

Stipulated Award
NASD Dispute Resolution

In the Matter of the Arbitration Between:

Name of the Claimant
Joseph Catalano

Case Number: 04-05933

Names of the Respondents
Legacy Financial Services Inc.
Joseph R. Karsner, IV

Hearing Site: Washington, D.C.

Nature of the Dispute: Customer vs. Member and Associated Person

REPRESENTATION OF PARTIES

Claimant Joseph Catalano, hereinafter collectively referred to as "Claimant", was represented by William B. Young, Esq., Hooper & Weiss, LLC, Orlando, Florida.

Respondents Joseph R. Karsner, IV "Karsner" and Legacy Financial Services, Inc. "Legacy Financial", hereinafter collectively referred to as "Respondents", were represented by Jeffrey J. Hines, Esq., Christopher M. Corchiarino, Esq., and George S. Mahaffey Jr. Esq., Goodell, Devries, Leech & Damm, LLP, Baltimore, Maryland.

CASE INFORMATION

Statement of Claim filed on August 1, 2004.

Claimant signed the Uniform Submission Agreement on August 1, 2004.

Motion to File an Amended Statement of Claim filed by Claimant on March 29, 2005.

Statement of Answer filed by Respondents on November 8, 2004.

Respondent Karsner signed the Uniform Submission Agreement on October 11, 2004.

Motion to Dismiss filed by Respondents as their Response to Amended Statement of Claim on April 14, 2005.

CASE SUMMARY

Claimant asserted the following causes of action, among others: negligence; breach of contract; breach of fiduciary duty; *respondeat superior*; violation of NASD Conduct Rule 2110; failure to supervise; unsuitability; fraudulent inducement; and common law fraud. The causes of action relate to the purchase and sale of various mutual funds.

Unless specifically admitted in their Answer, Respondents denied the allegations made in the Statement of Claim and asserted the following defenses, among others: failure to state a claim upon which relief may be granted; assumption of the risk; contributory negligence; waiver; estoppel; failure to mitigate; and claims are barred by the applicable statutes of limitation.

RELIEF REQUESTED

Claimant in his Statement of Claim requested:

| | |
|----------------------|--------------------|
| Compensatory Damages | \$ 134,000.00 |
| Punitive Damages | amount unspecified |
| Interest | amount unspecified |
| Attorneys' Fees | amount unspecified |
| Other Costs | amount unspecified |

Respondents in their Statement of Answer requested that the Statement of Claim and Amended Statement of Claim be dismissed in their entirety, that the Arbitration Panel (the "Panel") award them attorney's fees and costs, and that all references to this arbitration be expunged from Respondent Karsner's record maintained by NASD Central Registration Depository ("CRD")..

OTHER ISSUES CONSIDERED AND DECIDED

The Panel granted Claimant's Motion for Leave to File Amended Statement of Claim.
The Panel denied Respondents' Motion to Dismiss the Amended Statement of Claim.

The parties advised that on or about January 31, 2006, they entered into an agreement to settle this matter on certain terms and conditions set forth in a confidential settlement agreement.

The parties agreed that the Respondents are not liable for the counts listed in the Statement of Claim and Amended Statement of Claim, that the investments at issue were suitable, and that the Stipulated Award for this matter may be executed in counterpart copies or that a handwritten, signed Award may be entered.

AWARD

The parties entered into an agreement to present to the Panel a Stipulated Award. Upon motion of both parties for a Stipulated Award and Claimant's agreement, as a result of information and documents obtained during the discovery process, that all investments at issue were suitable and that the Respondents are not liable for any of the counts in the Statement of Claim and Amended Statement of Claim, the Panel finds that the claims, allegations, and information contained in the Amended Statement of Claim and Statement of Claim are clearly erroneous and that Respondents were not involved in the alleged investment-related sales practice violations, and hereby grant the parties' motion and enters this award granting the following relief:

1. Pursuant to the confidential settlement agreement reached between all parties, all claims against Respondent Legacy Financial and Respondent Karsner are dismissed with prejudice;
2. The Panel recommends the expungement of all reference to the above captioned arbitration from Respondent Karsner's registration records maintained by the Central

Registration Depository ("CRD"), with the understanding that pursuant to NASD Notice to Members 04-16, Respondent Karsner must obtain confirmation from a court of competent jurisdiction before the CRD will execute the expungement directive. Unless specifically waived in writing by the NASD, parties seeking judicial confirmation of an arbitration award containing expungement relief must name NASD as an additional party and serve NASD with all appropriate documents. Pursuant to Rule 2130, the arbitration panel has made the following affirmative findings of fact: the claim, allegation, or information is clearly erroneous and Respondents were not involved in the alleged investment-related sales practices violations;

3. The parties shall bear their respective costs, including attorneys' fees, except as Fees are specifically addressed below; and
4. Any and all relief not specifically addressed herein, including punitive damages, is denied in its entirety.

