

AWARD

NASD REGULATION, INC., OFFICE OF DISPUTE RESOLUTION

In the matter of the Arbitration Between

Name of Claimant

The Vintage Bank

Arbitration
No. 96-01631

Name of Respondents and Third-Party Claimants

Dain Bosworth Incorporated, Clayton Brown Holding Co.,
Clayton Brown, and Clayton Brown & Associates

Name of Third-Party Respondent

Kidder, Peabody & Co. Incorporated

REPRESENTATION

For Third-Party Claimants: Joan M. Schroeder, Esq., Interra
Financial, Minneapolis, Minnesota

For Third-Party Respondent: Eric G. Wallis, Esq., Crosby, Heafey,
Roach & May, Oakland, California

CASE INFORMATION

Response and Third-Party Statement of Claim filed: June 18, 1996

Amended Third-Party Statement of Claim filed: September 10, 1997

Supplement to Amended Third-Party Claim filed: September 18, 1997

Third-Party Claimants' Submission Agreements signed as follows:

Dain Bosworth Incorporated: June 17, 1996

Clayton Brown & Associates: June 11, 1996

Clayton Brown Holding Co.: June 11, 1996

Clayton Brown: June 7, 1996

Statement of Answer filed by Third-Party Respondent: October 4,
1996

Kidder, Peabody & Co., Incorporated's Reply to Third-Party
Claimants' Amended Statement of Claim filed: November 4, 1997

Submission Agreement signed by Third-Party Respondent: January 13, 1997

HEARING INFORMATION

Pre-Hearing Conference Date(s)/Session(s):
January 14, 1997 (one session)

Hearing Date(s)/Session(s): November 18, 1997 (two sessions)
November 19, 1997 (three sessions)

Hearing Location: San Francisco, California

CASE SUMMARY

Third-Party Claimants alleged the following claims with respect to investments in Federal National Mortgage Association Medium Term Notes (the Notes): 1) Indemnity Based on Fraud/Negligent Misrepresentation; 2) Contribution Based on Fraud/Negligent Misrepresentation; and 3) Vintage Bank's Claim for Fraud/Negligent Misrepresentation.

Third-Party Respondent Kidder, Peabody & Co. Incorporated (Kidder) denied Third-Party Claimants' allegations and denied any liability to Third-Party Claimants. Kidder alleged that it did not make any representations that the Notes had stable principal and alleged that it did not withhold any information about the Notes from Third-Party Claimants. Kidder further alleged that Third-Party Claimants were institutional investors, and the same information about the Notes that was available to Kidder was also available to Third-Party Claimants. Kidder further alleged that because Third-Party Claimants were institutional investors, Kidder did not have any duty to research the Notes or to provide an oral prospectus to Third-Party Claimants. Kidder further alleged that if Vintage Bank was damaged by Third-Party Claimants' misrepresentations, Third-Party Claimants are solely responsible for Vintage Bank's losses, and Kidder should not be required to indemnify Third-Party Claimants for Third-Party Claimants' error. Kidder also asserted affirmative defenses.

RELIEF REQUESTED

Third-Party Claimants requested:

1. Full indemnity regarding the amount of the settlement paid by Respondents to Vintage Bank or for contribution in an amount to be determined by the panel;
2. All damages suffered by Vintage Bank caused by Vintage Bank's purchase of the Notes; and
3. Costs, including reasonable attorneys' fees.

OTHER ISSUES CONSIDERED AND DECIDED

On or about March 7, 1997, arbitrators Nancy Hutt, Anthony Ortega and John L. Cordova reviewed and considered the positions of the parties regarding Kidder, Peabody & Co. Incorporated's request to file a fourth party claim. The aforementioned arbitrators denied the request.

On or about March 13, 1997, the parties advised of the settlement reached between The Vintage Bank and Third-Party Claimants.

On or about May 5, 1997, arbitrators Nancy Hutt, Anthony Ortega and John L. Cordova reviewed and considered the positions of the parties relative to the parties' request for an industry panel; and Third-Party Claimants' request to change the hearing location in this matter to Chicago, Illinois. The aforementioned arbitrators denied the request to change the hearing location and granted the request for an industry panel.

On or about October 22, 1997, the panel of arbitrators reviewed and considered the positions of the parties relative to the acceptance of Third-Party Claimants' proposed Amended Third-Party Claim. The panel permitted the filing of the Amended Third-Party Claim and Kidder, Peabody & Co., Incorporated's Reply.

The parties have agreed that the Award in this matter may be executed in either 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 Regulation, Inc. (NASDR).

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. All claims by Third-Party Claimants are dismissed.
2. The parties shall each bear their respective costs including attorney's fees.

FORUM FEES

Pursuant to Section 10205(c) of the Code of Arbitration Procedure, the following forum fees are assessed: NASDR shall retain the hearing session deposit previously deposited by Third-Party Claimants. Forum fees shall be split between the parties and are calculated as follows:

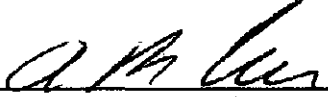
One pre-hearing session @ \$600.00/session	=	\$ 600.00
Five hearing sessions @ \$600.00/session	=	<u>\$3,000.00</u>
Total fees assessed	=	\$3,600.00
Third-Party Claimants' share (50%)	=	\$1,800.00
Credit for hearing deposit	=	\$ 600.00
Balance due	=	\$1,200.00
Third-Party Respondent's share (50%)	=	\$1,800.00
Balance due	=	\$1,800.00

Fees are payable to NASD Regulation, Inc.

ARBITRATORS

<u>Name</u>	<u>Public / Industry</u>
Allan B. Currie, Esq.	Industry Arbitrator
Frank Weaver, Esq.	Industry Arbitrator
John L. Cordova	Industry Arbitrator

Concurring Arbitrators' Signatures



Allan B. Currie, Esq.

Frank Weaver, Esq.

Dissenting Arbitrator's Signature

John L. Cordova

Date of Decision: 12/10/97

Date served: 12/22/1997

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Frank Weaver, Esq.	Industry Arbitrator
John L. Cordova	Industry Arbitrator

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Dissenting Arbitrator's Signature

John L. Cordova

Date of Decision: _____

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ARBITRATORS

Name Public / Industry

Allan B. Currie, Esq.	Industry Arbitrator
Frank Weaver, Esq.	Industry Arbitrator
John L. Cordova	Industry Arbitrator

Concurring Arbitrators' Signatures

Allan B. Currie, Esq.

Frank Weaver, Esq.

Dissenting Arbitrator's Signature



John L. Cordova

Date of Decision: 12-12-97

Date served: 12/22/1997