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UBS To Pay \$2.8 Mln To Former Top Recruiter In Contract Flap

By Suzanne Barlyn
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NEW YORK (Dow Jones)--A unit of UBS AG (UBS, UBSN.VX) must pay \$2.8 million to the former chief recruiter of its wealth-management group, who accused the firm of breaching his employment contract, an arbitration panel has ruled.

Jeffrey K. Bischoff filed an arbitration case against the firm in July, 2009 asking for \$1.9 million in damages, plus other costs, for breach of contract, among other things, according to a Dec. 29 ruling by a Financial Industry Regulatory Authority panel.

UBS hired Bischoff as chief recruiter for its U.S. wealth-management group in 2007 amid an effort to bulk up its high-net-worth asset-management business. The firm hired Bischoff from Smith Barney, then Citigroup's (C) retail brokerage, where he served as headhunter for more than seven years. Smith Barney and Morgan Stanley merged their brokerage operations in 2009.

The Finra panel, in awarding \$2.8 million to Bischoff, didn't explain why it added an additional \$900,000 to the damage amount he initially sought. That difference likely includes legal fees and other expenses he incurred, such as expert witnesses, says Thomas Lewis, a lawyer for Stark & Stark in Lawrenceville, N.J., who specializes in securities-industry employment cases. The \$1.9 million likely represents the value of Bischoff's contract, including incentive compensation, he says.

As is customary in arbitration cases, the panel didn't include a reason for its decision. Bischoff and his lawyer both declined to comment on the case.

The ruling itself, however, suggests "severe conduct" against Bischoff by UBS, according to Lewis. "What this award tells me is that it was a clear breach of contract by UBS and that the conduct warranted the imposition of damages requested," says Lewis.

UBS must also pay \$20,400 in hearing fees to Finra, in addition to the \$2.8 million. Hearing fees, in most cases, are split between the parties.

Bischoff's tenure at UBS ended in July, 2009, according to public regulatory filings, for reasons that aren't clear. Bischoff launched his own high-net-worth adviser recruiting firm, Old Greenwich Consultants in Connecticut in 2009, according to his firm's website.

A UBS spokeswoman didn't immediately return a call and email requesting comment.

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