

AWARD
NASD Dispute Resolution, Inc.

In the Matter of the Arbitration Between

Name of Claimants

Margaret Reid, L.L.C., Audrey Reid,
Kevin D. Reid, Scott E. Reid,
Norman Reid and Cynthia L. Reid

and

01-01929
Phoenix, Arizona

Name of Respondent

Dain Rauscher Incorporated n/k/a RBC Dain Rauscher, Inc.

REPRESENTATION OF PARTIES

Margaret Reid, L.L.C., Audrey Reid, Kevin D. Reid, Scott E. Reid, ("**Claimants**") were represented by Robert D. Mitchell, Esq., Mitchell Law Offices, Phoenix, Arizona.

Norman Reid and Cynthia L. Reid ("**Claimants**") represented themselves.

Dain Rauscher Incorporated n/k/a RBC Dain Rauscher, Inc. ("**Respondent**") was represented by Jesse B. Simpson, Esq., and W. Todd Coleman, Esq., Lewis and Roca, LLP, Phoenix, Arizona.

CASE INFORMATION

The Statement of Claim and Demand for Arbitration was filed on or about April 16, 2001. Submission Agreement of Claimant Margaret Reid, L.L.C. was signed on March 5, 2001 by Norman Reid, its Manager. Submission Agreement of Claimant Audrey Reid was signed on March 5, 2001. Submission Agreement of Claimant Kevin D. Reid was signed on March 28, 2001. Submission Agreement of Claimant Scott E. Reid was signed on March 23, 2001. Submission Agreement of Claimant Norman Reid was signed on March 5, 2001. Submission Agreement of Claimant Cynthia L. Reid was signed on March 5, 2001.

Statement of Answer was filed by Respondent Dain Rauscher Incorporated on or about June 21, 2001. Submission Agreement of Respondent Dain Rauscher Incorporated was signed on May 8, 2001 by Molly A. Wurst.

CASE SUMMARY

Claimants submitted the following summary:

The Reids alleged that Respondent Dain Rauscher was negligent, breached its fiduciary duty, and violated other applicable statutory and common law by failing to warn the Reids of the risks associated with, or alternatively failing to decline a trade initiated by Norman Reid, a then 72 year old retired tool crib attendant and security guard, of a \$1 million purchase of 5,000 shares of Qualcomm on margin in the Margaret Reid, LLC account during a time where the recorded investment objectives for the account included safety of principal and income, resulting in losses and unnecessary margin interest charges in excess of \$830,000. Claimants further alleged that at the time of the transaction, Norman Reid did not have lawful authority to initiate the trade, and that, Dain Rauscher knew, or should have known, of the lack of legal capacity on the part of Norman Reid, and declined the transaction for that additional reason.

Respondent submitted the following summary:

Respondent denies the allegations set forth in the Statement of Claim. Respondent specifically states:

Claimant Norman Reid placed an unambiguous, unsolicited order to purchase 5000 shares of Qualcomm stock on margin at the market's open on January 3, 2000. The account had a signed margin agreement and the wherewithal to cover the trade. The registered sales assistant repeatedly tried to dissuade claimant from placing the trade – she explained the stock's volatility and ensured that claimant was "sure he wanted to do this." The registered sales assistant conferred with the broker and the branch manager, who both determined that Respondent was obligated to place an unsolicited, unambiguous order when the account had the buying power to cover the trade and a history of purchasing technology stocks.

The branch manager told the registered sales assistant to ensure that claimant was sure he wanted to do the trade and that he was willing to sign a non-solicitation letter acknowledging that he understood the risks of purchasing the security. The registered assistant did so and placed the order as claimant requested. Three months after the Qualcomm purchase, Claimants affirmed their intent to hold on to the Qualcomm position. For the first time, five months after the purchase, Claimants complained that they did not understand the risks of margin and Respondent should reverse the trade.

Respondent had no duty to disclose the risks of an unsolicited trade. Because the trade was not recommended, a suitability analysis was not necessary. Claimants ratified the purchase and failed to mitigate their alleged damages.

RELIEF REQUESTED

Claimants requested an award of the following:

- A. Compensatory damages of at least \$950,000.00 for the losses in the account;
- B. Interest and/or lost opportunity damages as of the date of the arbitration hearing based upon what a well-managed portfolio would have been worth today given the amount of the Claimants' invested funds;
- C. Recovery of commissions, margin interest, and other fees charged by the Respondent on Claimants' account;
- D. Recovery of claimants' filing fees and such other costs and expenses as may be incurred in bringing this arbitration;
- E. Attorney's fees pursuant to A.R.S. §§12-341.01 and 44-2001;
- F. Punitive damages in an amount not less than \$500,000.00; and
- G. Such other relief in favor of the Reids, as the Arbitrators deem just and appropriate under the circumstances.

