answer filed: July 20, 1992.

Claimant's Submission Agreement signed on: March 15, 1991.

Joint Statement of Answer filed by Respondents on: July 1, 1992.

Respondents Shearson Lehman Hutton, Inc.'s and Paul DeBey's Submission Agreements signed on: July 1, 1992.

HEARING INFORMATION

Hearing Date/Session: September 30, 1992, one (1) session.

Hearing Location: Omaha, Nebraska.

CASE SUMMARY

Claimants, Warren and Marie Anderson, ("Claimants") alleged that Respondent, Shearson Lehman Hutton ("SLH") by and through its employee, Respondent Paul DeBey ("DeBey") invested in unsuitable investments and engaged in misrepresentation. Claimants alleged that DeBey recommended that

they invest in Putnam Master Intermediate Income TR SBI ("Putnam").

Claimants alleged that they tendered a check to SLH in the amount of \$25,000.00 for the purchase of government bonds because they did not want to risk losing any of their principal investment. Claimants alleged that DeBey purchased Putnam for \$25,000.00, and, at this time, believed in good faith, that they owned government bonds. Claimants alleged that they questioned DeBey about the "Putnam" name, and DeBey informed Claimants that they should disregard the name and that he would take care of it. Claimants alleged that DeBey convinced them to reinvest the \$1,052.00 they had accumulated in dividends. Claimants alleged that they did not learn they did not own government bonds until March, 1991, and at this time, DeBey informed Claimants that their investment would not mature at face value.

Respondents SLH and DeBey denied each and every claim contained in the Statement of Claim. In addition, they alleged that DeBey specifically discussed with Claimants that the Putnam Trust had a diversified portfolio, and that United States and foreign government bonds were only a part of that portfolio. Respondents alleged that Mr. Anderson would frequently visit the Shearson office to review his account, and he never questioned DeBey or any of the other brokers in the office about the "Putnam" name. Respondents also stated that Mr. Anderson never expressed any problems with his account at all. Respondents asserted that a Putnam representative "broke down" the make-up of Putnam as 1/3 U.S. Government bonds, 1/3 foreign government bonds, and 1/3 corporate bonds. According to Respondents, Mr. Anderson's understanding that Putnam changed in status from closed-end to open-end, his frequent visits to the Shearson office, and his conversations with the Putnam representative contradicted Claimants' claim that they did not understand the nature of Putnam. Respondents stated that if Claimants elected to sell the shares purchased as a result of their second purchase from the fund, the trade would be profitable. Lastly, Respondents contended that Putnam is an instrument that provides owners with an excellent yield.

Claimants, in their Reply to the answer, denied each and every allegation contained in the Respondent's Answer except those admitted and those that constitute admissions against the Respondent's interest.

#### RELIEF REQUESTED

Claimants requested: compensatory damages equal to the difference between the amount they gave the Respondents (\$25,000.00) and the amount they have left after Respondents invested their money in funds (approximately \$17,000.00), punitive damages, attorney's fees, interest, and the costs herein.

The Respondent requested that the Statement of Claim be dismissed in its entirety and that the Respondents be awarded its costs, including attorney's fees.

OTHER ISSUES CONSIDERED & DECIDED

The parties have agreed that the Award in this matter may be executed in counterpart copies or that a handwritten, signed Award may be entered. In either case, the parties have agreed to receive conformed copies of the Award while the originals remain on file with the NASD.

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 Shearson Lehman Hutton, Inc. and Paul DeBey shall be and hereby are jointly and severally liable for and shall pay to the Claimants Warren and Marie Anderson, damages in the amount of Three Thousand Five Hundred Twenty Six Dollars (\$3526.00);
2. Respondents Shearson Lehman Hutton, Inc. and Paul DeBey shall be and hereby are jointly and severally liable for, and shall pay to the Claimants, Warren and Marie Anderson, attorney's fees in the amount of Two Thousand Five Hundred Dollars (\$2,500.00);
3. Claimants's request for punitive damages is denied;
4. Each of the parties shall bear their own costs and expenses incurred, other than those specifically enumerated for herein.

FORUM FEES

Pursuant to Section 43(c) of the Code of Arbitration Procedure, the following Forum Fees are assessed:

one session x \$200 = \$200 minus hearing session deposit of \$200 =  
net 0 due.

By The Arbitrator:

Dated:

/s/ Samuel Van Pelt  
Samuel Van Pelt  
Public Arbitrator

November 12, 1992

Date Award Served By The NASD: November 17, 1992