

Award
NASD Dispute Resolution, Inc.

In the Matter of the Arbitration Between:

Peter V. Lundstrom and Joyce C. Denham and The Coracle Foundation, Claimants vs. U.S.
Bancorp Piper Jaffray, Inc. d/b/a Piper Jaffray, Respondent

Case Number: 00-04044

Hearing Site: Seattle, Washington

REPRESENTATION OF PARTIES

For Claimants:

James H. Kaster, Esq.
Tiffany A. Sanders, Esq.
Nichols Kaster & Anderson, PLLP
Minneapolis, Minnesota

For Respondent:

Brian S. Hellberg, Esq.
U.S. Bancorp Piper Jaffray, Inc.
Minneapolis, Minnesota

CASE INFORMATION

Statement of Claim filed on or about: September 12, 2000

Claimants' Response to Piper Jaffray's Counterclaim filed on or about: July 23, 2001

Amended Statement of Claims filed on or about: August 28, 2001

Claimants' Response to Piper Jaffray's Supplemental Counterclaim filed on or about:
September 28, 2001

Claimants' Arbitration Brief filed on or about: October 5, 2001

Claimants' Uniform Submission Agreement signed: September 8, 2000

Statement of Answer and Affirmative Defenses filed by Respondent U.S. Bancorp Piper Jaffray,
Inc. ("Piper Jaffray") on or about: December 20, 2000

Counterclaim of Respondent Piper Jaffray filed on or about: July 12, 2001

Amended Answer and Supplemental Counterclaim filed by Respondent Piper Jaffray on or
about: September 17, 2001

Respondent Piper Jaffray's Uniform Submission Agreement signed: December 18, 2000

CASE SUMMARY

Claimants alleged the following claims with respect to investments in various bonds: 1) Security Violations; 2) Suitability Violations; 3) Breach of Contract; 4) Breach of Fiduciary Duties; 5) Violation of Consumer Protection Act; 6) Violation of Good Faith and Fair Dealing; 7) Common Law Fraud; 8) Negligent Misrepresentation; and 9) Negligence.

Respondent denied the allegations of wrongdoing set forth in the Claimants' Claim and denied any liability to Claimants. Respondent also asserted affirmative defenses.

In its Counterclaim and Supplemental Counterclaim, Respondent alleged that the Claimants' allegations were frivolous, false and without merit. Respondent further alleged that as of the filing of its Counterclaim, Piper Jaffray has incurred in excess of \$15,000 in fees and expenses related to the preparation of pleadings and documentation in this matter and expected that through the hearing of this matter, Piper Jaffray will expend an additional sum of money in dealing with Claimants' claims.

Claimants denied the allegations contained in Respondent's Counterclaims and denied any liability to Respondent. Claimants also asserted affirmative defenses.

RELIEF REQUESTED

Claimants requested:

1. An award of compensatory damages, the exact amount to be determined by the arbitrators after the hearing;
2. An award of punitive damages, the exact amount to be determined by the arbitrators after the hearing;
3. An award of Claimants' attorneys fees incurred in pursuing the arbitration;
4. An award of Claimants' costs, disbursements and expenses incurred in pursuing the arbitration;
5. Pre-award and post-award interest on all damages awarded, with interest continuing to accrue until the date of the award is paid in full; and
6. Such other relief as the arbitrators deem just and equitable.

Respondent requested that Claimants' claims be dismissed with prejudice; that Piper Jaffray recover all of its attorneys fees, costs and expenses related to this proceeding by virtue of its counterclaims; and that all affirmative defenses asserted in its original counterclaim bar the recovery of any damages causes of action in this cause. Piper Jaffray also requested such other and further relief to which it may show itself justly entitled.

Claimants requested that the Panel dismiss Piper Jaffray's counterclaims with prejudice, that judgment be entered in favor of Claimants and against Piper Jaffray, and that Claimants be awarded costs, expenses and reasonable attorney's fees in defending against the counterclaims.

OTHER ISSUES CONSIDERED AND DECIDED

On or about June 14, 2001, the Panel denied the motion of Respondent Piper Jaffray to strike the Statement of Claim or alternatively for sanctions. The Panel granted Piper Jaffray's request for leave to file an Amended Answer.

On or about August 17, 2001, the Panel denied Claimants' motion for leave to amend the Statement of Claims to join Norwest Bank Minnesota, N.A., Norwest Investment Services, Inc., Wells Fargo Bank Minnesota, N.A., and Wells Fargo Brokerage Services, LLC. The Panel granted Claimants' motion for leave to amend the Statement of Claims with respect to Respondent Piper Jaffray.

The parties 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, testimony, and evidence presented at the hearing, the Panel decided in full and final resolution of the issues submitted for determination as follows:

- 1) The Panel finds in favor of Claimants and against Respondent on Claimants' claim of negligence. The bond portfolio recommended by Respondent was not adequately diversified by maturity dates and issuers, and was not a true "ladder" portfolio as represented. Many of the bonds were not of sufficient quality to meet the Claimants' objectives, which together with an average weighted bond maturity of 21 years resulted in increased portfolio volatility. Furthermore, Respondent's recommendation of taxable zero coupon bonds in Claimants' taxable account was inappropriate.
- 2) Respondent Piper Jaffray is liable for and shall pay to Claimants Joyce C. Denham and Peter V. Lundstrom JTEN, compensatory damages in the amount of \$100,000.
- 3) Respondent Piper Jaffray is liable for and shall pay to Claimant The Coracle Foundation, compensatory damages in the amount of \$20,000.
- 4) Claimants' claims for punitive damages are denied.
- 5) All claims with respect to Respondent's Counterclaim are dismissed.

