

N.A.S.D. AWARD

NATIONAL ASSOCIATION OF SECURITIES DEALERS

In the Matter of the Arbitration BetweenName of Claimant

Caryl Shapiro

93-00092

Name of Respondents

PaineWebber, Inc.
Tri-State Capital Markets Group, a/k/a
Jersey Capital Market Group

CASE SUMMARY

In a claim filed with the National Association of Securities Dealers, Inc. on January 11, 1993, Claimant Caryl Shapiro, who appeared Pro Se, alleged that on March 18, 1988 he purchased \$15,000 of South Carolina State Housing Authority Multi-Family Development Revenue Bonds 1982 Series A (FHA Inc. Mtg. Loan) 7% due 7/01/17 from Respondent Tri-State Capital Market Group a/k/a Jersey Capital Market Group whereby Claimant purchased the bonds based upon the information that they were callable at 110 on 7/1/92 which was clearly printed on the confirmation statement from Respondent PaineWebber, Inc., at which time, Claimant anticipated receiving \$16,500 on July 1, 1992. Claimant further alleged that on July 1, 1992 the bonds were called at 62.64, instead of 110, whereby Claimant was shocked to receive only \$9,366 instead of the \$16,500 he expected to receive. Claimant contended that the difference of \$7,134.00 is a huge loss for a modest portfolio and he believes he was misled with respect to this investment, particularly the value of the bonds whereby, Claimant believes he is entitled to reimbursement for the loss. Claimant further contended that on June 30, 1992 he wrote to Respondent PaineWebber, Inc. whereby they acknowledged that the bonds were mispriced, but disclaimed responsibility and referred him to Respondent Tri-State Capital Market Group a/k/a Jersey Capital Markets Group, at which time, they have failed to respond to his letter of October 5, 1992. Claimant asserted that Respondents misrepresentation caused him to incur losses.

Respondent PaineWebber, Inc. by and through their in-house counsel Edward P. Degenhardt, Esq., maintained that on March 18, 1988 Claimant Caryl Shapiro purchased \$15,000 of South Carolina State Housing Authority Multi-Development Reserve Bonds 1982 Series A, 7% due July 1, 2017 from Respondent Tri-State Capital Market Group a/k/a Jersey Capital Markets

Group whereby the confirmation slip does state that these bonds were callable at 110 on July 1, 1992, which mispricing of the bonds was through no fault of Respondent PaineWebber, Inc. Respondent PaineWebber, Inc. further maintained that Respondent Tri-State Capital Market Group a/k/a Jersey Capital Markets Group was the brokerage firm that handled this transaction whereby Respondent PaineWebber, Inc. never held the bonds in inventory, and Respondent Tri-State Capital Markets Group a/k/a Jersey Capital Markets Group cleared trades through Respondent PaineWebber, Inc. Respondent PaineWebber, Inc. contended that their only involvement with this trade was to execute the written confirmation based upon the numbers given to them from Respondent Tri-State Capital Market Group a/k/a Jersey Capital Markets Group, which is no longer a correspondent firm of Respondent PaineWebber, Inc. Respondent PaineWebber, Inc. further contended that they should not be held liable for any damages incurred as a result of this trade whereby they made no representations concerning the callable price of the Bonds. Respondent PaineWebber, Inc. asserted a Cross-claim, whereby, should there be a decision against them, they should be indemnified by Respondent Tri-State Capital Market Group a/k/a Jersey Capital Markets Group.