Respondent requested that the claims asserted against it be dismissed in their entirety and that it be awarded its NASD arbitration fees, attorneys' fees and costs pursuant to the NASD Code of Arbitration Procedure and A.R.S. §12-341.01 and A.R.S. §12-349. At the hearing, Respondent requested that any reference to this matter be expunged from the CRD record of Mary McColly, the registered sales assistant.

OTHER ISSUES CONSIDERED & DECIDED

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. In either case, the parties have agreed to receive conformed copies of the award while the original(s) remain on file with the NASD Dispute Resolution, Inc. (the "NASD").

AWARD

After considering the pleadings, the testimony, and the evidence presented at the hearing, the undersigned arbitrators have decided in full and final resolution of the issues submitted for determination as follows:

1. Respondent Dain Rauscher Incorporated n/k/a RBC Dain Rauscher, Inc. shall be and hereby is liable for and shall pay to the Claimant Margaret Reid, L.L.C. the sum of \$30,000.00 (**Thirty Thousand Dollars**) as compensatory damages.
2. Respondent Dain Rauscher Incorporated n/k/a RBC Dain Rauscher, Inc. shall be and hereby is liable for and shall pay to the Claimant Margaret Reid, L.L.C. the sum of \$500.00 (**Five Hundred Dollars**) as reimbursement of the filing fee paid on behalf of the Claimants.
3. All claims asserted by the individual Claimants shall be and hereby are dismissed with prejudice.

4. The Panel recommends the expungement of all reference to the above captioned arbitration from Mary McColly's registration records maintained by the NASD Central Registration Depository ("CRD"), with the understanding that pursuant to NASD Notices to M Members 99-09 and 99-54, Mary McColly must obtain confirmation from a court of competent jurisdiction before the CRD will execute this expungement directive.
5. That to the extent not specifically awarded or otherwise provided for above, all other claims and requests for relief by any party hereto are denied with prejudice.
6. Other than the Forum Fees noted below, the parties shall each bear all other costs and expenses incurred by them in connection with this proceeding, including but not limited to attorneys fees.

FEES

Pursuant to the Code, the following fees are assessed:

Filing Fees

NASD Dispute Resolution, Inc. will retain or collect the non-refundable filing fees for each claim:

Initial claim filing fee = \$500.00

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. In this matter, the member firm is Dain Rauscher Incorporated n/k/a RBC Dain Rauscher Inc.

Member surcharge	= \$2,500.00
Pre-hearing process fee	= \$ 600.00
Hearing process fee	= \$4,500.00

Forum Fees and Assessments

The Arbitration Panel assesses forum fees for each hearing session conducted. A hearing 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 Panel x \$1,200.00	= \$1,200.00
Pre-hearing conference: September 25, 2001 1 session	

Seven (7) Hearing sessions x \$1,200.00 = \$8,400.00

Hearing Date(s):	January 22, 2002	2 sessions
	January 23, 2002	2 sessions
	January 24, 2002	2 sessions
	<u>January 25, 2002</u>	<u>1 session</u>

Total Forum Fees = \$9,600.00

The Arbitration Panel has assessed \$0.00 of the forum fees to Margaret Reid, L.L.C., Audrey Reid, Kevin D. Reid, Scott E. Reid, Norman Reid and Cynthia L. Reid.

The Arbitration Panel has assessed \$9,600.00 of the forum fees to Dain Rauscher Incorporated n/k/a RBC Dain Rauscher, Inc.

Fee Summary

Claimants, Margaret Reid, L.L.C., Audrey Reid, Kevin D. Reid, Scott E. Reid, Norman Reid and Cynthia L. Reid, shall be and hereby are jointly and severally liable for:

Initial Filing Fee	= \$ 500.00
<u>Forum Fees</u>	= \$ 0.00
Total Fees	= \$ 500.00
<u>Less payments</u>	= \$ 1,700.00
Balance to be refunded by NASD Dispute Resolution, Inc.	= \$ 1,200.00

Respondent, Dain Rauscher Incorporated, shall be and hereby is liable for:

Member Fees	= \$ 7,600.00
<u>Forum Fees</u>	= \$ 9,600.00
Total Fees	= \$17,200.00
<u>Less payments</u>	= \$ 7,600.00
Balance Due NASD Dispute Resolution, Inc.	= \$ 9,600.00

All balances are due to NASD Dispute Resolution, Inc.

ARBITRATION PANEL


Eve Schocket, Esq. - Public Arbitrator, Presiding Chair
John V. Marian - Public Arbitrator
William J. Brack - Non-Public Arbitrator

NASD Dispute Resolution, Inc.

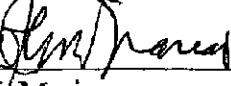
Arbitration No. 01-01929

Award Page 6 of 6


Concurring Arbitrators:


Eve Schocket, Esq.
Public Arbitrator, Presiding Chair

1-25-02
Signature Date


John V. Marian
Public Arbitrator

1-25-02
Signature Date


William J. Brack
Non-Public Arbitrator

1-25-2002
Signature Date