- 6) Each party shall bear its own costs, including attorney's fees.
- 7) All other relief not expressly granted is denied.

FEES

Pursuant to the Code, the following fees are assessed:

Filing Fees

NASD Dispute Resolution, Inc. ("NASD-DR") received or will collect the non-refundable filing fees for each claim as follows:

Initial claim filing fee	= \$375.00
Counterclaim filing fee	= \$750.00

Member Fees

Member fees are assessed to each member firm that is either a party in the matter or an employer of a respondent associated person at the time of the events which gave rise to the dispute, claim, or controversy. Accordingly, the member firm, Piper Jaffray, is a party and the following fees are assessed:

Member Surcharge	= \$2,000.00
Pre-Hearing Process Fee	= \$600.00
<u>Hearing Process Fee</u>	<u>= \$3,500.00</u>
Total Member Fees	= \$6,100.00

Forum Fees and Assessments

The Panel assessed a forum fee for each pre-hearing conference or hearing session conducted. A pre-hearing conference and hearing session is any meeting between the parties and the Chair/Panel. Forum fees associated with these proceedings are based on the initial hearing session deposit made by Claimants and Respondent Piper Jaffray's hearing session deposit:

Pre-hearing conferences:	May 2, 2001	1 session
	June 14, 2001	1 session
	August 16, 2001	1 session
Hearing sessions:	October 15, 2001	2 sessions
	October 16, 2001	2 sessions

Claimants' Assessment:

(3) Pre-hearing conference sessions with the Panel @ \$1,200.00/session	= \$3,600.00
<u>(4) Hearing sessions @ \$1,200.00/session</u>	<u>= \$4,800.00</u>
Total Forum Fees	= \$8,400.00

The Panel determined that Claimants shall be assessed forum fees at a 50% rate in the amount of \$4,200.00 based on Claimants' hearing session deposit and hearing sessions held.

Respondent's Assessment:

(3) Pre-hearing conference sessions with the Panel @ \$450.00/session	= \$1,350.00
(4) Hearing sessions @ \$450.00/session	= \$1,800.00
Total Forum Fees	= \$3,150.00

The Panel determined that Respondent Piper Jaffray shall be assessed forum fees at a 50% rate in the amount of \$1,575.00 based on Respondent's hearing session deposit and hearing sessions held.

Administrative Costs

Administrative costs are expenses incurred because a party requested additional services beyond the normal administrative services. These additional services include, but are not limited to, additional copies of arbitrator awards, copies of audio transcripts, retrieval of documents from archives, interpreters, security, and other requests.

The parties did not incur administrative costs.

Fee Summary

1. Claimants are charged with the following fees and costs:

Initial Filing Fee	= \$ 375.00
Forum Fees	= \$ 4,200.00
<u>Administrative Costs</u>	= \$ 0.00
Total Fees	= \$ 4,575.00
<u>Less payments</u>	<u>= \$(2,775.00)</u>
Balance Due NASD-DR	= \$ 1,800.00

2. Respondent, Piper Jaffray, is charged with the following fees and costs:

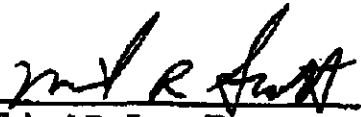
Counterclaim Filing Fee	= \$ 750.00
Member Fees	= \$ 6,100.00
Forum Fees	= \$ 1,575.00
<u>Administrative Costs</u>	= \$ 0.00
Total Fees	= \$ 8,425.00
<u>Less payments</u>	<u>= \$(7,300.00)</u>
Balance Due NASD-DR	= \$ 1,125.00

All balances are payable to NASD Dispute Resolution, Inc. and are payable upon the receipt of the Award pursuant to Rule 10330(g) of the Code.

ARBITRATION PANEL

Michael R. Scott, Esq.	-	Public Arbitrator, Presiding Chair
Richard D. Brady, Esq.	-	Public Arbitrator
William W. Anderson	-	Non-Public Arbitrator

Concurring Arbitrators' Signatures



Michael R. Scott, Esq.
Public Arbitrator, Presiding Chair

Oct 31, 2001

Signature Date

Richard D. Brady, Esq.
Public Arbitrator

Signature Date

William W. Anderson
Non-Public Arbitrator

Signature Date

Date Served:
NOV 7 2001

Date of Service

NASD Dispute Resolution, Inc.
Arbitration No. 00-04044
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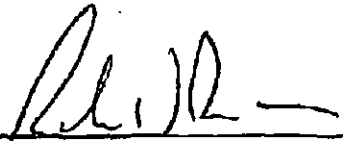
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Richard D. Brady, Esq.	-	Public Arbitrator
William W. Anderson	-	Non-Public Arbitrator

Concurring Arbitrators' Signatures

Michael R. Scott, Esq.
Public Arbitrator, Presiding Chair

Signature Date



Richard D. Brady, Esq.
Public Arbitrator

10/30/01

Signature Date

William W. Anderson
Non-Public Arbitrator

Signature Date

Date Served:

NOV 7 2001

Date of Service

NASD Dispute Resolution, Inc.

Arbitration No. 00-04044

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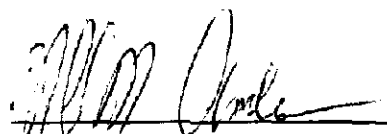
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Michael R. Scott, Esq.
Public Arbitrator, Presiding Chair

Signature Date

Richard D. Brady, Esq.
Public Arbitrator

Signature Date



William W. Anderson
Non-Public Arbitrator

11-2-01
Signature Date

11-2-01
Date of Service

Date Served:

NOV 7 2001