

**MSRB**  
MUNICIPAL SECURITIES RULEMAKING BOARD

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SEP 30 1991

MSRB

In the Matter of the Arbitration between	:	
	:	
PHIL LITSAS, JR.,	:	AWARD
	:	
Claimant,	:	
	:	
v.	:	
	:	MS90-65
ROY SMITH and PAUL ROSENBLOOM,	:	SC0-038
	:	
Respondents.	:	
	:	

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

**CASE SUMMARY/RELIEF REQUESTED**

Claimant alleges that at the end of October or the beginning of November, 1989, one or both of the Respondents contacted Claimant with an offer to sell \$30,000 face amount of certain zero coupon bonds. Claimant alleges that the Respondents, who were representatives of J.F. Lowe & Company Inc. ("J.F. Lowe") in Jacksonville Beach, Florida, also suggested that Claimant purchase \$60,000 face amount of the bonds. Claimant contends that on November 10, 1989 he called Respondents and agreed to take \$30,000 of the bonds. Claimant further alleges that shortly thereafter he received a confirmation from OTRA Clearing Inc. ("OTRA") stating that he had bought \$60,000 of the bonds. Claimant contends that he called Respondents and was told not to worry: that it was a paper foul-up and that they "had [him] down" for \$30,000. Claimant alleges that on November 27, 1989 he mailed a check in the amount of \$2560.50 to J.F. Lowe to pay for the bonds. Claimant alleges that on December 18th he received a "sell out to cover debit" from OTRA and he immediately called Respondents to find out what was going on. Claimant alleges that Respondents said that "they had to do this in order to close out the error of \$60,000" and that they still "had [Claimant] down" for \$30,000. Claimant contends that when he asked about the discrepancy in the buy and sell prices, Respondents said that it was a "booking error." Claimant further alleges that on December 26th he received a check in the amount of \$949.50 from OTRA and he immediately called J.F. Lowe but the phone was disconnected. Claimant contends that Respondents lied to him regarding this transaction and he seeks to recover the \$1611 difference between the amount he sent J.F. Lowe and the amount he received back from OTRA.

Respondent Paul Rosenbloom ("Respondent Rosenbloom") contends that J.F. Lowe has closed and any records they might have had are no longer available to him. Respondent Rosenbloom also contends that Claimant ordered \$60,000 bonds and asked for an extended settlement date because he needed time to "get the money together" to buy the bonds. Respondent Rosenbloom argues that when the settlement date came, Claimant did not have the money to pay for the trade, so OTRA "sold him out." Respondent Rosenbloom argues that the trade date was November 13th and that, according to the telephone bills submitted by Claimant in this matter, Claimant did not call J.F. Lowe again until November 27th which, Respondent Rosenbloom contends, would have been eleven or twelve days after Claimant would have received the confirmation from OTRA and just three days before the settlement date. Respondent Rosenbloom argues that "people in general who find a discrepancy as large as the one that [Claimant] is professing, would have called the day that they found out about it or even the next day, not almost two weeks later." In addition, Respondent Rosenbloom contends that this was the only trade that Claimant had with J.F. Lowe, that Claimant filed a complaint with the NASD, and that, after its investigation of the matter, the NASD felt that no action was warranted.

Respondent Roy Smith ("Respondent Smith") did not file a statement of answer in this matter.

#### AWARD

The undersigned arbitrator reviewed the controversy between the parties set forth in submissions to the arbitrator signed by Claimant on July 12, 1990 (filed with the MSRB on November 21, 1990) and by Respondent Rosenbloom on December 26, 1990. Respondent Smith did not file an executed submission agreement. The undersigned, having considered the matter solely upon the pleadings and evidence submitted by the parties, pursuant to section 34 of MSRB rule G-35, has determined, in full and final resolution of the issues submitted for determination, as follows:

The arbitrator awards Claimant \$1,611 against Respondents jointly and severally.

The arbitration fee paid by Claimant shall be retained by the MSRB.

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Public Arbitrator

Dated: 9/23/91

STATE OF Michigan  
COUNTY OF Oakland

ss.:

On this 23<sup>rd</sup> day of September, 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.

Susan M. Halligan

SUSAN M. HALLIGAN  
Notary Public, Macomb County, MI  
My Commission Expires Sept. 20, 1994  
Acting in Oakland County, MI

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The arbitrator awards Claimant \$1,611 against Respondents jointly and severally.

The arbitration fee paid by Claimant shall be retained by the MSRB.

  
Francis C. Flood

Dated: 9/23/91