

N.A.S.D. AWARD

NATIONAL ASSOCIATION OF SECURITIES DEALERS

In the Matter of the Arbitration Between

Name of Claimant

Joseph H. Reynebeau

95-01947

Name of Respondents

Piper Jaffray, Inc.
Gerard Johnson

CASE SUMMARY

In a claim filed with the National Association of Securities Dealers, Inc. on April 21, 1995, Claimant Joseph H. Reynebeau ("Claimant"), who appeared Pro Se, alleged that Respondents Piper Jaffray, Inc. ("PJI") and Gerard Johnson ("Johnson"), recommended that he purchase an unspecified number of shares in the Piper Jaffray Institutional Government Income Fund ("PJIGX") prior to 1991. Claimant further alleged that the inherent riskiness of the derivatives in the disputed investment was not suitable for his advanced age, and investment objectives of "very safe investment that I could count on regular and reasonable monthly withdrawals without much, if any, invasion of principal." Claimant contended that the fund's high-risk derivative investing was not clearly spelled out in the original prospectus on PJI. Claimant further contended that PJI failed to supervise diligently the handling of Claimant's account by Respondent Johnson, specifically with regard to the suitability of investments recommended. Claimant alleged that as a result of the above, he has suffered a loss for which the Respondents should be held liable.

Respondent Piper Jaffray, Inc. and Gerard Johnson, through their counsel, Lawrence J. Field, Esq., of Leonard, Street and Deinard, located in Minneapolis, MN, maintained that Claimant first acquired shares of PJIGX in July 1988 and from the date of purchase through December 31, 1994 he has received dividends in the form of additional shares of PJIGX. Respondents further maintained that Claimant has profited from his investment in PJIGX, and that "this arbitration is an attempt to turn the unexpected and temporary collapse of the bond and mortgage-backed securities markets in 1994 into a litigation windfall." Respondents contended that PJI issued frequent letters and reports to remind PJIGX's shareholders, like Claimant, about what types of securities were in the portfolio and the risks of those securities. Respondents further contended that Claimant's alleged loss is not real, as "he has significantly more money (as represented by the sum of his redemptions and his current account value) by virtue of his long term investment in PJIGX than he had when he started. Respondents maintained that as a result of the above, they should not be held liable.

RELIEF REQUESTED

Claimant Joseph H. Reynebeau, requested \$9,999.99 in actual damages.

Respondents Piper Jaffray, Inc. and Gerard Johnson, requested that the claims of the Claimant be dismissed in their entirety.

AWARD

Pursuant to Section 13 of the NASD, Inc. Code of Arbitration Procedure, a single Public Arbitrator, J. Miles Goodwin, was selected to review the matter in controversy between the parties set forth in submissions to Arbitration signed by the Claimant Joseph H. Reynebeau, on April 18, 1995, and by the Respondents Piper Jaffray, Inc., and Gerard Johnson, on September 1, 1995.

And, the Arbitrator, having considered the proof of the parties, has decided and determined in full and final resolution of the issues submitted for determination as follows:

1. The Respondents Piper Jaffray, Inc. and Gerard Johnson are jointly and severally liable and shall pay to the Claimant Joseph H. Reynebeau \$6,136.08 in actual damages.
2. The parties shall bear their respective costs.
3. The \$150.00 filing fee previously deposited with the National Association of Securities Dealers, Inc. by the Claimant Joseph H. Reynebeau, shall be retained by the NASD, Inc. The Respondents Piper Jaffray, Inc. and Gerard Johnson are jointly and severally liable and shall pay to the Claimant Joseph H. Reynebeau \$150.00 as reimbursement of the filing fee.
4. All other relief requests are denied.

AFFIRMATION

I, J. MILES GOODWIN, do hereby affirm upon my oath as arbitrator that I am the individual described herein and who executed this instrument, which is my oath and award.



J. Miles Goodwin

DATE OF DECISION: April 11, 1996