

MSRB

MUNICIPAL SECURITIES RULEMAKING BOARD

OCT 9 1992

In the Matter of the Arbitration between

HARVEY E. LEHN and JOAN M. LEHN

v.

GENE LANTON,

Claimants,

Respondent.

AWARD
MS91-94
SC1-035

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

CASE SUMMARY

Claimants allege, among other things, that they were overcharged by the Respondent, a representative of A.F. Green & Company ("A.F. Green"), in connection with the sale of \$100,000 face amount of the CITY OF CHICAGO SINGLE FAMILY MORTGAGE REVENUE BOND 1984 SERIES A, DTD 12/6/84, 0%, MATURITY DATE 11/1/17, CUSIP 167685CT1 (the "Chicago bond"), purchased by Claimants on or about 5/23/88. Claimants also allege that the Respondent failed to disclose the Chicago bond's extraordinary call features to Claimants at the time of sale.

Respondent states, among other things, that the price per bond paid by the Claimants was in excess of the fair market value of the Chicago bond. Respondent argues, however, that he did not price the Chicago bond and that he was unaware of the bond's accreted value at the time of the sale. Respondent argues that he was not a partner or officer of A.F. Green, that he never purchased bonds for inventory, that he never performed any research, and that he did not have any input regarding the purchase price or the price charged to customers. Respondent argues that these functions were performed by the trading department and that he was not privy to anything that went on in the trading department, being a salesman only.

Respondent argues that salesman at A.F. Green never were provided with copies of the bonds that they sold. Respondent argues that he never saw the Chicago bond and that he was unaware of the accreted value and the "any interest date redemption feature" at the time of sale. Respondent argues, however, that callability was not a factor in his discussion with the Claimants and he denies that he represented the Chicago bond as being non-callable. Respondent argues that he sold the Chicago bond to Claimants exactly as it appeared on the firm's inventory sheet and neither the inventory sheet nor his handwritten trade ticket

stated non-callable, nor did the inventory sheet refer to the bond's accreted value. Respondent argues that the inventory sheet stated AAA and insured, and that was what the Claimants wanted.

Respondent argues that the accreted value and the extraordinary call feature are stated on the Chicago bond certificate which Claimants received. Respondent argues that if Claimants had any misgivings regarding the price paid or callability when they received the bond certificate, or even several months later, they could have communicated same at that time and a remedy could have been obtained. Respondent argues that it is now three and a half years after the purchase and the firm is no longer in business.

Respondent argues that his dealings with Claimants were done in good faith and with Claimants' investment objectives in mind. Respondent argues that he relied on the accuracy of the information given to him by his former employer and that he had no reason to believe that the information given to him by the firm was inaccurate or false. Respondent also argues that he relied on the fact that regulatory bodies conducted periodic audits of all brokerage firms including A.F. Green and that he was unaware at the time of any sanctions or fines imposed in connection with these audits. Respondent argues that the principals of A.F. Green have since been barred from the securities business and paid a fine of \$800,000 to the NASD for excessive mark-ups, double ticketing, and a failure to reveal extraordinary call features to clients. Respondent argues that they, not he, should be held accountable for Claimants' losses.

RELIEF REQUESTED

Claimants seek to recover the difference between the price they paid for the Chicago bond (\$7,490) and the price they allege they should have been charged (\$5,600), plus simple interest at 6% for three years and seven months (\$387), and their expenses (\$84), for a total of \$2,361.

AWARD

The undersigned arbitrator reviewed the controversy between the parties set forth in submissions to the arbitrator signed by Claimants on December 19, 1991 (filed with the MSRB on December 26, 1991) and by Respondent on January 27, 1992. The undersigned, having considered the matter solely on 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. Respondent shall pay to Claimants the sum of \$2,277.
2. Each of the parties shall bear its own expenses.
3. Pursuant to MSRB rule A-16: Claimant's \$25 filing fee and \$25 hearing deposit shall be retained by the MSRB as forum fees.



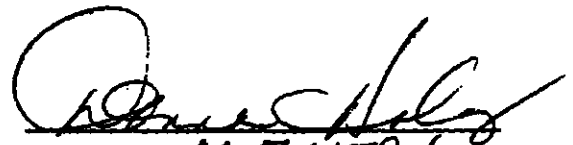
William J. Murray

Dated: 10/6/92

STATE OF FLORIDA
COUNTY OF PALM BEACH

ss.:

On this 8TH day of OCTOBER, 1992, before me personally appeared William J. Murray 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.



DA 741594

NOTARY PUBLIC STATE OF FLORIDA
MY COMMISSION EXP. JAN. 28, 1994
BONDED THRU GENERAL INS. UND.