

N.A.S.D. AWARD

NATIONAL ASSOCIATION OF SECURITIES DEALERS

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In the Matter of the Arbitration Between

Name of Claimant

Ian Field

96-00597

Name of Respondents

Gruntal & Co., Inc.  
The GMS Group

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CASE SUMMARY

In a case filed with the National Association of Securities Dealers, Inc. on February 9, 1996, claimant Ian Field ("claimant"), who appeared Pro Se, alleged that respondents The GMS Group ("GMS") and Gruntal & Co., Inc. ("Gruntal"), (collectively referred to as "respondents"), misled him when he purchased 10 Duval Co. municipal bonds ("Duval"). Claimant further alleged on February 2, 1991, the Duval bonds had been presented to him as high quality, tax-exempt AA rated. Claimant also alleged that in 1994, when working on his 1993 income tax return, he noticed that his tax-exempt bonds were now listed as taxable. Claimant asserted that he had never been aware that this could happen to this type of bond. Claimant further asserted that he called respondents and spoke to a John Lally who informed him that the Duval bonds were evidently "Black Box Bonds", that were subject to change from a tax-exempt bond to a taxable bond. Claimant also asserted that as a result of the bonds becoming taxable, he had to sell them for a loss. Claimant contended that he was misled by respondents and that these taxable bonds were unsuitable for him since he had requested tax-exempt bonds. Claimant further contended that the bonds had a major hidden defect that would absolutely preclude their being sold without a complete truthful explanation and a sizeable discount.

Respondents The GMS Group ("GMS") (an affiliate of Gruntal) and Gruntal & Co., Inc., ("Gruntal") through their representative and in-house counsel Frances T. Gluck, denied all allegations of wrongdoing. Respondents maintained that in December 1985, when the bonds were issued, bond counsel rendered an opinion that the interest earned on the bonds would be exempt from federal income tax. Respondents further maintained that in November of 1992, The Internal Revenue Service ("IRS") sent a letter to Gruntal, the legal owner of the bond, stating that it was conducting an investigation of housing revenue bonds issued by the Duval County Housing Finance Authority. Respondents also maintained that this was the first indication Gruntal had regarding the possibility that the bonds might not retain their tax-exempt status. Respondents contended that under no circumstances can GMS or Gruntal be held responsible for an Internal Revenue Service decision to tax interest on the bonds, when all available information regarding the bonds at the time of the claimant's purchase indicated that the bonds were tax-exempt.

**RELIEF REQUEST**

Claimant Ian Field, requested \$2,939.31 in actual damages, plus \$275.00 in punitive damages

Respondents The GMS Group and Gruntal & Co., Inc., requested the claims of the claimant be dismissed in their entirety.

**AWARD**

Pursuant to Section 13 of the NASD, Inc. Code of Arbitration Procedure, a single Public Arbitrator, Louise Jerslow, was selected to review the matter in controversy between the parties set forth in submissions to Arbitration signed by the claimant Ian Field on February 8, 1996 and by respondents the GMS Group on April 11, 1996, and by Gruntal & Co., Inc. on April 17, 1996.

And, the Arbitrator, having considered that 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 Ian field against respondents The GMS Group and Gruntal & Co., Inc. are dismissed in their entirety.
2. Claimant Ian Field's request for punitive damages has been denied.
3. The \$125.00 filing fee previously deposited with the National Association of Securities Dealers, Inc. by the claimant Ian Field shall be retained by the NASD, Inc.

AFFIRMATION

I, **Louise T. Jeroslow**, do hereby affirm upon my oath as arbitrator that I am the individual described herein who executed this instrument which is my oath and award.

A handwritten signature in cursive script, reading "Louise T. Jeroslow", written over a horizontal line.

Louise T. Jeroslow, Esq.

Date of Decision: August 22, 1996