

AWARD
NASD Dispute Resolution

In the Matter of the Arbitration Between

Claimant

Rio Grande Employees Hospital Association

v.

05-02399

Denver, Colorado

Respondents

Piper Jaffray, Inc., Cascade Financial Management, Inc.

David John Turner and Cascade Investment Group, Inc.

NATURE OF DISPUTE

Customer v. Member Firms and Associated Person

REPRESENTATION OF PARTIES

Rio Grande Employees Hospital Association ("**Claimant**") was represented by Paul G. Bursiek, Esq., of the Law Office of Paul G. Bursiek, Denver, Colorado.

Piper Jaffray, Inc. ("**Piper Jaffray**") was represented by William D. Nelson, Esq., of Rothgerber Johnson & Lyons, LLP, Denver, Colorado.

Cascade Financial Management, Inc. ("**Cascade Financial**") and David John Turner ("**Turner**") were represented by Robert P. Bramnik, Esq., of Duane Morris, LLP, Chicago, Illinois.

Cascade Investment Group, Inc. ("**Cascade Investment Group**") was represented by Stuart N. Bennett, Esq., of Lindquist & Vennum, PLLP, Denver, Colorado.

CASE INFORMATION

The Statement of Claim was filed on or about May 4, 2005. The Submission Agreement of Claimant was signed on or about May 2, 2005 by John Kurtz, Chairman of the Rio Grande Employees Hospital Association.

Claimant filed an Amended Statement of Claim on or about June 4, 2005.

A Motion to Dismiss and, in the Alternative a Statement of Answer was filed by Piper Jaffray, on or about June 21, 2005. The Submission Agreement of Piper Jaffray was signed on or about May 26, 2005.

A Motion to Dismiss and, in the Alternative a Statement of Answer was filed jointly by Cascade Financial and Turner, on or about June 29, 2005. The Submission Agreement of Cascade Financial was signed on or about January 11, 2006. The Submission Agreement of Turner was signed on or about January 11, 2006.

On July 14, 2005, Claimant requested that NASD Dispute Resolution dismiss this arbitration case without prejudice pursuant to Rule 10304(b) and allow them to pursue their claims in Colorado State Court. Cascade Financial and Turner submitted a Response in Opposition on July 15, 2005, asking for this case to be dismissed with prejudice.

Cascade Investment Group, Inc., did not file an Answer or Uniform Submission Agreement.

CASE SUMMARY

Claimant asserted causes of action including the following: violation of applicable state and federal securities laws, violation of the applicable NASD and other SRO rules and regulations, breach of fiduciary duty, breach of duty of good care, fraud, breach of contract and respondeat superior. Claimant alleged that Turner recommended it purchase a \$287,000 Certificate of Deposit from the First National Bank of Keystone. According to Claimant, 18 months after the investment was made, the bank failed and was subsequently liquidated. Claimant alleged that the Certificate of Deposit was unsuitable and below the investment grade appropriate for Claimant without adequate insurance coverage. Claimant further alleged that Cascade Financial and Turner misrepresented the value of the Certificate of Deposit after the bank's failure and that, had they made the proper disclosures, Claimant would have been able to restructure its health and welfare plan in a manner sufficient to obtain FDIC coverage on the entire Keystone investment.

Piper Jaffray denied the allegations set forth in the Statement of Claim and asserted defenses including the following: Claimant failed to plead fraud with specificity; Piper Jaffray did not owe any fiduciary duties to Claimant; Claimant's claims are barred, or in the alternative, limited under the doctrines of comparative fault and comparative negligence; Claimant ratified the transaction at issue in the Statement of Claim; the Keystone CD is not a security; Claimant had actual and constructive knowledge of all relevant facts and investment risks and assumed any risks associated with the Keystone CD transaction; Piper Jaffray at all times acted in good faith, exercised reasonable care in its dealing with Claimant and had reasonable grounds for believing that the Keystone CD transaction was appropriate for Claimant; and Claimant's claims are not eligible for submission to arbitration pursuant to Section 10304 of the NASD Code of Arbitration Procedure.

