

N.A.S.D. AWARD

NATIONAL ASSOCIATION OF SECURITIES DEALERS

In the Matter of the Arbitration Between

Name of Claimants

Edward and Harriet Greenebaum

95-04099

Name of Respondents

Bear Stearns & Company
MFI Investments Corp.
Henry I. Judy, Jr.

CASE SUMMARY

In a claim filed with the National Association of Securities Dealers, Inc. on August 25, 1995, Claimants Edward and Harriet Greenebaum, who appeared Pro Se, alleged that Respondents Bear Stearns Securities Corp., MFI Investments Corp. and Henry I. Judy, Jr. ("Judy") misrepresented their commission rates and gave unsuitable investment advice. Specifically, Claimants alleged that the Respondents gave false information on the rate of returns of Grupo Mexicano de Desarrollo SA Bonds ("Grupo Bonds") and Brazil IDU Bonds ("Brazil Bonds") and that the rate of return of the bonds was substantially lower than originally represented by Respondents. Claimants contended that Respondents did not inform them that the Brazil bonds had a variable rate and that both bonds were subject to wide fluctuation. Claimants further contended that the Respondents gave them unsuitable investment advice by encouraging them to purchase the bonds. In an Addendum to the Claim, the Claimants requested that the Respondent Bear Stearns furnish documents relating to the purchase of Grupo Bonds. Claimants asserted that due to the wrongdoing of the Respondents, they suffered damages for which the Respondents should be held liable.

Respondents MFI Investments Corp. ("MFI") and Henry I. Judy, Jr., through their representative and outside counsel, Cory Hohnbaum, Esq., of Kennedy, Covington, et al., Charlotte, NC maintained that Claimants signed a Release and Settlement Agreement ("Agreement") in which they agreed to relinquish any and all claims except as they relate to the Grupo Bonds and the IRA fees, and thus the Claimants are precluded from bringing any other claims except for damages based on Claimants' purchase of Grupo Bonds and the IRA fees assessed to Claimants. Respondents asserted that Claimants were experienced investors who had expressed an interest in foreign debt and stocks and that the Brazil and Grupo Bonds were suitable investments for their portfolio. Respondents contended that they provided the Claimants with accurate information on the rate of return of the Grupo bonds and that subsequent to the purchase of the bonds, Claimants expressed satisfaction with the investment. The Respondents further contended that they committed no wrongdoing, and therefore the claims against them should be dismissed.

Respondent Bear Stearns & Company, through its representative and outside counsel, Cory Hohnbaum, Esq., of Kennedy Covington, et al., Charlotte, NC maintained that it was a clearing broker for MFI Investments Corp., and that it had no direct personal contact or dealings with Claimants. Respondent asserted that all investment recommendations were the sole responsibility of MFI and that the Claimants had executed an agreement which relieved it from any liability for acts or omissions of MFI. In a Supplement to its Statement of Answer, Respondent Bear Stearns reasserted that it is not responsible for investment recommendations made by anyone at MFI and that any misrepresentation regarding the return on the investment was made by Respondent Judy, not anyone associated or affiliated with Bear Stearns. Respondents further maintained that no factual or legal basis existed for holding it liable for any claims made by Claimants, and therefore the claims against it should be dismissed.

In a Response to the Statement of Answer, Claimants contended that the Release Agreement never went into effect, that Respondents gave them unsuitable investment advice, and that Respondents did not adequately disclose the return rate of the Grupo Bonds. Claimant further maintained that at no point did they express satisfaction with the Grupo bonds, and they asked that the transaction be rescinded after they discovered that the return rate was below the rate quoted by Respondents. Claimants contended that Respondent Bear Stearns should be maintained as a Respondent in the action.

OTHER ISSUES CONSIDERED AND DECIDED

The Arbitrator reviewed and considered Respondents' request that Claimants' submissions submitted after March 29, 1996 not be admitted to the proceedings. The request was denied.

Pursuant to Section 14 of the NASD Code of Arbitration Procedure, the parties agreed to waive their right to a hearing regarding this arbitration matter.

RELIEF REQUESTED

Claimants Edward and Harriet Greenebaum requested \$24,516.31 in actual damages.

Respondents Bear Stearns Securities Corp., MFI Investments Corp. and Henry I. Judy, Jr., requested that the claims of the Claimants be dismissed.

AWARD

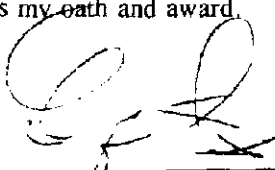
Pursuant to Sections 25 and 14 of the NASD, Inc. Code of Arbitration Procedure, a single Public Arbitrator, Marvin Elster, Esq., was selected to review the matter in controversy between the parties set forth in submissions to Arbitration signed by the Claimants on September 20, 1995 and by the Respondent Bear Stearns Securities Corp. on December 11, 1995, by Respondent MFI Investments on December 14, 1995 and by Respondent Henry I. Judy, Jr. on March 25, 1996.

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 Bear Stearns Securities Corp., MFI Investments Corp. and Henry I. Judy, Jr. are jointly and severally liable and shall pay to the Claimants Edward and Harriet Greenebaum \$9,443.13 in actual damages.
and,
2. Claimants shall return to Respondent MFI Investment Corp. 10,000 Grupo Mexicano Bonds.
3. The parties shall bear their respective costs.
4. All other relief requests are denied.
5. The \$400.00 filing fee previously deposited with the National Association of Securities Dealers, Inc. by the Claimants shall be retained by the NASD, Inc.

AFFIRMATION

I, Marvin Elster, 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.

A handwritten signature in dark ink, appearing to read 'M. Elster', is written over a horizontal line.

Marvin Elster

DATE OF DECISION: July 16, 1996