

N.A.S.D. AWARD

NATIONAL ASSOCIATION OF SECURITIES DEALERS

In the Matter of the Arbitration Between

Name of Claimants

Josef Blatstein and Helen Blatstein

92-03973

Name of Respondents

Kirlin Securities, Inc.
Claudia R. Roberts

CASE SUMMARY

In a claim filed with the National Association of Securities Dealers, Inc. on November 24, 1992, Claimants Josef and Helen Blatstein, who appeared Pro Se, alleged that on July 2, 1991 they purchased from Respondent Claudia R. Roberts, Fixed-Income Specialist, at Respondent Kirlin Securities, Inc., 50,000 shares of GNMA CMO at 102.375 maturing April, 1998 which was to pay interest income only until September, 1996 and at maturity, principal would return with interest from September, 1996 to an estimated final maturity of April, 1998; for an average life of 5 to 9 years. Claimants further alleged that on July 9, 1991 they purchased 46,000 shares of CMSC 91-5K CMO due 7/25/21 at 102.25 which was set to pay out income until April, 1998 for an average life of 7 to 8 years and subsequently on August 9, 1991 they purchased 25,000 shares of FHLMC at 103.50 maturing 7/15/15. Claimants contended that Respondent Claudia R. Roberts explained that they had to hold these securities until May, 1999 because they paid a premium and it would not pay to hold it for a short period of time. Claimants further contended that Respondent Claudia R. Roberts explained that the average life of these securities is 8 to 9 years, whereby the projected return of principal of these securities is set at a speed to pay interest income only until May, 1999 and the remaining 5 to 6 years they would only receive interest and the remaining 3 to 4 years, they would receive interest plus the principal. Claimants asserted that on April 7, 1992 Respondent Claudia R. Roberts informed them that the 25,000 shares were paid up and she received \$7,986.18, at which time, Respondents offered to buy them something else. Claimants further asserted that they received a total of \$25,015.89 thereby they lost \$859.11 and accordingly they were promised 5 years of interest, at which time, Claimant can only get 7 1/2% now, which is a 2% difference, thus, Respondents are liable for these losses.

Respondents Kirlin Securities, Inc. and Claudia R. Roberts by and through Anthony Kirincic, President, maintained that in June, 1991 Claimants Josef and Helen Blatstein contacted Respondent Kirlin Securities, Inc. in response to an ad for CMO's, at which time, Claimant Josef Blatstein was shown various types of CMO's and explained the characteristics of each. Respondents further maintained that Claimants were told that the maturity dates in addition to period of principal and interest payback, like all other factors, were approximate whereby the dates were projections based on current interest rates, which could change and therefore, affect the length of the CMO. Respondents contended that Respondent Claudia R. Roberts discussed their investment objectives and if CMO's were right for them, at which time, Claimant Josef Blatstein bought 3 CMO's; a CMSC SL GNMA CMO, 50,000 shares at a price of 102.375, a FHLMC CMO, 25,000 shares at 103.5, and on July 8, 1991 a CMSC GNMA 91-5K CMO, 46,000 shares at 102.25. Respondents further contended that after seeing that GNMA collateral was harder to find and frequently more expensive, Claimants started to look at placing orders for other bond issues such as FHLMC. Respondents asserted that high yield was Claimants' first priority whereby Respondents tried to show Claimants good quality values in relation to the, then market conditions. Respondents further asserted that Claimants were aware of the possibility of prepayment but enjoyed the monthly checks and the yield being offered, at which time, Respondents were not pleased with the accelerated prepayments whereby Claimants were given the opportunity to reinvest their principal at extremely attractive rates. Respondents argued that as told and shown to Claimants in the disclosure letters, all features were estimated and projections used off of industry standards, thus Claimants had a overall positive return and did not lose money. Respondents further argued that Claimants' return in real terms was more than that of any comparable term investment they would have made at the time of purchase.

RELIEF REQUESTED

Claimants Josef and Helen Blatstein requested \$9,999.99 in actual damages.

Respondents Kirlin Securities, Inc. and Claudia R. Roberts requested the claim be denied.

AWARD

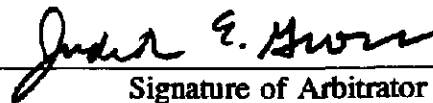
Pursuant to Section 13 of the National Association of Securities Dealers, Inc. Code of Arbitration Procedure, a single Public Arbitrator, Judith E. Gross, Esq., was selected to review and determine the matter in controversy between the parties set forth in submissions to Arbitration signed by the Claimants on November 12, 1992 and by the Respondents on January 22, 1993.

And, the Arbitrator, having considered the proof of the Parties, has decided and determined in full and final resolution of the issues submitted for determination as follows:

1. Respondents Kirlin Securities, Inc. and Claudia R. Roberts are jointly and severally liable and shall pay to the Claimants Josef and Helen Blatstein the sum of \$3,737.11 in damages.
2. The parties shall bear their respective costs.
3. The \$150.00 filing fee previously deposited with the National Association of Securities Dealers, Inc. by the Claimants Josef and Helen Blatstein shall be retained by the NASD, Inc. Respondents Kirlin Securities, Inc. and Claudia R. Roberts are jointly and severally liable and shall pay to the Claimants the sum of \$150.00, as reimbursement.

AFFIRMATION

I, JUDITH E. GROSS, ESQ., do hereby affirm upon my oath as arbitrator that I am the individual described herein and who executed this instrument, which is my oath and award.



Signature of Arbitrator

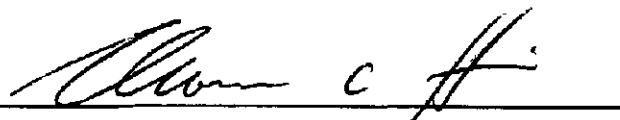
DATE OF DECISION: June 8, 1993

STATE OF:

SS:

COUNTY OF:

On this 1 day of June 1993, before me personally appeared Judith E. Gross, Esq. to me known and known before me to be the individual described in and who executed the foregoing instrument and she duly acknowledged to me that she executed the same.



THOMAS C. HOI
Notary Public, State of New York
No. 31-4977849
Qualified in New York County
Commission Expires February 19, 1995