

Award
FINRA Dispute Resolution Services

In the Matter of the Arbitration Between:

Claimant
Laurence Knowlton

Case Number: 21-00757

vs.

Respondent
UBS Financial Services Inc.

Hearing Site: Boston, Massachusetts

Awards are rendered by independent arbitrators who are chosen by the parties to issue final, binding decisions. FINRA makes available an arbitration forum—pursuant to rules approved by the SEC—but has no part in deciding the award.

Nature of the Dispute: Associated Person vs. Member

REPRESENTATION OF PARTIES

Claimant Laurence Knowlton: David I. Hantman, Esq., Bressler, Amery & Ross, P.C., New York, New York.

Respondent UBS Financial Services Inc.: Omar Perez, UBS Business Solutions US LLC, Nashville, Tennessee.

CASE INFORMATION

Statement of Claim filed on or about: March 23, 2021.

Laurence Heimburg Knowlton signed the Submission Agreement: March 22, 2021.

Statement of Answer filed by Respondent on or about: March 29, 2021

UBS Financial Services Inc. signed the Submission Agreement: March 29, 2021.

CASE SUMMARY

In the Statement of Claim, Claimant asserted a claim seeking expungement of customer dispute information from registration records maintained by the Central Registration Depository (“CRD”).

In the Statement of Answer, Respondent did not oppose Claimant’s expungement request.

RELIEF REQUESTED

In the Statement of Claim, Claimant requested expungement of Occurrence Numbers 1983342, 1469402 and 1096462.

In the Statement of Answer, Respondent requested that all costs and fees be assessed against Claimant.

OTHER ISSUES CONSIDERED AND DECIDED

The Arbitrator acknowledges having read the pleadings and other materials filed by the parties.

Pursuant to Rule 13402(a)(1) of the Code of Arbitration Procedure (“Code”), the parties agreed to proceed with a sole arbitrator for this matter.

On April 22, 2021, Claimant advised that the customers in Occurrence Numbers 1983342 and 1469402 were served with the Statement of Claim and notice of the date and time of the expungement hearing.

On April 30, 2021, Claimant advised that the customer related to Occurrence Number 1096462 is deceased and was not served with notice of the Statement of Claim nor the date and time of the expungement hearing.

The Arbitrator conducted a recorded, telephonic hearing on May 12, 2021, so the parties could present oral argument and evidence on Claimant’s request for expungement.

Respondent did not participate in the expungement hearing and, as stated in the Statement of Answer, did not oppose the request for expungement.

The customers did not participate in the expungement hearing. The Arbitrator found that the customers in Occurrence Numbers 1983342 and 1469402 had notice of the expungement request and hearing.

The Arbitrator reviewed Claimant’s BrokerCheck® Report. The Arbitrator noted that a prior arbitration panel or court did not previously rule on expungement of the same occurrences in the CRD.

The Arbitrator also reviewed the settlement documentation related to Occurrence Number 1983342, considered the amount of payment made to any party to the settlement and considered other relevant terms and conditions of the settlement. The Arbitrator noted that the settlement was not conditioned on any party to the settlement not opposing the expungement request and that Claimant did not contribute to the settlement amount.

The Arbitrator noted that the disputes related to Occurrence Numbers 1469402 and 1096462 were not settled and, therefore, there were no settlement documents to review.

In recommending expungement, the Arbitrator relied upon the following documentary or other evidence: pleadings, exhibits, Claimant’s testimony, Claimant’s BrokerCheck® Report, and the settlement agreement.

AWARD

After considering the pleadings, the testimony and evidence presented at the expungement hearing, and any post-hearing submissions, the Arbitrator has decided in full and final resolution

of the issues submitted for determination as follows:

1. The Arbitrator recommends the expungement of all references to Occurrence Number 1983342 from registration records maintained by the CRD for Claimant Lawrence H. Knowlton (CRD Number 1383052) with the understanding that, pursuant to Notice to Members 04-16, Claimant Lawrence H. Knowlton must obtain confirmation from a court of competent jurisdiction before the CRD will execute the expungement directive.

Unless specifically waived in writing by FINRA, parties seeking judicial confirmation of an arbitration award containing expungement relief must name FINRA as an additional party and serve FINRA with all appropriate documents.

Pursuant to Rule 13805 of the Code of Arbitration Procedure (“Code”), the Arbitrator has made the following Rule 2080 affirmative finding of fact:

The claim, allegation, or information is false.

The Arbitrator has made the above Rule 2080 finding based on the following reasons:

The customer formed a trust in order to hold and invest assets of he and his spouse and began investing with Claimant in 2000 demonstrating through education and employment, including management of a hedge fund and publication of several books on finance, a high degree of sophistication. In addition to having over \$20 million with Claimant, he maintained substantial accounts with other firms. The customer approved all investments including positions with Puerto Rico Bonds held through Claimant. The customer had prior experience with Puerto Rico Bonds through other firms finding them to be respectable cash alternatives consistent with and supportive of his overall investment strategy due to their high rating, tax benefits and tracking history. For similar reasons, the customer purchased COFINA Bonds, and as with the Puerto Rico Bonds, Claimant provided to him all relevant disclosures as well as periodic updates, periodic performance reviews and analyses. All investments were over a significant period, consistent with the customer’s moderate risk profile and were highly rated by credible sources, past history, and supported by the customer’s investment history prior to meeting Claimant. In 2013-14, the Puerto Rico Bond Market outran itself and caused investors substantial pain. In 2016, the customer appointed Cumberland Advisors to management of the account in question and continued to hold the later complained of COFINA bonds through 2018 when all was transferred to Schwab and the customer filed his complaint alleging unsuitability and misrepresentation against UBS but not naming Claimant. UBS denied the complaint in its entirety but subsequently executed a monetary Settlement Agreement that can fairly be characterized as settlement for nuisance value. Claimant was again not a party to it, was not named and did not contribute. Applying standards of FINRA Rule 2080 and upon examination of all of the evidence including the current BrokerCheck Report and Settlement Agreement, the arbitrator finds that the customer’s complaint losses, to the extent they may have occurred, were the result of market forces beyond Claimant's control, were within the risk profile, had nothing to do with Claimant's performance and are false as to Claimant, clearly justifying expungement and being in the public's best interest.

