

**MSRB**  
MUNICIPAL SECURITIES RULEMAKING BOARD

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In the Matter of the Arbitration between :  
:  
HAWLEY W. RILEY, :  
:  
Claimant, :  
:  
v. :  
:  
BRENT RIPLEY and SUMMIT INVESTMENT :  
CORPORATION, :  
:  
Respondent. :  
:

**AWARD**

**MS 91-18**

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

**CASE SUMMARY**

Claimant alleges that Respondent Brent Ripley ("Respondent Ripley"), during the course of his employment (1985-86) as a registered representative of Respondent Summit Investment Corporation ("Respondent Summit"), recommended certain municipal bonds which were unsuitable for Claimant. Claimant alleges, among other things, that Claimant was an unsophisticated investor and that Claimant informed Respondent Ripley that Claimant was interested only in the safest and most conservative investments. Claimant alleges that, contrary to Claimant's expressed desires, Respondent Ripley recommended investments in the following high-risk, non-rated bond issues:

City of Fairview Heights, Illinois, Residential Care Facility Revenue Bonds, Series 1985 (Charles Gardens Project), Dated July 1, 1985;

Minnesota Community Development Agency Commercial Development Revenue Refunding Bonds, Series 1985 (Ceresota Mill Project), Dated June 1, 1985;

Minnesota Community Development Agency Commercial Development Revenue Bonds, Series 1985 (Crown Mill Project), Dated October 1, 1985.

Claimant alleges that Respondent Ripley falsely represented to Claimant that the aforementioned bonds were safe, secure and conservative when Respondent Ripley knew that said bonds were risky and unsuitable for Claimant. Claimant asserts claims for

common law fraud, negligence, breach of fiduciary duty, and violation of the Minnesota consumer fraud statute (Minn. Stat. Section 325F.69).

Respondents deny that the bonds at issue were unsuitable for Claimant. Respondents also deny Claimant's allegations of common law fraud, negligence, breach of fiduciary duty, and violation of the Minnesota consumer fraud statute, and assert that Claimant's claims are barred by applicable statutes of limitations. Respondents argue that Claimant was provided with full disclosure concerning the three bond issues and the risks associated therein via the official statement. Respondents also argue that Respondent Ripley consistently recommended to Claimant safer, tax-free municipal bond investment options and that Claimant rejected these options primarily because the yield was not great enough. Respondents argue that Respondent Ripley described the risks attendant with Claimant's strategy of concentrating his municipal bond portfolio in high-yield, non-rated, tax-free municipal bonds and that Claimant ignored the same. Respondents further argue that Claimant purchased similar investments at other brokerage firms and continued to purchase these types of investments after experiencing defaults in certain bonds and after being advised of the risky nature of these types of bonds.

#### **RELIEF REQUESTED**

Claimant requests an award of compensatory damages in the amount of \$159,333, plus his \$750 arbitration deposit, plus \$50,000 in attorney's fees and costs and \$300,000 in punitive damages, for a total claim of \$510,083.

Respondents request that the claims of the Claimant be dismissed.

#### **AWARD**

On February 26-27, 1992, in Minneapolis, Minnesota, the undersigned arbitrators heard the controversy between the parties set forth in submissions to the arbitrators signed by Claimant on January 10, 1991 (filed with the MSRB on March 4, 1991); by Respondent Ripley on May 9, 1991; and, by Respondent Summit on April 29, 1991. 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, as follows:

1. The claims of the Claimant shall be dismissed in their entirety.

2. Claimant's \$750 arbitration deposit shall be retained by the MSRB as forum fees for the first day of the hearing, and Claimant shall pay an additional \$750 to the MSRB as forum fees for the second day of the hearing, pursuant to MSRB rule A-16(2).

  
Ewald L. Moerke, Jr.

  
Wayne Parker

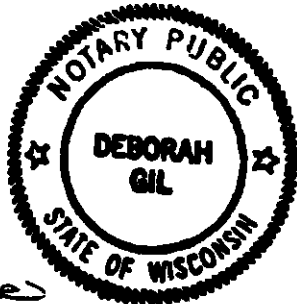
  
O. Delton Bennett

Dated: 4-21-92

STATE OF *Wisconsin*  
COUNTY OF *milwaukee*

SS.:

On this *17* day of *April*, 19*91*, 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.



*Deborah Gil*

STATE OF *NC*  
COUNTY OF *Wake*

SS.:

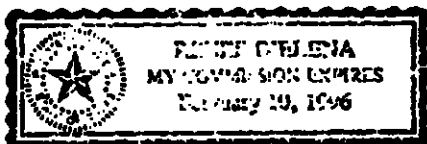
On this *20<sup>th</sup>* day of *April*, 19*92*, before me personally  
appeared \_\_\_\_\_ to me known and known to me to be the  
individual described in and who executed the foregoing instrument  
and he duly acknowledged to me that he executed the same.

*James A. Lampson*  
My Commission Expires 8/2/94

STATE OF *Texas*  
COUNTY OF *Dallas*

SS.:

On this *21st* day of *April*, 19*92*, 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.



*Marie Elena*