

Award
NASD Dispute Resolution

In the Matter of the Arbitration Between:

Name of the Claimants

Paul D. and Ernestine Lee Luna

Case Number: 04-03384

Name of the Respondents

Legg Mason Wood Walker, Inc. and
Reeve M. Vannostrand

Hearing Site: Dallas, Texas

NATURE OF THE DISPUTE

Customer v. Member Firm and Associated Person

REPRESENTATION OF PARTIES

Claimants Paul D. and Ernestine Lee Luna, hereinafter collectively referred to as "Claimants":
Paul D. Luna of Mexia, Texas.

Respondents Legg Mason Wood Walker, Inc. ("Legg Mason") and Reeve M. Vannostrand ("Vannostrand"), hereinafter collectively referred to as "Respondents": Jason W. Gaardner, Esq. of the firm of Legg Mason Wood Walker, Inc., located in Baltimore, Maryland.

CASE INFORMATION

Statement of Claim filed: May 7, 2004.

Claimants signed the Uniform Submission Agreement: May 3, 2004.

Statement of Answer filed by Respondents on: June 30, 2004.

Respondent Legg Mason signed the Uniform Submission Agreement: June 29, 2004.

Respondent Vannostrand signed the Uniform Submission Agreement: June 10, 2004.

CASE SUMMARY

Claimants asserted the following causes of action: breach of contract; failure to supervise; and unauthorized trading. These causes of action related to Claimants' allegations that Respondents placed their money into a margin account and were purchasing securities (primarily mutual funds) without their permission.

Unless specifically admitted in their Answer, Respondents denied the allegations made in the Statement of Claim and asserted the following defenses:

1. The Statement of Claim fails to state a cause of action upon which relief can be granted;
2. Respondents acted in good faith at all times and at no time did Respondents

commit, directly or indirectly, any acts which would give rise to a valid claim by the Claimants;

3. Claimants expressly ordered, approved, ratified, authorized, and/or participated in the transactions about which they now complain and upon which they seek recovery and are therefore precluded from recovering herein;
4. The Claimants failed to use the requisite due diligence in monitoring, trading, managing and handling their own accounts;
5. The Claimants voluntarily assumed the risk of investing in the stock market and therefore are precluded from recovering herein;
6. Claimants controlled the account at all times;
7. Any loss that the Claimants may have suffered was caused by their own conduct or negligence;
8. The claims are barred pursuant to the doctrines of waiver, estoppel and ratification; and
9. The Claimants failed to mitigate damages.

RELIEF REQUESTED

Claimants requested:

Compensatory Damages	\$485,000.00
Punitive Damages	\$500,000.00
Interest	Unspecified
Attorneys' Fees	Unspecified
Other Costs	Unspecified
Other Monetary/Non-Monetary Relief if any:	As determined by the Panel.

Respondents requested:

1. Dismissal of the Claim;
2. That the Claimants take nothing by way of the Claim;
3. That the Respondents be awarded costs and expenses incurred in defending the Claim; and,
4. That the Respondents be given such other relief as is just and proper.

OTHER ISSUES CONSIDERED AND DECIDED

The parties agreed that the Award in this matter may be executed in counterpart copies or that a handwritten, signed Award may be entered.

AWARD

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

1. Respondent Legg Mason Wood Walker, Inc. is liable for and shall pay to the Claimants, Paul D. and Ernestine Lee Luna, the sum of \$23,090.84 as compensatory

- damages;
2. The claims against Respondent Reeve M. Vannostrand are dismissed and denied in their entirety;
 3. The parties shall bear their own costs of arbitration, including any attorneys' fees, except for those sums specifically enumerated herein; and,
 4. Any and all relief not specifically addressed herein, including punitive damages, is denied.

FEES

Pursuant to the Code, the following fees are assessed:

Filing Fees

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

Initial claim filing fee	= \$ 375.00
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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. Accordingly, Legg Mason Wood Walker, Inc. is a party and the following member fees are assessed:

Member surcharge	= \$ 2,250.00
Pre-hearing process fee	= \$ 750.00
Hearing process fee	= \$ 4,000.00

Adjournment Fees

Adjournments granted during these proceedings for which fees were assessed: None.

Forum Fees and Assessments

The Panel has assessed forum fees for each session conducted. A 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 @ \$1,200.00	= \$ 1,200.00
Pre-hearing conference: September 21, 2004 1 session	
Four (4) Hearing sessions @ \$1,200.00	= \$ 4,800.00
Hearing Dates: March 8, 2005 2 sessions	
March 9, 2005 2 sessions	
Total Forum Fees	= \$ 6,000.00

The Panel has assessed \$6,000.00 of the forum fees to Respondent Legg Mason Wood Walker, Inc.

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SEE SUMMARY

Claimants Paul D. and Ernestine Lee Luna are jointly and severally liable for:

Initial Filing Fee	= \$ 375.00
Less payments	= \$ 1,575.00
Balance Refunded by NASD Dispute Resolution	= \$ 1,200.00

Respondent Legg Mason Wood Walker, Inc. is solely liable for:

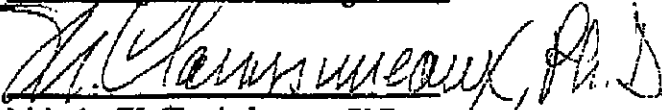
Member Fees	= \$ 7,000.00
Forum Fees	= \$ 6,000.00
Total Fees	= \$13,000.00
Less payments	= \$ 7,000.00
Balance Due NASD Dispute Resolution	= \$ 6,000.00

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

ARBITRATION PANEL

Malcolm W. Clarrissimeaux, PhD - Public Arbitrator, Presiding Chairperson
 Ann Blaess Kimball, Esq. - Public Arbitrator
 Daria K. Bartkowiak - Non-Public Arbitrator

Concurring Arbitrators' Signatures


 Malcolm W. Clarrissimeaux, PhD
 Public Arbitrator, Presiding Chairperson

4/2/05
 Signature Date

Ann Blaess Kimball, Esq.
 Public Arbitrator

Signature Date

Daria K. Bartkowiak
 Non-Public Arbitrator

Signature Date

4/5/05 
 Date of Service (For NASD Dispute Resolution office use only)

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Malcolm W. Clarrissimeaux, PhD
 Public Arbitrator, Presiding Chairperson

Signature Date

Ann Blases Kimball
 Ann Blases Kimball, Esq.
 Public Arbitrator

April 4, 2004
 Signature Date

Daria K. Bartkowiak
 Non-Public Arbitrator

Signature Date

4/5/05 KLW
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THE SUMMARY

Claimants Paul D. and Ernestine Lee Luna are jointly and severally liable for:

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Less payments	= \$ 1,475.00
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Malcolm W. Clarrissimeaux, PhD
Public Arbitrator, Presiding Chairperson

Signature Date

Ann Blaess Kimball, Esq.
Public Arbitrator


Signature Date



Darla K. Bartkowiak
Non-Public Arbitrator

3/31/05

Signature Date

4/5/05 

Date of Service (For NASD Dispute Resolution office use only)