2. The Arbitrator recommends the expungement of all references to Occurrence Number 1469402 from registration records maintained by the CRD for Claimant Lawrence H. Knowlton (CRD Number 1383052) with the understanding that, pursuant to Notice to Members 04-16, Claimant Lawrence H. Knowlton must obtain confirmation from a court of competent jurisdiction before the CRD will execute the expungement directive.

Unless specifically waived in writing by FINRA, parties seeking judicial confirmation of an arbitration award containing expungement relief must name FINRA as an additional party and serve FINRA with all appropriate documents.

Pursuant to Rule 13805 of the Code of Arbitration Procedure ("Code"), the Arbitrator has made the following Rule 2080 affirmative findings of fact:

The claim, allegation, or information is factually impossible or clearly erroneous; and the claim, allegation, or information is false.

The Arbitrator has made the above Rule 2080 findings based on the following reasons:

In 2007-8 the customer began purchasing Auction Rate Securities ("ARS") through Claimant with UBS as cash alternatives after he and UBS furnished her with all appropriate disclosures, risks and the operation and limitations of the auction rate market. ARS were highly rated and holding the same was consistent with her risk profile. In addition to her investment experience, she was assisted by her husband, the retired Head of Corporate Banking for Bank of America's New York office. In 2008, ARS auctions began to fall which for the customer meant a period of illiquidity yet with continued receipt of regular income payments and an overall gain on her investments. By letter dated May 4, 2008, the customer filed her complaint alleging lack of liquidity of a product fully explained, consistent with her risk profile and thoroughly vetted by herself with Claimant. During the same month of her complaint, her ARS were repurchased by Citizens, Eaton Vance with the last being purchased by UBS as part of an industry wide settlement with regulators evidencing market product failure as opposed to wrongful sales practices. Claimant did not participate in any of these resolutions, did not contribute and was not asked to contribute and there was no individual settlement with the customer.

3. The Arbitrator recommends the expungement of all references to Occurrence Number 1096462 from registration records maintained by the CRD for Claimant Lawrence H. Knowlton (CRD Number 1383052) with the understanding that, pursuant to Notice to Members 04-16, Claimant Lawrence H. Knowlton must obtain confirmation from a court of competent jurisdiction before the CRD will execute the expungement directive.

Unless specifically waived in writing by FINRA, parties seeking judicial confirmation of an arbitration award containing expungement relief must name FINRA as an additional party and serve FINRA with all appropriate documents.

Pursuant to Rule 13805 of the Code of Arbitration Procedure ("Code"), the Arbitrator has made the following Rule 2080 affirmative finding of fact:

The claim, allegation, or information is false.

The Arbitrator has made the above Rule 2080 finding based on the following reason:

The customer associated with Claimant in early 2000s displaying wide market experience and presenting himself as CEO of his own insurance firm marketing to municipalities, large corporations and those requiring marine insurance. His account with Claimant was for the trading of shares in Softlock.com, an obscure tech startup lightly traded in the OTC market. He was an "insider" whose shares were restricted including timed trading requirements along with specific conditions to trades. The customer's complaint involves his attempt to sell his shares through Claimant's assistant in 2002 when Claimant was out of town and the failure of the sale due to the customer's inability to comply with his insider stock restrictions and subsequent losses. Claimant was out of town at the time, was not consulted and played no role in this attempted sale of a security whose value was close to worthless just a few weeks prior. UBS denied the complaint in its entirety and the customer did not pursue.

FEES

Pursuant to the Code, the following fees are assessed:

Filing Fees

FINRA Dispute Resolution Services assessed a filing fee* for each claim:

Initial Claim Filing Fee	= \$	1,575.00
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**The filing fee is made up of a non-refundable and a refundable portion.*

Member Fees

Member fees are assessed to each member firm that is a party in these proceedings or to the member firm that employed the associated person at the time of the events giving rise to the dispute. Accordingly, as a party Respondent UBS Financial Services Inc. is assessed the following:

Member Surcharge	= \$	1,900.00
Member Process Fee	= \$	3,750.00

Hearing Session Fees and Assessments

The Arbitrator has assessed hearing session fees for each session conducted. A session is any meeting between the parties and the Arbitrator, including a pre-hearing conference with the Arbitrator, which lasts four (4) hours or less. Fees associated with these proceedings are:

One (1) hearing session on expungement request @ \$450.00/session	= \$	450.00
Hearing: May 12, 2021 1 session		

Total Hearing Session Fees	= \$	450.00
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The Arbitrator has assessed the total hearing session fees to Claimant.

All balances are payable to FINRA Dispute Resolution Services and are due upon receipt.

ARBITRATOR

Gerard S. Marsan

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Sole Public Arbitrator

I, the undersigned Arbitrator, do hereby affirm that I am the individual described herein and who executed this instrument, which is my award.

Arbitrator's Signature

Gerard S. Marsan

Gerard S. Marsan
Sole Public Arbitrator

05/28/2021

Signature Date

Awards are rendered by independent arbitrators who are chosen by the parties to issue final, binding decisions. FINRA makes available an arbitration forum—pursuant to rules approved by the SEC—but has no part in deciding the award.

May 28, 2021

Date of Service (For FINRA Dispute Resolution Services use only)