

**MSRB**  
MUNICIPAL SECURITIES RULEMAKING BOARD

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JUL 2 1990  
M.S.R.B.

In the Matter of the Arbitration between	:	
	:	
	:	
	:	AWARD
Claimants,	:	
v.	:	
	:	MS 89-51
ROTAN MOSLE, INC. and JERRY K. BROWN, JR.	:	
a/k/a KENT BROWN,	:	
Respondents.	:	

The Undersigned, pursuant to section 31 of MSRB rule G-35, hereby state as follows:

**CASE SUMMARY**

Claimants allege that Respondents failed to explain the risks of an investment in City of San Antonio Industrial Development Authority Industrial Development Revenue Bonds, Series 1985, (Pan American Equities, Inc. Project), 11.5% interest, due 12/1/15, dated 12/20/85, or the true nature of said bonds which went into technical default approximately six weeks after Claimants' purchase of same and into default a year later. Claimants allege that they informed Respondents that they were interested in low risk bonds, preferably municipal bonds backed by a city government. Claimants contend that they were unaware at the time of purchase and for more than a year afterwards that the aforementioned bonds were high risk industrial revenue bonds and were not backed by the City of San Antonio.

Respondents argue, among other things, that Claimants are sophisticated investors with many years of investment experience in bond trading and a portfolio of bonds close to \$1,000,000. Respondents argue that Claimants expressed a desire to purchase high yield bonds claiming that, based on the size of their portfolio, they could afford to assume the risks involved with high yield bonds. Respondents contend that they explained the nature and the risks of the disputed investment to Claimants and Claimants understood that a higher yield bond carries with it a higher amount of risk.

**RELIEF REQUESTED**

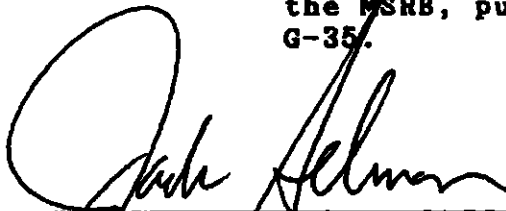
Claimants seek to recover lost principal in the amount of \$16,545, plus interest at a reasonable rate from the date of purchase or the date of default forward, their attorney's fees

and any other relief to which they are entitled. Respondents request that Claimants' Statement of Claim be dismissed in its entirety and that the costs, together with Respondents' fees and costs in these proceedings be charged against the Claimants.

#### AWARD

On June 7, 1990, in Dallas, Texas, the undersigned arbitrators heard the controversy between the parties set forth in submissions to the arbitrators signed by Claimants on April 25, 1989 (filed with the MSRB on June 6, 1989), by Respondent Rotan Mosle, Inc. on August 26, 1989, and by Respondent Jerry K. Brown, Jr. a/k/a Kent Brown on August 28, 1989. The arbitration panel, having considered the pleadings, the testimony and the evidence presented at the hearing, has determined, in full and final resolution of the issues submitted for determination, that:

1. Respondents shall pay to Claimants \$12,408.75.
2. No interest, attorney's fees or costs shall be awarded.
3. \$300 of Claimants' \$400 arbitration deposit shall be refunded to Claimants by the MSRB and \$100 shall be retained by the MSRB as forum fees, pursuant to section 2 of MSRB rule A-16.
4. Respondents shall pay to the MSRB \$300 as forum fees, pursuant to section 2 of MSRB rule A-16.
5. Claimants' \$100 adjournment fee shall be retained by the MSRB, pursuant to section 20(b) of MSRB rule G-35.

  
\_\_\_\_\_  
Jack A. Selman

  
\_\_\_\_\_  
Homer Fritz Latham

  
\_\_\_\_\_  
Lawrence Richard Catuzzi

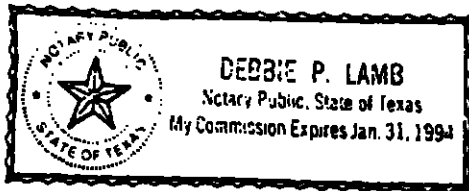
Dated: June 28 1990

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STATE OF TEXAS  
COUNTY OF TRAVIS

ss.:

On this 18<sup>th</sup> day of June, 1990, before me personally appeared \_\_\_\_\_ to me known and known to me to be the individual described in and who executed the foregoing instrument and he duly acknowledged to me that he executed the same.



Debbie P. Lamb

STATE OF  
COUNTY OF

ss.:

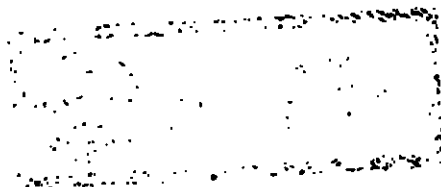
On this 27 day of June, 1990, before me personally appeared \_\_\_\_\_ to me known and known to me to be the individual described in and who executed the foregoing instrument and he duly acknowledged to me that he executed the same.

Elmer P. Haire

STATE OF ~~TEXAS~~  
COUNTY OF ~~HARRIS~~

ss.:

On this 28<sup>th</sup> day of June, 1990, before me personally appeared \_\_\_\_\_ to me known and known to me to be the individual described in and who executed the foregoing instrument and he duly acknowledged to me that he executed the same.



Cynthia J. Keeling