

BUSINESS

Morgan Stanley told to pay client \$850,000

Brokerage firm found liable for bad investments

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Morgan Stanley has been ordered to pay \$850,000 to an elderly South Florida customer who lost more than \$370,000 through unauthorized trades and the brokerage firm's failure to supervise a broker in its Plantation office.

"I wanted investments just to be able to be retired and have a nice income to live on," said Jordan Weinerman, a retired builder from Philadelphia. "I'm not a kid; I'm 81 years old and I can't go back to work, you know?"

A National Association of Securities Dealers' arbitration panel on Friday found that Morgan Stanley had breached its fiduciary duty and was liable for negligent supervision. It awarded Weinerman \$600,000 in compensatory damages and \$250,000 in punitive damages.

As the basis for the punitive damages, the panel said that Morgan Stanley knew its broker employee Kyle Boos "had actual knowledge of the wrongfulness of his conduct." Boos, the panel said, made hundreds of unsuitable trades for Weinerman. The panel also noted that Morgan Stanley's compliance unit generated more than 20 reports flagging activity in Weinerman's account and supervisors had discussed the issue.

Morgan Stanley spokeswoman Christy Pollak said, "We strongly disagree with the panel's decision and believe that Mr. Weinerman's account was handled in accordance with his instructions."

Weinerman was a long-term Morgan Stanley customer who shifted his accounts to Morgan Stanley's Plantation office when he moved to Aventura in the 1990s, said his attorney, Jeffrey Erez, of Sonn & Erez in Fort Lauderdale.

"They repositioned the entire account very quickly," into Morgan Stanley's own products, Erez said. "We proved the broker made more than \$100,000 in commis-

Client awarded \$850,000

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sions while doing this."

From an initial portfolio of \$1.5 million, Weinerman suffered actual losses of about \$372,000 between November 1999 and March 2005. "Not only did he lose principal, he didn't get any kind of return on his principal," Erez said.

Weinerman's attorneys argued that their client missed out on almost \$800,000 in gains because of unsuitable investments in his portfolio. Another \$547,000 was lost through unauthorized trades, they said.

Boos could not be reached for comment despite a reporter's call on Monday to his office.

Pollak declined to comment on whether any disciplinary action will be taken. Boos' record with NASD does not show any formal investigations or disciplinary actions. He has been a broker, with Dean Witter and later Morgan Stanley, since 1995.

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