

MSRB
MUNICIPAL SECURITIES RULEMAKING BOARD

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MAY 21 1990

M.S.R.B.

In the Matter of the Arbitration between :

Claimants, :

v. :

J.B. HANAUER & CO. and DAVID B. MOORE, :
Respondents. :

AWARD

MS 89-63

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

CASE SUMMARY

Claimants alleged that Respondents failed to disclose to them at the time of trade the existence of a mandatory redemption provision in Duval County Housing Finance Authority 9% Multi-Family Mortgage Revenue Bonds, Series 1985 (Woodhollow Apartments Project), dated 4/1/85, due 4/1/97. Claimants also alleged that Respondents assured them that there would be no calls on said bonds other than one call at \$105 on 4/1/92. In addition, Claimants alleged that Respondents' confirmation of the transaction disclosed only the 4/1/92 call. Claimants contended that Respondents had a duty to disclose to them all material information necessary to make an informed investment decision and, had Respondents disclosed the mandatory redemption provision at the time of trade, they would not have purchased the bonds.

Respondents argued that, although they could not recall specifically doing so in this instance, their normal practice was to inform customers at the time of trade of the existence of mandatory redemption provisions in bonds of this type. Respondents also argued that Claimants previously had exhibited a willingness to purchase bonds with a wide variety of call features and without any specific preference as to what call features would be unacceptable to them. In addition, Respondents argued that their confirmation properly disclosed all material information about the bonds and included an explanation, on the reverse side, that other call features might exist which could affect yield and that they would be disclosed fully if requested in writing. Respondents contended that no such request was ever received prior to the mandatory redemption on 5/1/89.

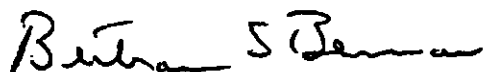
RELIEF REQUESTED

Claimants requested that they be awarded damages of approximately \$24,986, plus interest, costs and attorney's fees. Respondents requested that the judgment be in their favor and that Claimants be awarded nothing.


AWARD

On April 23, 1990, in West Palm Beach, Florida, the undersigned arbitrators heard the controversy between the parties set forth in submissions to the arbitrators signed by Claimants on August 10, 1989 (filed with the MSRB on August 15, 1989), by Respondent J.B. Hanauer & Co. on September 12, 1989, and by Respondent David B. Moore on October 4, 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:

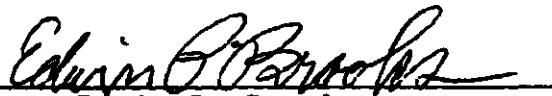
1. Respondent J.B. Hanauer & Co. shall pay to Claimants \$12,500.
2. No interest shall be awarded.
3. Claimants' claims against Respondent David B. Moore shall be dismissed.
4. The parties shall bear their respective costs and attorney's fees.
5. Claimants' \$100 arbitration deposit shall be refunded to Claimants by the MSRB, pursuant to section 2 of MSRB rule A-16.



Bertram S. Bernar



Steve Logznoff



Edwin P. Brooks

Dated: 5/18/90

STATE OF *Florida*
COUNTY OF *Palm Beach*

SS.: NOTARY PUBLIC STATE OF FLORIDA
MY COMMISSION EXP. MAR 31, 1991
BONDED THRU GENERAL INS. UND.

On this *10th* day of *May*, 19*90*, 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.

Donald H. Cook

STATE OF *Florida*
COUNTY OF *Pinellas*

SS.: NOTARY PUBLIC STATE OF FLORIDA
MY COMMISSION EXP. MAY 29, 1993
BONDED THRU GENERAL INS. UND.

On this *14th* day of *May*, 19*90*, 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.

Janet L. Bryant

STATE OF *New Jersey*
COUNTY OF *Monmouth*

SS.:

On this *18th* day of *May*, 19*90*, 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.

Hazel D. Myers