



MAR 7 1991

ELSA

In the Matter of the Arbitration between :

AWARD

v.

Claimant,

MS90-16

SC0-010

ADAMS, BLOCK & COE SECURITIES, INC.

Respondent.

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

CASE SUMMARY

In connection with his purchase from Respondent on May 24, 1989, of 25,000 face amount of Northwest Dallas County Flood Control District Unlimited Ad Valorem Tax Bonds, Series 1986-A (10,000 8.4%, due 8-15-96; 15,000 10%, due 8-15-08) (the "Bonds"), Claimant alleges that Respondent failed to disclose, and knew or should have known, that there was a delinquency in the collection of taxes on the Bonds. Claimant alleges he learned of the delinquency in tax collections after receiving a partial interest payment on August 15, 1989. Claimant also alleges that Respondent subsequently advised Claimant to sell the Bonds, which Claimant did on November 14, 1989 at a loss of \$4,742. Claimant contends that the delinquency in tax payments was a material fact and that Respondent's failure to disclose same was the direct cause of Claimant's loss.

Respondent maintains that the delinquent tax-collection situation was not known to Respondent at the time of Claimant's purchase of the Bonds. Respondent contends that the Bonds were purchased from the "street" and were not sold from inventory, and that Respondent does not position securities that are below investment grade. Respondent also contends that its representative "performed his due diligence in verifying the issue with Moodys and the J.J. Kenny Munibase" and "did not contact the issuer as this is not firm procedure unless specifically requested by the client." In addition, Respondent maintains that Claimant has been transacting business with the firm since November, 1988, and has been purchasing bonds below investment grade for some time. Respondent contends that

Claimant was fully aware of the risks he was assuming in purchasing the Bonds, given Respondent's disclosure that the Bonds were "non-rated," as well as the fact that the Bonds were priced below market considering their coupons. Respondent further contends that Claimant decided to sell the Bonds knowing full well that a loss would be incurred.

RELIEF REQUESTED

Claimant requests relief in the amount of \$9,742 which includes a claim for \$5,000 in punitive damages, plus interest from November 14, 1989, and his attorney's fees.

AWARD

On December 14, 1990, in Fort Lauderdale, Florida, the undersigned arbitrator heard the controversy between the parties set forth in submissions to the arbitrator signed by Claimant on January 26, 1990 (filed with the MSRB on March 8, 1990); and by Respondent on March 21, 1990. The undersigned, 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 the Claimant was a sophisticated investor well aware of the risks and rewards of purchasing the Bonds, and that the Respondent obtained all of the information which was reasonably necessary and available concerning the Bonds. The claims of the Claimant, therefore, are dismissed in their entirety. Claimant's \$100 adjournment fee is hereby waived, however, Claimant's \$200 arbitration deposit shall be retained by the MSRB as forum fees, pursuant to MSRB rule A-16(2).



Michael D. McDonough

Dated: 3/6/91

STATE OF Florida ss.:
COUNTY OF Palm Beach

On this 6th day of March, 1991, 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.

Beverly J. Crochunis

