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In the Matter of the Arbitration between	:	
	:	
PETER L. RICHARD,	:	AWARD
	:	
Claimant,	:	
	:	
v.	:	
	:	MS91-35
MICHAEL P. DOWD and BEAR STEARNS & CO., INC.	:	SC1-014
	:	
Respondents.	:	
	:	

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

CASE SUMMARY

The above-captioned matter concerns Claimant's purchase, on March 1, 1991, of \$35,000 New York State Urban Development Corporation State Facilities Revenue Bonds, dated 2-1-91, 7%, due 4-1-97, (the "Bonds") from Bear Stearns & Co., Inc. ("Respondent Bear, Stearns") through its representative Michael P. Dowd ("Respondent Dowd"). Claimant alleges, among other things, that, on March 8, 1991, upon receipt of the prospectus, Claimant telephoned Respondent Dowd and stated that he was not comfortable with the risk of the issue and wanted to rescind the trade because the prospectus stated that principal and interest on the Bonds were payable solely from the revenues of the low-income housing projects funded by the issue. Claimant alleges that this had not been disclosed to him at the time of the purchase. Claimant alleges that Respondent Dowd tried to convince Claimant that Claimant's concerns were unfounded, but Claimant continued to believe otherwise. Claimant also alleges that Respondent Dowd stated that he rarely deals in municipal bonds and was uncertain as to the exact nature of the issue. Claimant further alleges that when the check he had written for the Bonds did not clear because it was written on an out-of-state bank, Claimant withdrew the funds from the bank so that Respondent Bear, Stearns would not re-present the check for payment. Claimant alleges the he told Respondent Dowd that the check's not clearing was a "blessing in disguise" because he was not comfortable with the issue. Claimant alleges that on March 19, 1991, Respondent Dowd stated to Claimant that if Claimant did not purchase the Bonds, Respondent Dowd personally would be stuck with the loss. Claimant alleges the Respondent Dowd suggested that he would get Claimant a price for the Bonds but Claimant would not agree when told that Claimant would incur approximately an \$800 loss. Claimant maintains that his primary concern in municipal bonds is safety of principal and tax-free income, that he has purchased

only general obligation bonds, and that he has never sold any part of an issue prior to maturity. Claimant contends that Respondent Dowd did not act appropriately in trying to talk Claimant into staying in the Bonds on March 8th and should have called Claimant back on March 19th to inform Claimant that he was going to sell the Bonds at a loss. Claimant maintains that he was not given any recourse.

Respondents argue, among other things, that Claimant is a savvy investor and a registered representative who met Respondent Dowd in August, 1985, when they worked together at another brokerage firm. Respondents argue that Claimant opened an account with Respondent Bear, Stearns on or about December 13, 1989 with Respondent Dowd as his account executive. Respondents argue that, on March 1, 1991, Claimant telephoned Respondent Dowd seeking to invest approximately \$30,000 in municipal bonds with a seven percent tax-free rate of return, a five to ten year maturity, and an investment grade of triple B or better. Respondents argue that Respondent Dowd recommended the Bonds and explained to Claimant that they had a 1997 maturity, a seven percent coupon, and a 7.10 percent yield. Respondents argue that Respondent Dowd also told Claimant that the Urban Development Corporation would use the bond proceeds to purchase the Attica Correctional Facility from the State of New York, lease the facility back to the State of New York, and use the revenue to pay off the bonds. Respondents argue that Claimant was enthusiastic about the project and the sale lease back arrangement, and agreed to purchase 35 bonds rather than the 30 he originally had intended to purchase. Respondents argue that on March 8, 1991, Claimant telephoned Respondent Dowd and stated that he had received the prospectus but could not locate the provision in the prospectus detailing the sale lease back arrangement with the State of New York. Respondents argue that Respondent Dowd pointed out the language in the prospectus which described the sale lease back arrangement, that this satisfied Claimant, and that Claimant made no mention to Respondent Dowd at that time that he wished to rescind the trade. Respondents further argue that, on March 15, 1991, Respondent Dowd was notified that Claimant's check to pay for the Bonds had bounced. Respondents argue that at that time Claimant told Respondent Dowd to redeposit the check but, on Monday March 18, 1991, Respondents argue, Claimant told Respondent Dowd not to redeposit the check because he had changed his mind and no longer wanted the Bonds. Respondents argue the Claimant told Respondent Dowd to return the Bonds to the municipal bonds trading desk, stating that if there was something in the prospectus that the client did not like, the trading desk would take the Bonds back. Respondents argue that Respondent Dowd refused to follow Claimant's instructions and Respondents subsequently liquidated the Bonds when Claimant refused to pay for them. Respondents maintain that Claimant allowed the check he had drawn to pay for the Bonds to bounce and made up a prospectus related problem because the Bonds had declined in value and because Claimant had decided that he needed

the money to purchase a home in Florida. Respondents assert a counterclaim in the amount of \$350, stating that Claimant was not charged a commission on the liquidation and that if this had been a routine sale rather than a liquidation Claimant would have been charged a \$350 commission.

RELIEF REQUESTED

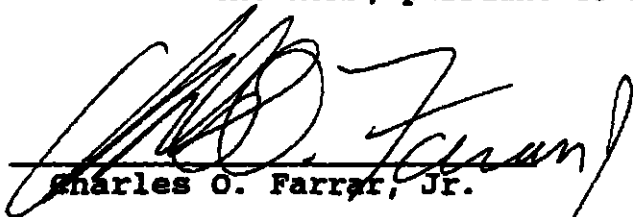
Claimant requests that a debit for the loss of \$526.80 and a \$25 check service fee be stricken from his account. In addition, Claimant requests that certain New York City general obligation bonds be transferred out of his Bear, Stearns account to another account that he maintains elsewhere.

Respondents request that this matter be dismissed and that Bear, Stearns be awarded \$350, plus forum fees and costs.

AWARD

The undersigned arbitrator reviewed the controversy between the parties set forth in submissions to the arbitrator signed by Claimant on May 13, 1991 (filed with the MSRB on May 17, 1991) and by Respondents on July 5, 1991. 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:

1. The claims of the Claimant are hereby dismissed in their entirety.
2. The counterclaim is hereby dismissed.
3. Each party shall bear its own cost.
4. Claimant's \$15 arbitration deposit shall be refunded by the MSRB, pursuant to section A-16(2).

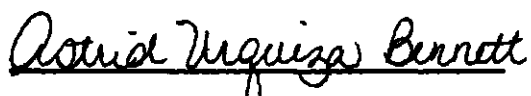

Charles O. Farrar, Jr.

Dated: 

STATE OF FLORIDA
COUNTY OF DADE

ss.:

On this 26th day of March, 1992, before me personally appeared Charles O. Farrar, Jr. 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.



My Commission Expires: 1-28-94