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M.S.R.B.

In the Matter of the Arbitration between :

AUGUSTINE BELARDO, :

Claimant, :

v. :

MILLER & SCHROEDER FINANCIAL, INC., :

Respondent. :

AWARD

MS 90-7

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

CASE SUMMARY

Claimant alleges that Respondent failed to provide him with all material information necessary for him to make an informed decision concerning an investment in Industrial Development Authority of Boone County, Missouri, Retirement Center Revenue Bonds (Candlelight Terrace, Ltd. Project), Series 1983 ("the bonds"), which went into default shortly after his purchase of \$25,000 par value of same on May 14, 1987. Claimant alleges that at the time of sale Respondent assured him that the bonds, though non-rated, were of good quality and investment grade, had been paying interest semi-annually since 1983, and were selling at par only because the issue would likely be recalled in 1988. Claimant alleges that he purchased the bonds as a short-term investment, based upon Respondent's recommendation, and also alleges that if the bonds had been offered at a great discount--which he contends they should have been--he would have been suspicious and would not have purchased them. In addition, Claimant contends that, at the time of sale and subsequently, Respondent, as underwriter and holder of the bonds, was aware of the impending default and failed to advise him of it.

Respondent contends that it dealt fairly with Claimant and fulfilled its obligations to Claimant in connection with this sale. Respondent argues that Claimant was a knowledgeable investor who previously had purchased speculative investments and was aware of the risks involved in non-rated high yield municipal bonds. Respondent also argues that it had made a market in the bonds and its research department checked with the project developer and the trustee periodically to inquire on the status of the project for the purpose of reasonably pricing the bonds in the secondary market, and to obtain current project information to properly inform prospective purchasers. Respondent contends that its representative properly informed Claimant regarding the

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status of the project on the date of purchase and that it had no way of knowing that the developer would stop making payments on the project a month later.

RELIEF REQUESTED

Claimant requests cancellation of the sale of the bonds and the return of his payment of \$25,726.87 plus interest from May 14, 1987. Respondent requests that Claimant's claim be dismissed.

AWARD

The undersigned arbitrator reviewed the controversy between the parties set forth in submissions to the arbitrator signed by Claimant on December 26, 1989 (filed with the MSRB on January 22, 1990) and by Respondent on February 9, 1990. The undersigned, having considered the matter solely upon the pleadings and documentary evidence submitted by the parties, pursuant to section 15 of MSRB rule G-35, has determined, in full and final resolution of the issues submitted for determination, that:

1. Claimant may retain the bonds in dispute.
2. Respondent shall pay to Claimant \$10,887.50.
3. No interest shall be awarded.
4. No forum fees shall be assessed.



Martin J. Siegel

Dated: Aug 1, 1990

STATE OF
COUNTY OF

ss.:

On this 1 day of Aug, 1990, before me personally appeared Martin J. Siegel 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.


Robert Sharon