Cascade Financial Management and Turner, denied the allegations set forth in the Statement of Claim and asserted affirmative defenses including the following: Claimant failed to plead fraud with specificity; Cascade Financial did not owe any fiduciary duties to Claimant; Claimant's claims are barred, or in the alternative, limited under the doctrines of comparative fault and comparative negligence; Claimant ratified the transaction at issue in the Statement of Claim; the Keystone CD is

not a security; Claimant had actual and constructive knowledge of all relevant facts and investment risks and assumed any risks associated with the Keystone CD transaction; Cascade Financial at all times acted in good faith, exercised reasonable care in its dealing with Claimant and had reasonable grounds for believing that the Keystone CD transaction was appropriate for Claimant; and Claimant's claims are not eligible for submission to arbitration pursuant to Section 10304 of the NASD Code of Arbitration Procedure.

RELIEF REQUESTED

Claimant requested an award exceeding \$190,000 in compensatory damages, plus punitive damages, interest, attorneys' fees, costs and any other relief the panel deemed just and proper.

Piper Jaffray requested that the claims asserted against it be denied in their entirety and that it be awarded its costs and attorneys' fees.

Cascade Financial and Turner, requested that the claims asserted against them be denied in their entirety and that they be awarded their costs and attorneys' fees.

OTHER ISSUES CONSIDERED & DECIDED

Respondent, Cascade Investment Group, Inc., did not file with the NASD Dispute Resolution a properly executed submission to arbitration but is required to submit to arbitration pursuant to Rule 10301 of the NASD Code of Arbitration Procedure (the "Code") and having appeared and testified through counsel at the pre-hearing conference call is bound by the determination of the arbitration panel on all issues submitted.

On or about October 3, 2005, NASD Dispute Resolution deferred the decision for dismissal to the panel pursuant to Rule 10304(b) of the Code.

On or about March 6, 2006, the panel issued the following Order:

After reviewing the Motions to Dismiss filed by Respondents, Piper Jaffray, Inc., Cascade Financial Management, Inc., and David John Turner and the responses of Claimant and various correspondence regarding dismissal and listening to the arguments and agreements of counsel, the Panel dismisses the claims of Claimant and defenses of Respondents, including without limitation Respondents' statute of limitation defense, without prejudice pursuant to Rule 10304(b) of the NASD Code of Arbitration Procedure ("Code").

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 originals remain on file with NASD Dispute Resolution ("NASD").

AWARD

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

1. Claimant's claims, each and all, are dismissed without prejudice pursuant to Rule 10304(b) of NASD Code of Arbitration Procedure;
2. To the extent not specifically awarded or otherwise provided for above, all other claims and requests for relief by any party hereto, are denied without prejudice; and
3. 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 will retain the non-refundable filing fee for each claim:

Initial claim filing fee = \$ 300

Member Fees

Member fees are assessed to each member firm that is a party in these proceedings or to the member firm that employed the associated person at the time of the events giving rise to the dispute. In this matter, the member firms are Piper Jaffray, Inc., Cascade Financial Management, Inc., and Cascade Investment Group, Inc.

Member surcharge = \$ 1,700
Pre-hearing process fee = \$ 750

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 arbitrators, including a pre-hearing conference with the arbitrators, that lasts four (4) hours or less. Fees associated with these proceedings are:

One (1) Pre-hearing session with Panel x \$ 1,125 = \$ 1,125

Pre-hearing conference: February 16, 2006 1 session

Total Forum Fees = \$ 1,125

The Arbitration Panel has assessed \$ 225 of the forum fees to Rio Grande Employees Hospital Association.

The Arbitration Panel has assessed \$ 225 of the forum fees to Piper Jaffray, Inc.

The Arbitration Panel has assessed \$ 225 of the forum fees to Cascade Financial Management, Inc.

The Arbitration Panel has assessed \$ 225 of the forum fees to Cascade Investment Group, Inc.

The Arbitration Panel has assessed \$ 225 of the forum fees to David John Turner.