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 | = \$ 300.00 |
|--------------------------|-------------|

Member Fees

Member fees are assessed to each member firm that is a party in these proceedings or to the member firms that employed the associated person(s) at the time of the events giving rise to the dispute. Accordingly, Respondent Legacy Financial is a party.

| | |
|--------------------------|----------------------|
| Member surcharge | = \$ 1,700.00 |
| Pre-hearing process fee | = \$ 750.00 |
| Hearing process fee | = \$ 2,750.00 |
| Total Member Fees | = \$ 5,200.00 |

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 @ \$ 1,125.00 | = \$ 1,125.00 |
| Pre-hearing conference: March 18, 2005 1 session | |
| Total Forum Fees | = \$ 1,125.00 |

1. The Panel has assessed \$ 562.50 of the forum fees to Claimant.
2. The Panel has assessed \$ 562.50 of the forum fees jointly and severally to Respondents.

FEE SUMMARY

1. Claimant is assessed and shall pay the following fees:

| | |
|---------------------|---------------|
| Initial Filing Fee | = \$ 300.00 |
| Forum Fees | = \$ 562.50 |
| Total Fees | = \$ 862.50 |
| Less payments | = \$ 1,425.00 |
| Refund Due Claimant | = \$ 562.50 |

2. Respondent Legacy Financial is assessed and shall pay the following fees:

| | |
|-------------------------------------|---------------|
| Member Fees | = \$ 5,200.00 |
| Total Fees | = \$ 5,200.00 |
| Less payments | = \$ 5,200.00 |
| Balance Due NASD Dispute Resolution | = \$ 0.00 |

3. Respondents are jointly and severally assessed and shall pay the following fees:

| | |
|-------------------------------------|-------------|
| Forum Fees | = \$ 562.50 |
| Total Fees | = \$ 562.50 |
| Less payments | = \$ 0.00 |
| Balance Due NASD Dispute Resolution | = \$ 562.50 |

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

ARBITRATION PANEL

| | | |
|--------------------------|---|--|
| Wayne J. Thaemert | - | Public Arbitrator, Presiding Chairperson |
| Timothy M. Monahan, Esq. | - | Public Arbitrator, Panelist |
| Patricia M. Maher | - | Non-Public Arbitrator, Panelist |

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NASD DISPUTE RESOLUTION


007/007

NASD Dispute Resolution

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Concurring Arbitrators' Signatures



Timothy M. Monahan, Esc.
Public Arbitrator, Presiding Chairperson

March 13, 2006

Signature Date

Patricia M. Maher.
Public Arbitrator, Panelist

Signature Date

Wayne J. Thiemert
Non-Public Arbitrator, Panelist

Signature Date

3/24/06

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

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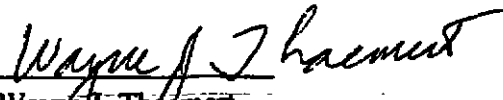
Concurring Arbitrators' Signatures

Timothy M. Monahan, Esq.
Public Arbitrator, Presiding Chairperson

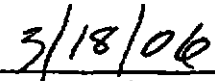
Signature Date

Patricia M. Maher.
Public Arbitrator, Panelist

Signature Date



Wayne J. Thaemert
Non-Public Arbitrator, Panelist



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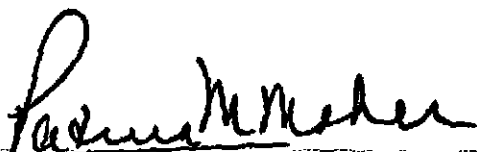
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Public Arbitrator, Presiding Chairperson

Signature Date

Timothy M. Monahan, Esq.
Public Arbitrator, Panelist

Signature Date



Patricia M. Maher
Non-Public Arbitrator, Panelist

3/24/06

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