Respondent Tri-State Capital Market Group a/k/a Jersey Capital Markets Group by and through their Sr. Vice President, Robert J. Moyle, Jr., maintained that the South Carolina State Housing Authority multi-family development revenue bond issue Series 1982 A, were priced and sold through negotiation by Morgan Guaranty Trust Company and other underwriters on June 25, 1982. Respondent Tri-State Capital Market Group a/k/a Jersey Capital Markets Group further maintained that the maturity in question, 7% due July 1, 2017, was priced as an Original Issue Discount with a yield of 12.75%, and although the market had improved and yields lowered, Claimant Caryl Shapiro's purchase still necessitated the bonds being priced at a discount, 73.50 to yield approximately 9.75%. Respondent Tri-State Capital Market Group a/k/a Jersey Capital Markets Group contended that Respondent PaineWebber, Inc. assertion to Claimant in their letter dated July 23, 1992 that "It seems clear that your bonds were mispriced when you purchased them" is erroneous based on the market at the time, furthermore, Claimant has never questioned his purchase price, his only question is the price paid to him at redemption. Respondent Tri-State Capital Market Group a/k/a Jersey Capital Markets Group further contended that they paid Respondent PaineWebber, Inc. a fee to clear their securities transactions on a fully disclosed basis, and as a part of their service, Respondent PaineWebber, Inc. was responsible for the generation of confirmations to be sent to all parties involved in their securities transaction whereby Respondent Tri-State Capital Market Group a/k/a Jersey Capital Markets Group was to supply the CUSIP number of the security involved, the account numbers of the parties involved, the trade and settlement dates of the transaction and the prices at which the transaction was consummated, at which time, Respondent PaineWebber, Inc. did not use only the CUSIP number due assigned their own security number to all items. Respondent Tri-State Capital Market Group a/k/a Jersey Capital Markets Group asserted that they made no representation to Claimant that his bonds would be called at a dollar price of 110 whereby, Claimant as a reasonably frequent and prudent investor of municipal bonds should have known that a 36.50 point increase in value from purchase date to call date was well outside the realm of probability, thus the claim should be dismissed.

RELIEF REQUESTED

Claimant Caryl Shapiro requested \$7,134.00 in actual damages.

Respondent PaineWebber, Inc. requested the claim be dismissed in its entirety and asserted a cross-claim against Respondent Tri-State Capital Market Group a/k/a Jersey Capital Markets Group for indemnification of liability for Claimant's alleged losses.

Respondent Tri-State Capital Market Group a/k/a Jersey Capital Markets Group requested the claim be denied.

AWARD

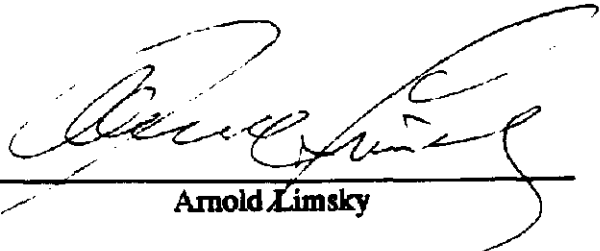
Pursuant to Section 13 of the National Association of Securities Dealers, Inc. Code of Arbitration Procedure, a single Public Arbitrator, Arnold Limsky, was selected to review and determine the matter in controversy between the parties set forth in submissions to Arbitration signed by the Claimant on December 30, 1992, by the Respondent PaineWebber, Inc. on February 19, 1993 and Respondent Tri-State Capital Market Group a/k/a Jersey Capital Markets Group on May 10, 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. The claim of Claimant Caryl Shapiro against Respondents PaineWebber, Inc. and Tri-State Capital Market Group a/k/a Jersey Capital Markets Group is dismissed in its entirety.
2. The Cross-claim of Cross-claimant PaineWebber, Inc. against Respondent Tri-State Capital Market Group a/k/a Jersey Capital Markets Group is dismissed.
3. The parties shall bear their respective costs.
4. The \$150.00 filing fee previously deposited with the National Association of Securities Dealers, Inc. by the Claimant Caryl Shapiro shall be retained by the NASD, Inc. The \$575.00 filing fee previously deposited with the NASD, Inc. by the Cross-claimant PaineWebber, Inc. shall be retained by the NASD, Inc.

AFFIRMATION

I, **ARNOLD LIMSKY**, 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.



Arnold Limsky

DATE OF DECISION: August 24, 1993

STATE OF:

New Jersey

SS:

COUNTY OF:

Monmouth

On this 12th day of August 1993, before me personally appeared Arnold Limsky to me known and known before me to be the individual described in and who executed the foregoing instrument and he duly acknowledged to me that he executed the same.



CHRISTIAN R. WIDMANN
NOTARY PUBLIC OF NEW JERSEY
My Commission Expires Oct. 31, 1994

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REPORT OF ARBITRATOR

It is obligatory on the part of the bond buyer (Claimant) to NOT rely on confirmation statements or broker's counsel but trust only on the prospectus which Claimant should have demanded prior to purchase.

The prospectus details facts and data regarding the bond in question.

Pages #11 and 12 of the (\$24,960,000. South Carolina State Housing Authority 1982) prospectus explains the special call redemption and optional call redemption at 110% expressed as a percentage of Compound Accreted Value plus accrued interest to the date of redemption.

Based upon the above, the Claimant's case is dismissed in it's entirety.