

N.A.S.D. AWARD

NATIONAL ASSOCIATION OF SECURITIES DEALERS

In the Matter of the Arbitration Between

Name of Claimant

Paul J. Glass, M.D.

95-04236

Name of Respondent

Marion Bass Securities Corporation

CASE SUMMARY

In a claim filed with the National Association of Securities Dealers, Inc. on September 6, 1995, Claimant Paul J. Glass, M.D. ("Claimant"), who appeared Pro Se, alleged that Respondent Marion Bass Securities Corporation ("MBSC") on September 13, 1989, sold him Mortgage Revenue Bonds (the "Bond") for the Development Authority of the city of Gordon with face value of \$5,000.00. Claimant further alleged that the Bond was not suitable for his conservative investment goals. Claimant contended that MBSC's employee, Mr. Kenneth Workman, failed to undertake sufficient research regarding the Bond. Claimant further contended that MBSC misrepresented the risk and highly speculative nature of the issue because it did not provide the agency rating, the problem with insufficient debt service reserve, the existence of previous debt issues for same project, the loss of major customers just prior to the September, 1989 issues date, nor and the tenuous nature of the security underlying the Bond. Claimant maintained that as a result of the above, he has suffered a loss for which the Respondent should be held liable.

Respondent Marion Bass Securities Corporation, through its compliance officer, Gerald P. Chandik, maintained that MBSC performed all reasonable due diligence on the Bond, as evidenced by the fact that the Turnaround Plan was not made public until January, 1990, and until that time the investment was selling among "1/8 dealers" at a price indicative of a retail price at or near par value. Respondent further maintained that the Bond was suitable for Claimant's investment experience and goals, as he had bought and made profits on other similar unrated bond issues. Respondent contended that the Bond's Trustee, Union Planters Bank, was the caretaker of the issue once it was placed in its hands, and it had a fiduciary responsibility to the bondholders to maintain diligence over the issuer. Respondent further contended that Claimant voluntarily authorized and ratified the Bond purchase for his brokerage account as is required since the account was non-discretionary. Respondent maintained that as a result of the above, it should not be held liable.

RELIEF REQUESTED

Claimant Paul J. Glass, M.D. requested \$5,000.00 in actual damages.

Respondent Marion Bass Securities Corporation, requested that the claims of the Claimant be dismissed in its entirety.

AWARD


Pursuant to Section 13 of the NASD, Inc. Code of Arbitration Procedure, a single Public Arbitrator, Harriet H. Harris, Esq., was selected to review the matter in controversy between the parties set forth in submissions to Arbitration signed by the Claimant Paul J. Glass, M.D., on August 30, 1995, and by the Respondent Marion Bass Securities Corporation, on September 27, 1995.

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. Respondent Marion Bass Securities Corporation, is liable and shall pay to the Claimant Paul J. Glass, M.D., \$3,200.00 in actual damages.
2. The parties shall bear their respective costs.
3. The \$125.00 filing fee previously deposited with the National Association of Securities Dealers, Inc. by the Claimant Paul J. Glass, M.D., shall be retained by the NASD, Inc.
4. All other relief requests are denied.

AFFIRMATION

I, **HARRIET H. HARRIS, 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.



Harriet H. Harris, Esq.

DATE OF DECISION: February 9, 1996