

N.A.S.D. AWARD

NATIONAL ASSOCIATION OF SECURITIES DEALERS

In the Matter of the Arbitration Between

Name of Claimant

E. Boyd Taylor as Trustee for the
E. Boyd Taylor Family Trust

96-01605

Name of Respondent

Piper Jaffray, Inc.

CASE SUMMARY

In a claim filed with the National Association of Securities Dealers, Inc. on April 12, 1996, Claimant E. Boyd Taylor as Trustee for the E. Boyd Taylor Family Trust ("Claimant"), who appeared Pro Se, alleged that in May 1991, he presented his portfolio to Piper Jaffray, Inc. ("Respondent"). Claimant further alleged that Mr. Rollings (referred to by Claimant as Rawlings), a broker at Piper Jaffray, Inc., recommended shares in American Adjustable Rate Term Trust 1996, 1997 & 1998 and the American Government Income Fund. Claimant also alleged that he was told by Rollings that the investments would "fit in my portfolio and be about as risk free as C.D.s." Claimant further alleged that he later was advised by Dennis Southern, another broker with Respondent, concerning purchase of Piper Jaffray Income Fund and the American Strategic Income Portfolio II. Claimant alleged that in 1992, he incurred a loss on the sale of the Piper Jaffray Income Fund when Respondent requested that he take his business elsewhere.

Claimant further alleged he was 72 years old, retired, on a fixed income and looking for a high monthly return with minimum risk. Claimant asserted that he invested in the securities because the return was good. Claimant further asserted that in 1992, when the yield started to decline, he contacted Respondent with questions. Claimant also asserted that his questions were not answered, rather, he was sent a prospectus and semi-annual reports. Claimant contended that the semi-annual reports disclosed that an investor would not get back the net asset value of the shares. Claimant further contended that broker did not give him this information when he purchased the shares. Claimant also contended that he would not have purchased the securities had he been informed of the risk to his principal.

Claimant further alleged that Respondent's salesman did not inform him that he was investing in derivative collateralized mortgage obligations, tax-exempt zero-coupon bonds, structured securities and foreign Canadian securities. Claimant also alleged that Respondent did not make him aware of the possibility that the Funds could experience high volatility or high variability in expected returns due to non-credit risks. Claimant contended that the American Strategic Income Portfolio II had no track record and should not have been sold to him. Claimant further contended that the securities were not suitable and as a result of the above, he has suffered a loss for which the Respondent should be liable.

Respondent Piper Jaffray, Inc. through its representative, Michael A.g. Korengold, Esq., of the law firm Leonard, Street and Deinard, located in Minneapolis, Minnesota, maintained that Claimant commenced this arbitration in the wake of a swift succession of interest rate hikes instituted by the Federal Reserve in 1994. Respondent further maintained that these rapid-fire interest rate rises triggered an unprecedented collapse of the bond and debt securities markets. Respondent also maintained that as a result of that collapse, the Claimant's investments in the funds that he held at Piper declined in value. Respondent contended that a prospectus was provided to Claimant which discussed associated risks. Respondent further contended that Claimant was given the same warning by his broker, and also told that the securities were subject to principal fluctuation. Respondent also contended that Claimant insisted on buying the securities, after reviewing alternative investments and reading the prospectus. Respondent asserted that Claimant's losses, if any, resulted from market declines and not from purported misrepresentations.

Respondent further asserted that Claimant, upon opening his account, indicated that income and growth were his two most important objectives. Respondent also asserted that Claimant was a relatively sophisticated investor with an impressive investment portfolio. Respondent maintained that Claimant, as trustee of the E. Boyd Taylor Family Trust had an obligation to read and analyze potential investments of the Trusts' assets. Respondent further maintained that derivatives played no part in the losses which Claimant allegedly suffered. Respondent also maintained that Claimant was aware that the Funds' objectives were not guaranteed. Respondent contended that Claimant made nearly two thousand dollars in the Funds and if he had held the Funds as Respondent's literature had advised, he would have captured the recovery enjoyed by other bond investors. Respondent further contended that Claimant was asked to leave in December 1992, and from that point on, all advice he received was given by a non-Piper broker. Respondent maintained that it acted properly at all times and Claimant is not entitled to recover damages.

RELIEF REQUESTED

Claimant requested \$6,997.87 in actual damages.

Respondent requested that the claims be dismissed.

OTHER ISSUES CONSIDERED AND DECIDED

The Arbitrator considered and reviewed all documentation submitted by the parties concerning Respondent's Motion to Dismiss pursuant to Section 10301(d), formerly Section 12(d), of the NASD Code of Arbitration Procedure. The Arbitrator denied the motion.

AWARD

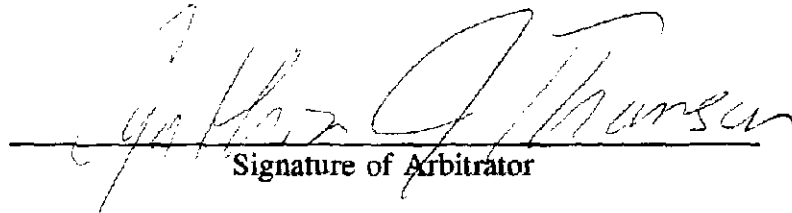
Pursuant to Section 10302 of the NASD, Inc. Code of Arbitration Procedure, a single Public Arbitrator, Cynthia J. Thomson, Esq., was selected to review the matter in controversy between the parties set forth in submissions to Arbitration signed by the Claimant on April 24, 1996 and by the Respondent on May 13, 1996.

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 Respondent Piper Jaffray, Inc., is liable and shall pay to the Claimant E. Boyd Taylor as Trustee for the E. Boyd Taylor Family Trust \$5,031.43 in actual damages.
2. The Respondent Piper Jaffray, Inc., is liable and shall pay to the Claimant E. Boyd Taylor as Trustee for the E. Boyd Taylor Family Trust simple interest at the rate of 5% per annum from January 1, 1992 to the date of payment of the award.
3. The parties shall bear their respective costs.
4. The \$150.00 filing fee previously deposited with the National Association of Securities Dealers, Inc. by the Claimant shall be retained by the NASD, Inc. Respondent Piper Jaffray, Inc., is liable and shall pay to the Claimant E. Boyd Taylor as Trustee for the E. Boyd Taylor Family Trust \$150.00 as reimbursement of the filing fee.
5. All other relief requests are denied.

AFFIRMATION

I, **CYNTHIA J. THOMSON, ESQ.**, 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.


Signature of Arbitrator

DATE OF DECISION: October 30, 1996