

PUBLIC

N.A.S.D. AWARD

NATIONAL ASSOCIATION OF SECURITIES DEALERS

In the Matter of the Arbitration Between

Name of Claimant

California Water Holding, Ltd.

92-04131

Name of Respondent

Shearson Lehman Brothers, Inc.

CASE SUMMARY

In a claim filed with the National Association of Securities Dealers, Inc. on December 12, 1992, Claimant California Water Holding, Ltd. through its representative, Thomas J. Adams, alleged that Respondent Shearson Lehman Brothers, Inc. failed to act diligently when it purchased on behalf of the Claimant 80,000 MEI Diversified Inc. Senior Notes, and that had the Respondent made even a minimum effort in shopping for the best price on the bonds, the Claimant could have purchased the security at a lower price. The Claimant also alleged that Respondent Shearson Lehman Brothers, Inc. charged an unreasonable mark up for this transaction, and that it should be reimbursed for the inflated price it paid.

Respondent, Shearson Lehman Brothers, Inc. through its in-house counsel, Ann Parry, Esq., maintained that it put forth its best effort to obtain an equitable price for the MEI Security, and that it is impossible to cite authorities who can pinpoint the absolute best price for any high yield bond. The Respondent further maintained that because these types of bonds are thinly traded, bonds purchased in this manner are subject to reasonable mark ups to offset the risk of purchasing them. The Respondent contended that when the Claimant first expressed dissatisfaction, it reversed the trade and resold the MEI notes to the Claimant at a lower price in an attempt to placate a customer who mistakenly believed it was being overcharged.

RELIEF REQUESTED

Claimant, California Water Holdings, Ltd. requested \$3,600 in actual damages, plus costs and fees.

Respondent. Shearson Lehman Brothers, Inc. requested that the claims of the Claimant be dismissed.

AWARD


Pursuant to Section 13 of the National Association of Securities Dealers, Inc. Code of Arbitration Procedure, a single Public Arbitrator Gloria J. Edmonson, was selected to review and determine the matter in controversy between the parties set forth in submissions to Arbitration signed by the Claimant on December 3, 1992 and by the Respondent on December 29, 1992.

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. The claims of the Claimant California Water Holdings, Ltd. against Respondent Shearson Lehman Brothers, Inc. are dismissed in their entirety.
2. The parties shall bear their respective costs.
3. The \$125 filing fee previously deposited with the National Association of Securities Dealers, Inc. by the Claimant California Water Holdings, Ltd. shall be retained by the NASD.

AFFIRMATION

I, GLORIA J. EDMONSON, 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 2, 1993