FEE SUMMARY

Claimant, Rio Grande Employees Hospital Association, is liable for:

Initial Filing Fee	= \$ 300
<u>Forum Fees</u>	= \$ 225
Total Fees	= \$ 525
<u>Less payments</u>	= \$ 1,425
Balance Refunded By NASD Dispute Resolution	= \$ 900

Respondent, Piper Jaffray, Inc., is liable for:

Member Fees	= \$ 2,450
<u>Forum Fees</u>	= \$ 225
Total Fees	= \$ 2,675
<u>Less payments</u>	= \$ 1,700
Balance Due NASD Dispute Resolution	= \$ 975

Respondent, Cascade Financial Management, Inc., is liable for:

Member Fees	= \$ 2,450
<u>Forum Fees</u>	= \$ 225
Total Fees	= \$ 2,675
<u>Less payments</u>	= \$ 3,400
Balance Refunded By NASD Dispute Resolution	= \$ 725

Respondent, Cascade Investment Group, Inc., is liable for:

Member Fees	= \$ 2,450
<u>Forum Fees</u>	= \$ 225
Total Fees	= \$ 2,675
<u>Less payments</u>	= \$ 2,450
Balance Due NASD Dispute Resolution	= \$ 225

Respondent, David John Turner, is liable for:

<u>Forum Fees</u>	= \$ 225
Total Fees	= \$ 225
<u>Less payments</u>	= \$ 0
Balance Due NASD Dispute Resolution	= \$ 225

All balances are payable to NASD Dispute Resolution and are due upon receipt pursuant to Rule 10330(g) of the Code of Arbitration

ARBITRATION PANEL

Dennis R. Frohlich, Esq. - Public Arbitrator, Presiding Chair
Federico C. Alvarez, Esq. - Public Arbitrator
Burt F. Mugavero - Non-Public Arbitrator

Concurring Arbitrators:

Dennis R. Frohlich, Esq.
Public Arbitrator, Presiding Chair

Signature Date

Federico C. Alvarez, Esq.
Public Arbitrator

Signature Date

Burt F. Mugavero
Non-Public Arbitrator

Signature Date

2/15/06
Date of Service (NASD use only)

ARBITRATION PANEL

Dennis R. Frohlich, Esq. - Public Arbitrator, Presiding Chair
Federico C. Alvarez, Esq. - Public Arbitrator
Burt F. Mugavero - Non-Public Arbitrator

Concurring Arbitrators:



Dennis R. Frohlich, Esq.
Public Arbitrator, Presiding Chair

March 15, 2006
Signature Date

Federico C. Alvarez, Esq.
Public Arbitrator

Signature Date

Burt F. Mugavero
Non-Public Arbitrator

Signature Date

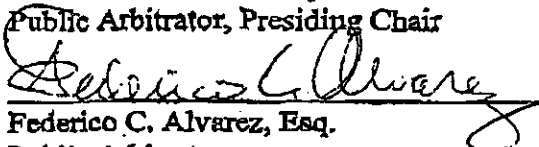
3/15/06
Date of Service (NASD use only)

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Federico C. Alvarez, Esq. - Public Arbitrator
Burt F. Mugavero - Non-Public Arbitrator

Concurring Arbitrators:

Dennis R. Frohlich, Esq.
Public Arbitrator, Presiding Chair


Federico C. Alvarez, Esq.
Public Arbitrator

Signature Date

3-14-06
Signature Date

Burt F. Mugavero
Non-Public Arbitrator

Signature Date

3/15/06
Date of Service (NASD use only)

ARBITRATION PANEL

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Federico C. Alvarez, Esq. - Public Arbitrator
Burt F. Mugavero - Non-Public Arbitrator

Concurring Arbitrators:

Dennis R. Frohlich, Esq.
Public Arbitrator, Presiding Chair

Signature Date

Federico C. Alvarez, Esq.
Public Arbitrator

Signature Date



Burt F. Mugavero
Non-Public Arbitrator

8/15/06

Signature Date

3/15/06

Date of Service (NASD use only)