

MSRB
MUNICIPAL SECURITIES RULEMAKING BOARD

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SEP 26 1991

In the Matter of the Arbitration between :
: PAUL BAHOR; EMERY BAHOR and MELKA BAHOR, :
: Claimants, : AWARD
: v. :
: :
: :
: A.F. GREEN & CO., INC.; ALLEN GREEN; : MS 91-2
: ROBERT BRAND and ANNETTE RICHMOND, :
: Respondents. :
:

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

CASE SUMMARY

Claimants allege, among other things, that in August, 1988, Claimant Paul Bahor ("Mr. Bahor") contacted Respondent A.F. Green & Co., Inc. ("Respondent A.F. Green") in response to a radio advertisement for triple A rated insured municipal bonds sold by Respondent A.F. Green. Claimants allege that the representative of Respondent A.F. Green with whom Mr. Bahor spoke was Respondent Annette Richmond ("Respondent Richmond"). Claimants allege that Respondent Richmond sold to Mr. Bahor five zero coupon municipal bonds totalling almost \$150,000 without adequately checking his level of understanding of securities or the appropriateness of municipal bonds for his investment objectives and tax bracket. Claimants further allege that the bonds began to decline quickly in value immediately after purchase, and that one of the bonds was called in March, 1989, resulting in a loss to Claimants. Claimants allege that Mr. Bahor did not understand the call feature and believed that the bond had defaulted. Claimants maintain that Mr. Bahor sold the remaining bonds because he believed that they would also default.

Claimants contend that Mr. Bahor authorized Respondent Richmond to buy only triple A rated insured bonds but, of the five bonds purchased, only two were so rated. Claimants also contend that the bonds were unsuitable in terms of their liquidity and price volatility. Claimants also contend that Respondent Richmond charged a high mark-up. In addition, Claimants contend that Respondent A.F. Green failed to supervise Respondent Richmond, and that Respondents Allen Green and Robert Brand have control person liability under section 20 of the Securities Exchange Act of 1934.

Respondent Richmond argues, among other things, that Mr. Bahor did not ask for or otherwise seek investment advice from Respondent Richmond. Respondent Richmond argues that Mr. Bahor

told her that he was interested in single A-rated or better zero coupon, tax-free municipal bonds of the type referred to in the radio advertisement and that he wanted to invest \$140,000. Respondent Richmond argues that she advised Claimant that an investment of that size might be safer if it was diversified into more than one or two issues and that the bulk of his funds should be invested in triple A-rated securities. Respondent Richmond argues that Mr. Bahor purchased five issues of bonds consisting of \$64,402 of triple A investments, \$6,300 of AA+ investments, \$45,569 of double A investments, and \$31,750 of single A investments.

Respondent Richmond contends that Mr. Bahor knew that bonds with fixed interest rates were sensitive to interest rate fluctuations and that zero coupon bonds did not pay current interest but instead grew in value as the interest accrued. Respondent Richmond also disputes Claimants' contentions as to the bonds' liquidity. In addition, Respondent Richmond argues that the prices charged for the bonds were set by the management of Respondent A.F. Green and were outside her control. Respondent Richmond contends that Claimants' loss was primarily the result of Mr. Bahor's admitted misunderstanding that a bond call meant default, and his resultant panic selling. Respondent Richmond maintains that this cannot be the basis for assessing liability against her.

Respondents A.F. Green, Allen Green and Robert Brand did not file a statement of answer or appear at the hearing.

RELIEF REQUESTED

Claimants request that Respondents be held jointly and severally liable and that Claimants be awarded \$22,573.87 plus interest and the costs of this arbitration.

Respondent Richmond requests, by way of a counterclaim, that she be awarded her costs and legal fees in defending Claimants' allegations. Respondent Richmond also asserts a cross-claim against Respondents A.F. Green, Allen Green and Robert Brand for any amount that is awarded against her.

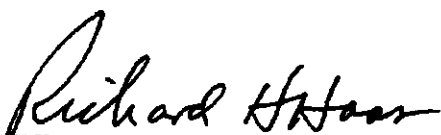
Claimants request that Respondent Richmond's counterclaim be dismissed.

AWARD

On August 28, 1991, in New York, New York, the undersigned arbitrator heard the controversy between the parties set forth in submissions to the arbitrator signed by Claimants on December 24, 1990 (filed with the MSRB on January 8, 1991) and by Respondent Richmond on March 22, 1991. Respondents A.F. Green, Allen Green and Robert Brand did not file a submission agreement. 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, as follows:

1. The claims of the Claimants shall be dismissed in their entirety.
2. Respondent Richmond's counterclaim shall be dismissed in its entirety.
3. The MSRB shall refund to Claimants their \$400 arbitration deposit, pursuant to MSRB rule A-16(2).



Richard H. Haas

Dated:

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STATE OF
COUNTY OF

ss.:

M.S.B.

On this 23 day of Sept, 1991, before me personally appeared Richard H. Haas 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.

