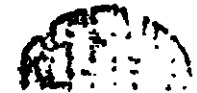




MUNICIPAL SECURITIES RULEMAKING BOARD



OCT 9 1992

MSRB

In the Matter of the Arbitration between :
: G. WILLIAM SMITH and JEAN E. SMITH, :
: Claimants, :
: v. :
: MORTON E. WOLVERTON and PAINWEBBER, INC., :
: Respondents. :

AWARD
MS91-77
SC1-027

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

CASE SUMMARY

Claimants allege, among other things, that Respondents represented that certain New York City General Obligation bonds purchased by the Claimants on 4/2/90 (\$100,000 face amount) were insured when, in fact, they were not insured. Claimants allege that Respondent Morton E. Wolverton ("Respondent Wolverton") represented the bonds as being 8% obligations of the City of New York, AAA rated and insured by the Municipal Bond Insurance Association ("MBIA") at the time of sale. Claimants allege that the confirmation that they received from Respondent PaineWebber, Inc. indicated that the bonds were insured by MBIA but listed the interest rate as being 7.875%, not 8%. Claimants allege that, upon inquiry to Respondent Wolverton, Claimants were informed that the bonds had a 7.875% coupon and an 8% yield to maturity. Claimants allege that when they decided to sell the bonds through Respondent Wolverton in October, 1990, they learned for the first time that the bonds were not insured, upon questioning Respondent Wolverton regarding the depreciation in price. Claimants also allege that Respondent Wolverton told Claimants that this was his first knowledge that the bonds were not insured. Claimants allege that New York City's financial problems were common knowledge at the time of Claimants' purchase and that Claimants would never have purchased the bonds had they not been insured.

Respondents argue, among other things, that Claimants knew that the bonds were not insured. Respondents argue that at no time did Respondent Wolverton tell Claimants that the bonds were insured. Respondents also argue that while the initial confirmation erroneously reflected the existence of insurance on the bonds by including the initials MBIA and a copy of the prospectus was sent to Claimants with the erroneous confirmation, nevertheless a corrected confirmation was sent to Claimants three days later. Respondents argue that the prospectus, corrected confirmation, and monthly statements sent to Claimants thereafter

put Claimants on notice that the bonds were not insured. Respondents argue that Claimants held the bonds for months without objection and did not institute this action for over a year following the sale of the bonds.

Claimants argue that they never received a prospectus or corrected confirmation as alleged by Respondents, that the bonds were never in Claimants' possession, and that Claimants first became aware that the bonds were not insured when they sold them through Respondents on 10/23/90. Claimants also argue that they have been diligent in the pursuit of their claim.

RELIEF REQUESTED

Claimants seek to recover \$4,729, which represents the difference between Claimants' purchase price on 4/2/90 and the sale price on 10/23/90.

Respondents deny liability and request that the claim be denied.

AWARD

The undersigned arbitrator reviewed the controversy between the parties set forth in submissions to the arbitrator signed by Claimants on October 11, 1991 (filed with the MSRB on November 1, 1991); by Respondent PaineWebber Inc. on January 8, 1992 and by Respondent Wolverton on August 7, 1992. 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. Respondents Wolverton and PaineWebber, Inc. shall be jointly and severally liable to Claimants for the sum of \$4,729.
2. Pursuant to MSRB rule A-16: Claimants' \$50 filing fee and \$75 hearing deposit shall be retained by the MSRB and shall be assessed jointly and severally against the Respondents as forum fees payable to the Claimants.

Public Arbitrator

Dated: 10/8/92

STATE OF *Rhode Island*
COUNTY OF *Providence*

ss.:

On this *8th* day of *October*, 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.

King J. Maller

my commission expires
7/93

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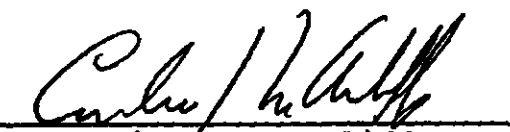
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Cornelius J. McAuliffe

Dated: 10/8/92