

N.A.S.D. AWARD

NATIONAL ASSOCIATION OF SECURITIES DEALERS

National Association of
Securities Dealers, Inc.
NASD Financial Center
33 Whitehall Street
New York, N.Y. 10004
FAX (212) 858-4389

In the Matter of the Arbitration Between

Name of Claimants

W. Jeffrey Walker, Executor for the Estate of Harry D. Coryell
Roger L. Coryell
Nancy S. Coryell
Charles H. Rodgers
Frances M. Rodgers

90-00439 (consolidated with 90-00440)

Name of Respondents

Stanley J. Lazusky Jr.
Legg Mason Wood Walker, Incorporated
Steven D. Kelly

REPRESENTATION

For Claimants ("Claimants"): Brian E. Barbin Esq. and Tim Meyers, Esq., of Elliott Bray et al.
For Respondent Stanley J. Lazusky, Jr. ("Lazusky"): he represented himself.
For Respondent Legg Mason Wood Walker ("Legg"): Charles Monk, Esq. and Andrew J. Bowden, Esq. of Weinberg and Green.
For Respondent Steven D. Kelly ("Kelly"): he represented himself.

CASE INFORMATION

Claimant W. Jeffrey Walker, Executor for the Estate of Harry D. Coryell, Rodger L. Coryell, Nancy S. Coryell and Elizabeth Walker's Statement of Claim filed: February 8, 1990.
Charles H. Rodgers and Frances M. Rodgers Statement of Claim filed: April 30, 1990.
Claimant W. Jeffrey Walker, Executor for the Estate of Harry D. Coryell's Submission Agreement signed on: April 4, 1990.
Claimant Rodger L. and Nancy S. Coryell's Submission Agreement signed on: February 17, 1990.
Claimant Elizabeth Walker's Submission Agreement signed on: February 27, 1990.
Claimants Charles H. Rodgers and Frances M. Rodgers did not file submission agreements in this matter.

Statement of Answer in response to the Statement of Claim filed by Claimants

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W. Jeffrey Walker, Executor of the Estate of Harry D. Coryell, Roger L. and Nancy S. Coryell and Elizabeth Walker filed by Respondent Legg on: there was no date on this document; however, it was received by the NASD on June 14, 1990.

Respondent, Legg's Submission Agreement signed on: June 13, 1990.

Statement of Answer in response to the Statement of Claim filed by Claimants Roger L. and Nancy S. Coryell filed by Respondent Legg on: there was no date on this document; however, it was received by the NASD on May 9, 1990.
Respondent Legg's Submission Agreement signed on: May 7, 1990.

Statement of Answer in response to Statement of Claim filed by Claimants Charles H. Rodgers and Frances M. Rodgers filed by Respondent Legg on: July 27, 1990.

Statement of Answer filed by Respondent, Lazusky on: As required, pursuant to Section 25 of the Code of Arbitration Procedure, ("Code") no document was filed. However, on March 5, 1991, Lazusky executed a Waiver of Right to Appear at the Arbitration Hearing.

Respondent, Lazusky's Submission Agreement signed on: As required, pursuant to Section 12 of the Code, no document was filed.

Statement of Answer filed by Respondent, Kelly on: As required, pursuant to Section 25 of the Code, no document was filed.

Respondent Kelly's Submission Agreement signed on: As required, pursuant to Section 12 of the Code, no document was filed. Respondent Kelly has notified the NASD that he has filed for bankruptcy protection after the hearings in this matter concluded.

Respondent Stanley J. Lazusky, Jr.

He did not submit a written Statement of Answer. He did not execute a Submission Agreement nor did he appear at the hearings for the purpose of presenting a defense. However, Mr. Lazusky, Jr. did appear at some of the hearings, without representation, at the request of the parties for the purpose of offering testimony in connection with this matter. Mr. Lazusky was repeatedly apprised (on the record), by the arbitrators, of his right to have counsel present while he gave testimony, of his right to attend all the hearings, and that any testimony elicited from him could be used against him. Mr. Lazusky voluntarily answered questions posed to him by counsel for the Claimants, counsel for Legg Mason Wood Walker, Incorporated and by the arbitrators. While giving testimony Mr. Lazusky did, on occasion, refuse to answer some questions by asserting his Fifth Amendment rights. Neither Mr. Lazusky, nor anyone representing Mr. Lazusky, were present during any of the hearings other than those at which Mr. Lazusky was asked to testify. Mr. Lazusky offered no objection to the arbitration continuing in his absence and acknowledged, on the record, that he had received all the pleadings in this matter and that he was fully aware that an award could be rendered against

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him if the arbitrators so found.

Respondent Steven D. Kelly

He did not submit a written Statement of Answer. He did not execute a Submission Agreement nor did he appear at the hearings for the purpose of presenting a defense. However, Mr. Kelly did voluntarily appear at some of the hearings, without representation, at the request of the parties for the purpose of offering testimony in connection with this matter. Mr. Kelly was repeatedly apprised (on the record), by the arbitrators, of his right to attend all of the hearings, of his right to have counsel present during any questioning, and that any testimony elicited from him could be used against him. Mr. Kelly voluntarily answered questions posed to him by counsel for the Claimants, by counsel for Legg Mason Wood Walker, Incorporated, and by the arbitrators. Mr. Kelly made a statement for the record and had documentary evidence entered into the record. Neither Mr. Kelly, nor anyone representing Mr. Kelly, was present during any of the hearings other than those at which Mr. Kelly was scheduled to testify. Mr. Kelly offered no objection to the arbitration continuing in his absence and acknowledged, on the record, that he had received all the pleadings in this matter and that he was fully aware that an award could be rendered against him if the arbitrators so found.

