

MSRB
MUNICIPAL SECURITIES RULEMAKING BOARD

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FEB 23 1991

In the Matter of the Arbitration between	:	
	:	
	:	AWARD
Claimants,	:	
v.	:	MS 90-38
DAVID LERNER ASSOCIATES, INC., A.F. MEERE	:	
AND G.T. JAFFEE	:	
Respondents.	:	

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

CASE SUMMARY

Claimants allege that in March, 1989 they established an account with Respondent David Lerner Associates, Inc. ("DLA") and on March 9, 1989 purchased through DLA \$100,000 U.S. Treasury Bills maturing August 31, 1989. Claimants allege that there was no further activity in the account until August 31, 1989 when the Treasury Bills came due and they withdrew the proceeds from same. Claimants also allege that in September or early October of 1989 they were contacted by Respondent G.T. Jaffee ("Jaffee"), a DLA representative, who offered Claimants several bonds which they were not interested in. Claimants allege that, after additional conversations, Jaffee offered Claimants a bond which seemed attractive to Claimants because the interest rate was higher, and on October 3, 1989 Claimants purchased from DLA \$200,000 face amount of New York City General Obligation Bonds, 1990 Series B, Book Entry, 7% coupon ("the Bonds"). Claimants further allege that on October 12, 1989 they wrote to DLA objecting to the transaction because, among other things, it was Claimants understanding the the Bonds would mature in October, 1990, not on October 1, 2014, as the confirmation stated. Claimants maintain, among other things, Jaffee never explained that the Bonds had a higher yield because of their longer maturity or the risks associated with purchasing long-term municipal bonds, and that DLA never provided them with an official statement in violation of MSRB rule G-32. Claimants contend that they are 83 and 77 years old, respectively, and that a bond with a maturity of 2014 is an unsuitable investment for them.

Respondents maintain, among other things, that Claimants came to DLA's office to purchase the Bonds and were given a complete bond presentation and full disclosure regarding the

Bonds including the maturity date. Respondents maintain that at no time did Claimants request a short term bond or indicate that the maturity was too long. Respondents also contend that Claimants requested a letter summarizing the transaction and were provided with such a letter by Respondent A.F. Meere ("Meere"), the branch manager, prior to leaving the DLA office. Respondents contend that Claimants read said letter and agreed to its contents before handing over the check to pay for Bonds. Respondents also maintain that upon receipt of Claimants' letter, dated October 12, 1989, Meere telephoned Claimants and addressed all points raised in Claimants' letter to Claimants' satisfaction. Respondents deny that the Bonds were misrepresented to Claimants and maintain that the recommendation to purchase the Bonds was consistent with Claimants' financial capabilities and investment objectives, and was suitable.

RELIEF REQUESTED

Claimants request that the disputed transaction be resinded, and that they be reimbursed for the total proceeds paid for the Bonds in the amount of \$192,272.22, plus interest on this amount from 10-12-89 through the resolution of this matter. In addition, Claimants request their costs disbursements and attorney's fees.

Respondents request that the claims of the Claimants be dismissed and that Respondents be awarded their costs and attorney's fees.

AWARD

On December 11, 1990, in New York City, New York, the undersigned arbitrators heard the controversy between the parties set forth in submissions to the arbitrators signed by Claimants on June 21, 1990 (filed with the MSRB on June 25, 1990); by Respondents Meere and Jaffee on September 6, 1990; and, by Respondent DLA on September 6, 1990 and/or October 5, 1990. 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. Claimants may, in their discretion, retain or sell the Bonds.

2. Respondents shall be jointly and severally liable and shall pay to Claimants the sum of \$10,000.
3. No interest shall be awarded to Claimants.
4. The parties shall bear their respective cost disbursements and attorney's fees.
5. Pursuant to MSRB rule A-16(2) Claimants' \$750 arbitration deposit shall be refunded to Claimants by the MSRB.

Public Arbitrator

Public Arbitrator

Industry Arbitrator

Dated:

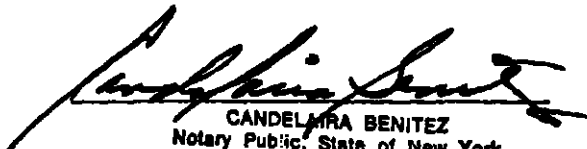
DEC 10 1991

STATE OF *New York*
COUNTY OF *New York*

SS.:


On this *18th* day of *February*, 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.

STATE OF *New York*
COUNTY OF *New York*

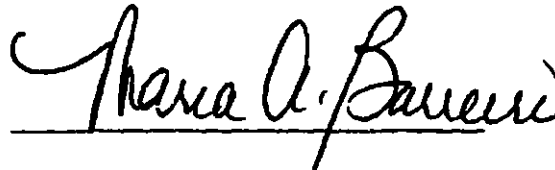

CANDELMIRA BENITEZ
Notary Public, State of New York
No. 41-4761437
Qualified in Queens County
Certificate filed in New York County
SS.: Commission Expires February 28, 1991

On this *21st* day of *February*, 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.

STATE OF
COUNTY OF

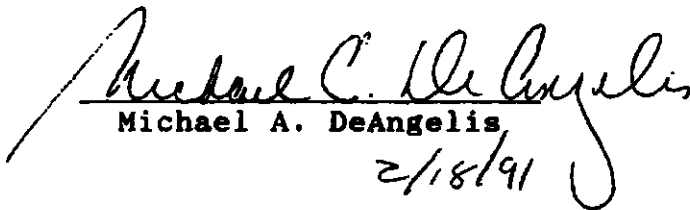

CAROL DOKTOR
NOTARY PUBLIC, State of New York
No. 30-4720614
Qualified in Nassau County
Coi. Filed in New York County
Commission Expires June 30, 1992
SS.:

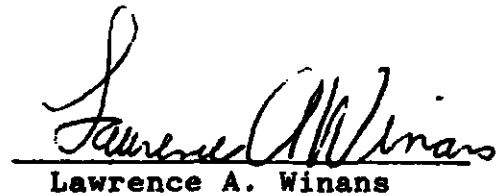
On this *20th* day of *February*, 1991, before me personally appeared
to me known and known to me to be the
individual described in and who executed the foregoing instrument
and he duly acknowledged to me that he executed the same.

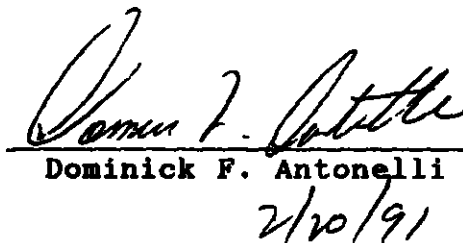


MARIA A. BARROERO
Notary Public, State of New York

2. Respondents shall be jointly and severally liable and shall pay to Claimants the sum of \$10,000.
3. No interest shall be awarded to Claimants.
4. The parties shall bear their respective cost disbursements and attorney's fees.
5. Pursuant to MSRB rule A-16(2) Claimants' \$750 arbitration deposit shall be refunded to Claimants by the MSRB.


Michael A. DeAngelis
2/18/91


Lawrence A. Winans


Dominick F. Antonelli
2/20/91

Dated: 2/20/91