

Stipulated Award
NASD Dispute Resolution

In the Matter of the Arbitration Between:

Name of the Claimant

Beverly R. Barnhart

Case Number: 04-06795

Names of the Respondents

Legacy Financial Services, Inc.

Joseph R. Karsner

Hearing Site: Washington, D.C.

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

REPRESENTATION OF PARTIES

Claimant, Beverly R. Barnhart, hereinafter referred to as "Claimant", was represented by William B. Young, Esq. and Michael Lynch, Esq., Hooper & Weiss, LLC, Orlando, Florida.

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

CASE INFORMATION

Statement of Claim filed on September 27, 2004.

Claimant signed the Uniform Submission Agreement on August 15, 2003.

Motion to Amend Statement of Claim and Amended Statement of Claim filed on March 30, 2005.

Claimant filed a Response to Respondents' Motion to Dismiss on December 8, 2004.

Motion to Dismiss filed by Respondents on December 6, 2004.

Respondents filed a Response to Claimant's Motion to Amend Statement of Claim on April 12, 2005.

Respondents filed a Reply in Support of their Motion to Dismiss on May 4, 2005.

Statement of Answer and Pre-Arbitration Brief in Support of Dismissal of Arbitration filed by Respondents on February 9, 2006.

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

A representative of Respondent Legacy Financial executed the Uniform Submission Agreement on December 7, 2004.

CASE SUMMARY

Claimant, in the Statement of Claim and Amended Statement of Claim, asserted the following causes of action, among others: negligence, breach of contract, breach of fiduciary duty, *respondeat superior*, violation of NASD Rule 2110, failure to supervise, unsuitability,

misrepresentation, fraudulent inducement, fraudulent concealment and common law fraud. The causes of action relate to the handling of Claimant's accounts by Respondents.

Unless specifically admitted in their Motion to Dismiss and Statement of 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; failure to state a claim for fraud; unclean hands; failure to demonstrate punitive damages are applicable; *respondeat superior*; and claims are barred by the Maryland statutes of limitation.

RELIEF REQUESTED

Claimant in her Statement of Claim requested:

Compensatory Damages	\$ 184,000.00
Punitive Damages	amount unspecified
Interest	amount unspecified
Attorneys' Fees	amount unspecified
Other Costs	amount unspecified

Respondents in the Motion to Dismiss and Statement of Answer requested that the Statement of Claim and Amended Statement of Claim be dismissed in their entirety.

OTHER ISSUES CONSIDERED AND DECIDED

On May 6, 2005, the Arbitration Panel (the "Panel") granted Claimant's Motion to Amend Statement of Claim and denied Respondents' Motion to Dismiss.

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 counter 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 counts in the Statement of Claim and Amended Statement of Claim, the Panel finds that the claims, allegations, and information contained in the Statement of Claim and Amended Statement of Claim are clearly erroneous and that the Respondents were not involved in the alleged investment-related sales practice violations, and hereby grants the parties' motion and enters this award granting the following relief:

1. 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 factually impossible or clearly erroneous;

The registered person was not involved in the alleged investment-related sales practice violation, forgery, theft, misappropriation, or conversion of funds;

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 NASD Code of Arbitration Procedure (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
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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 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
<u>Hearing process fee</u>	<u>= \$ 2,750.00</u>
Total Member Fees	= \$ 5,200.00

Three-Day Cancellation Fees

Fees apply when a hearing on the merits is postponed or settled within three business days before the start of a scheduled hearing session:

February 27, 2006 hearing settled by parties	= \$ 300.00
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1. The Panel has assessed \$150.00 of the three-day cancellation fees to Claimant.
2. The Panel has assessed \$150.00 of the three-day cancellation fees jointly and severally to Respondents.

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:

Two (2) Pre-hearing sessions with the Panel @ \$ 1,125.00	= \$ 2,250.00
Pre-hearing conferences: April 7, 2005 1 session	
May 5, 2005 1 session	
<hr/> Total Forum Fees	<hr/> = \$ 2,250.00

1. The Panel has assessed \$1,125.00 of the forum fees to Claimant.
2. The Panel has assessed \$1,125.00 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
Three-Day Cancellation Fee	= \$ 150.00
Forum Fees	= \$ 1,125.00
<hr/> Total Fees	<hr/> = \$ 1,575.00
<u>Less payments</u>	<u>= \$ 1,425.00</u>
Balance Due NASD Dispute Resolution	= \$ 150.00

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

Member Fees	= \$ 5,200.00
Total Fees	= \$ 5,200.00
<u>Less payments</u>	<u>= \$ 5,200.00</u>
Balance Due NASD Dispute Resolution	= \$ 0.00

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

Three-Day Cancellation Fee	= \$ 150.00
Forum Fees	= \$ 1,125.00
<hr/> Total Fees	<hr/> = \$ 1,275.00
<u>Less payments</u>	<u>= \$ 0.00</u>
Balance Due NASD Dispute Resolution	= \$ 1,275.00

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

ARBITRATION PANEL

Thomas R. Kline, Esq.	-	Public Arbitrator, Presiding Chairperson
Gerald Scher, Esq.	-	Public Arbitrator, Panelist
William R. Brown	-	Non-Public Arbitrator, Panelist

Concurring Arbitrators' Signatures

/s/
Thomas R. Kline, Esq.
Public Arbitrator, Presiding Chairperson

Signature Date

/s/

 Gerald Scher, Esq.
 Public Arbitrator, Panelist

Signature Date

/s/
William R. Brown
Non-Public Arbitrator, Panelist

Signature Date

November 14, 2006

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

ARBITRATION PANEL

Thomas R. Kline, Esq.

Gerald Scher, Esq.

William R. Brown

- Public Arbitrator, Presiding Chairperson
- Public Arbitrator, Panelist
- Non-Public Arbitrator, Panelist

Concurring Arbitrators' Signatures



Thomas R. Kline, Esq.
Public Arbitrator, Presiding Chairperson

11/10/06
Signature Date

Gerald Scher, Esq.
Public Arbitrator, Panelist

Signature Date

William R. Brown
Non-Public Arbitrator, Panelist

Signature Date

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Concurring Arbitrators' Signatures

Thomas R. Kline, Esq.
Public Arbitrator, Presiding Chairperson

Signature Date



Gerald Scher, Esq.
Public Arbitrator, Panelist

10/13/06

Signature Date

William R. Brown
Non-Public Arbitrator, Panelist

Signature Date

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