

N.A.S.D. AWARD

NATIONAL ASSOCIATION OF SECURITIES DEALERS

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In the Matter of the Arbitration Between

Name of Claimant

Donna B. Vaughan

96-00200

Name of Respondents

Dean Witter Reynolds Inc.  
Louis Bouchard

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**CASE SUMMARY**

In a claim filed with the National Association of Securities Dealers, Inc. on January 16, 1996, Claimant Donna B. Vaughan ("Claimant"), through her representative, John P. Hannan, CLU, CHFC, CFP, of the Young Agency, Inc., located in Syracuse, NY, alleged that Respondent Dean Witter Reynolds, Inc. ("DWR") through its representative Louis Bouchard ("Bouchard") advised her to purchase shares of TCW/DW Term Trust 2003 and TCW/DW Term Trust 2000 ("Term Trusts") which she followed to her detriment. Claimant further alleged that around April of 1993 she met Bouchard with regards to investing telling him that her investment experience was limited to certificates of deposit. Claimant contended that she did not understand all of what she was told but relied on the respective reputations of Bouchard and DWR. Claimant further contended that Respondents failed to adequately explain that the principal of the investment's principal could fluctuate in value between the time of purchase and the termination date. Claimant alleged that she was unaware of the erosion of her principal until she was warned of the situation by her tax advisor. Claimant further alleged that Bouchard left DWR and her new broker recommended that she sell the investments at a loss. Claimant contended that as a result of the above, she has suffered a loss for which the Respondents should be held liable.

Respondents Dean Witter Reynolds, Inc. and Louis Bouchard through their representative and in-house counsel, William B. Peterson, Esq., maintained that the claims of the Claimant are baseless as both Term Trusts were fully consistent with her investment goals; all potential risks were discussed with her prior to purchase; and she received a prospectus for each investment which disclosed the risks. Respondents further maintained that the Claimant chose to sell the investment after a short period of time even though the prospectus plainly described the investment as intermediate to long-term. Respondents contended that Claimant came to Bouchard asking for higher income from her investments than she was getting from a saving bank. Respondents further contended that Claimant listed her investment priorities as income, aggressive income and capital appreciation, respectively. Respondents maintained that Claimant was interested in the Term Trusts mutual funds because her friend owned one of them and was quite satisfied. Respondents further maintained that the bond market crashed just prior to Claimant's divestment from the funds. Respondents contended that Claimant chose to sell the Term Trusts and that as a result of the above, they should not be held liable.

**RELIEF REQUESTED**

Claimant Donna B. Vaughan requested \$8,500.00 in actual damages plus punitive damages, interest, costs and attorney's fees.

Respondents Dean Witter Reynolds, Inc. and Louis Bouchard requested that the claims of the Claimant be dismissed.

**AWARD**

Pursuant to Section 13 of the NASD, Inc. Code of Arbitration Procedure, a single Public Arbitrator, Philip Marshall, Esq., was selected to review the matter in controversy between the parties set forth in submissions to Arbitration signed by the Claimant on December 28, 1995, and by the Respondent Dean Witter Reynolds, Inc. on March 4, 1996 and by Respondent Louis Bouchard on March 4, 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. The Respondents Dean Witter Reynolds, Inc. and Louis Bouchard are jointly and severally liable and shall pay to the Claimant Donna B. Vaughan \$8,195.79 in actual 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 Claimant shall be retained by the NASD, Inc. The Respondents Dean Witter Reynolds, Inc. and Louis Bouchard are jointly and severally liable and shall pay to the Claimant Donna B. Vaughan \$150.00 as reimbursement of the filing fee.
4. All other relief requests are denied.

**AFFIRMATION**

I, **PHILIP MARSHALL, ESQ.**, do hereby affirm, pursuant to Article 7507 of the Civil Procedure Law and Rules, that I am the individual described herein and who executed this instrument, which is my award.



Philip Marshall, Esq.

DATE OF DECISION: May 31, 1996