

Award
FINRA Dispute Resolution

In the Matter of the Arbitration Between:

Claimant

Luis Roldan Caraballo, Individually, and on Behalf
of his IRA

Case Number: 14-01649

vs.

Respondents

UBS Financial Services, Inc. and
UBS Financial Services Incorporated of Puerto
Rico

Hearing Site: Miami, Florida

Nature of the Dispute: Customer vs. Members

This case was decided by a majority-public panel.

REPRESENTATION OF PARTIES

For Claimant Luis Roldan Caraballo, Individually, and on Behalf of his IRA: Samuel B. Edwards, Esq., Shepherd, Smith, Edwards & Kantas, LLP, Houston, Texas.

For Respondents UBS Financial Services, Inc. ("UBS") and UBS Financial Services Incorporated of Puerto Rico ("UBSPR"): Joel M. Everest, Esq., Bressler, Amery & Ross, P.C., Birmingham, Alabama.

CASE INFORMATION

Statement of Claim filed on or about: May 21, 2014.

Luis Roldan Caraballo signed the Submission Agreement: May 17, 2014.

Luis Roldan Caraballo IRA signed the Submission Agreement: May 17, 2014.

Statement of Answer filed by Respondents on or about: August 26, 2014.

UBS signed the Submission Agreement: June 12, 2014.

UBSPR signed the Submission Agreement: July 2, 2014.

CASE SUMMARY

In the Statement of Claim, Claimant asserted the following causes of action: breach of contract and warranties; promissory estoppel; violation of securities statutes; violations of fault/negligence statutes; violation of fiduciary/officious manager statutes; violation of fraud, misrepresentation and omission statutes; claims under common law; and vicarious and joint and several liability. The causes of action relate to, among other things, Claimant's investments in Puerto Rico closed-end mutual funds concentrated in Puerto Rico bonds.

Unless specifically admitted in their Answer, Respondents denied the allegations made in the Statement of Claim and asserted various affirmative defenses.

RELIEF REQUESTED

In the Statement of Claim, Claimant requested: damages in excess of \$1,000,000.00, including all direct and/or consequential damages and statutory and/or punitive damages, plus pre-award and pre-judgment interest; costs; attorneys' fees; rescission of all transactions; and any and all other relief available to Claimant, in law or equity or otherwise, which may be granted to him by the Panel.

At the close of the hearing, Claimant requested: total damages in the amount of \$4,029,731.11, inclusive of compensatory damages, interest, attorneys' fees and expenses.

In the Statement of Answer, Respondents requested: dismissal of Claimant's claims and specific findings to allow the expungement of any record of this arbitration from the Central Registration Depository ("CRD") records of any affected UBS personnel.

At the close of the hearing, Respondents requested: Claimant's claims be denied in their entirety; an order of expungement of all references to this matter from non-party David J. Lugo's CRD record; and that forum fees be assessed against Claimant.

OTHER ISSUES CONSIDERED AND DECIDED

The Arbitrators acknowledge that they have each read the pleadings and other materials filed by the parties.

Inasmuch as Respondents did not reassert their request for expungement on behalf of any affected UBS and UBSPR personnel, other than non-party David Lugo, the Panel deemed this request to be withdrawn.

The parties have agreed that the Award in this matter may be executed in counterpart copies or that a handwritten, signed Award may be entered.

AWARD

After considering the pleadings, the testimony and evidence presented at the recorded in-person hearing, and the post-hearing submissions, the Panel has decided in full and final resolution of the issues submitted for determination as follows:

1. Respondents are jointly and severally liable for violation of securities laws - 10 Laws of Puerto Rico Annotated ("LPRA") Section 851; breach of fiduciary duties - 31 LPRA Section 3052; negligence/failure to supervise – 31 LPRA Sections 3020, 3021 and 5141; and violation of FINRA rules and guidelines – FINRA Rule 2111, and shall pay to Claimant compensatory damages in the amount of \$1,000,000.00, plus interest at the rate of 2% per annum from July 31, 2013, until the date of payment of this Award.

2. Respondents are jointly and severally liable and shall pay to Claimant attorneys' fees in the amount of \$333,333.00, in accordance with *First Interregional Equity Corp. v. Haughton*, 842 F. Supp. 105, 112-13 (S.D.N.Y.1994).
3. Respondents are jointly and severally liable and shall pay to Claimant costs in the amount of \$40,000.00.
4. Respondents are jointly and severally liable for and shall pay to Claimant \$600.00 to reimburse Claimant for the filing fee previously paid to FINRA Dispute Resolution.
5. Respondents' request for expungement of all references to this matter from non-party David Lugo's CRD record is denied.
6. Any and all claims for relief not specifically addressed herein, including Claimant's request for punitive damages, are denied.

FEES

Pursuant to the Code of Arbitration Procedure, the following fees are assessed:

Filing Fees

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

Initial Claim Filing Fee	=\$ 1,800.00
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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(s) that employed the associated person(s) at the time of the event(s) giving rise to the dispute. Accordingly, as parties, Respondents UBS and UBSPR are assessed the following:

For UBS:

Member Surcharge	=\$ 2,800.00
Pre-Hearing Processing Fee	=\$ 750.00
Hearing Processing Fee	=\$ 5,000.00

For UBSPR:

Member Surcharge	=\$ 2,800.00
Pre-Hearing Processing Fee	=\$ 750.00
Hearing Processing Fee	=\$ 5,000.00

Adjournment Fees

Adjournments granted during these proceedings for which fees were assessed:

October 9, 2015, joint adjournment by the parties	=\$ 1,200.00
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The Panel has assessed the total adjournment fee of \$1,200.00 to Respondents, jointly and severally.

Three-Day Cancellation Fees

Fees apply when a hearing on the merits is postponed or settled within three business days before the start of a scheduled hearing session:

October 9, 2015, joint adjournment by the parties = \$ 300.00

The Panel has assessed the total three-day cancellation fee of \$300.00 to Respondents, jointly and severally.

Hearing Session Fees and Assessments

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

One (1) Pre-hearing session with a single arbitrator @ \$450.00/session = \$ 450.00
Pre-hearing conference: April 17, 2015 1 session

One (1) Pre-hearing session with the Panel @ \$1,200.00/session = \$ 1,200.00
Pre-hearing conference: November 18, 2014 1 session

Twenty-one (21) Hearing sessions @ \$1,200.00/session = \$25,200.00
Hearing Dates: October 5, 2015 3 sessions
October 6, 2015 3 sessions
October 7, 2015 3 sessions
October 8, 2015 3 sessions
October 26, 2015 2 sessions
October 27, 2015 3 sessions
October 28, 2015 2 sessions
October 29, 2015 2 sessions

Total Hearing Session Fees = \$26,850.00

The Panel has assessed the total hearing session fees of \$26,850.00 to Respondents, jointly and severally.

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

ARBITRATION PANEL

Bernard A. Becker	-	Public Arbitrator, Presiding Chairperson
Carl Henry Perdue	-	Public Arbitrator
Lawrence Zenville Rosenberg	-	Non-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.

Concurring Arbitrators' Signatures

Bernard A. Becker

Bernard A. Becker
Public Arbitrator, Presiding Chairperson

12/17/15

Signature Date

Carl Henry Perdue
Public Arbitrator

Signature Date

Lawrence Zenville Rosenberg
Non-Public Arbitrator

Signature Date

DECEMBER 18, 2015

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

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Non-Public Arbitrator

12/17/2015

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