HEARING INFORMATION

Hearing Dates/Sessions: February 19, 1991/2 sessions
May 7, 1991/2 sessions
May 9, 1991/2 sessions
July 1, 1991/2 sessions
July 2, 1991/2 sessions
July 29, 1991/2 sessions
July 30, 1991/2 sessions
August 1, 1991/2 sessions
September 11, 1991/ 2 sessions
September 12, 1991/2 sessions
September 19, 1991/2 sessions
September 20, 1991/2 sessions
November 6, 1991/2 sessions
November 8, 1991/2 sessions
December 9, 1991/2 sessions
December 11, 1991/2 sessions
February 7, 1992/2 sessions
February 11, 1992/2 sessions
February 12, 1992/2 sessions
February 18, 1992/ 2 sessions
February 19, 1992/2 sessions
March 3, 1992/1 session
April 3, 1992/1 session

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Hearing Location: NASD, Philadelphia, PA.

The Parties

90-00439

Claimant: W. Jeffrey Walker, (hereinafter "Walker"), Executor of the Estate of Harry D. Coryall, (hereinafter the "Estate")

Respondents: Stanley J. Lazusky, Jr., (hereinafter "Lazusky")
Legg Mason Wood Walker, Incorporated, (hereinafter "Legg Mason")

90-00440

Claimants: Charles H. and Frances M. Rodgers (hereinafter the "Rodgers"); and Rodger L. and Nancy S. Coryell (hereinafter the "Coryells").

Respondents: Stanley J. Lazusky, Jr.
Legg Mason Wood Walker, Incorporated
Steven D. Kelly* (hereinafter "Kelly")

CASE SUMMARY

In 90-00439 the Claimant, Walker, alleged that Lazusky, then employed by Legg Mason, traded the Estate account in an unauthorized and excessive manner for the purpose of generating commissions for Lazusky and Legg Mason without regard for the interest and investment objectives of the Estate account. Claimant further alleged that when the Estate account contained insufficient funds to allow trading, Legg Mason, through Lazusky, made cash advances to the Estate account to allow trading to be continued without the authority of Walker. Claimant also alleged that Lazusky misinformed Walker regarding the status of the transfer of the Estate accounts assets from another brokerage house and that Legg Mason failed to properly exercise its supervising responsibilities regarding Lazusky and the Estate account.

Legg Mason denied all allegations of wrongdoing and asserted that at all times Walker was fully aware of the existence, nature and frequency of

* Steven D. Kelly's liability, if any, is limited to those claims of the Rodgers.

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trading in the Estate account. Furthermore, Legg Mason alleged that Walker gave prior authorization to Lazusky before any trade was made in the Estate account and that Legg Mason should not be held responsible for losses suffered in the Estate account that occurred as a result of the market crash and the investment policy pursued by Walker.

In 90-0440 Claimants Rodgers and Coryells alleged that Respondent Lazusky engaged in unauthorized trading in their various accounts and conducted trades on margin after being expressly informed not to engage in margin trading. Claimants further alleged that excessive trading was conducted in their accounts for the sole purpose of generating commissions and margin interest for Lazusky and Legg Mason without regard to the interest and investment objectives of the Claimants. Additionally, Claimants alleged that Lazusky failed to properly inform Claimants regarding the status of the transfer of their assets from another brokerage house and that Respondents, Lazusky and Legg Mason, failed to disclose that unsuitable trades were made in their accounts.

Claimants Rodgers alleged that Respondent Kelly had misled Claimants Rodgers regarding securities in their accounts.

Claimants further alleged that Legg Mason failed to properly supervise Lazusky and Kelly.

Respondent Legg Mason denied any allegations of wrongdoing and asserted that Claimants Rodgers and Coryell are intelligent investors who knew, or should have known, the trading being conducted in their accounts since Claimants regularly received their monthly statements which listed all transactions in their accounts for that month. Respondent further alleged that Claimants received a confirmation slip for every transaction in their accounts shortly after each trade was made, that Claimants executed margin agreements, and that Claimants received margin maintenance letters. Respondent further alleged that most of Claimants' losses occurred as a result of the 1987 market crash and, therefore, these losses are not the responsibility of Legg Mason.

RELIEF REQUESTED

Claimants W. Jeffrey Walker, Executor for the Estate of Harry D. Coryell, requested: actual damages in the amount of \$113,730.32; interest; punitive damages; treble damages; costs and attorneys' fees.

Claimants Rodger and Nancy Coryell requested: damages in the amount of \$90,359.02; interest; punitive damages; costs; and rescission of the purchase of shares and for their original investment of \$6,200.00 to be paid back with interest from March 1989 to date of payment;

Claimants Rodgers requested: actual damages in the amount of \$634,140.00;

purchase of the shares be rescinded; punitive damages; interest; treble damages and attorneys' fees;

Respondent Legg requested: Rodger Coryell's and Elizabeth Walker's claims be dismissed; that it is not responsible for market losses in the Estate account that occurred as a result of the Market crash and the investment strategy pursued by the Estate; and the Demand for Arbitration as it relates to Legg, should be dismissed. Respondent Legg requested: it is not responsible for Claimants Rodger and Nancy Coryell's market losses and that the Claimants' demand for arbitration be dismissed. Respondent Legg requested: it is not responsible for Claimants Charles Rodgers and Frances Rodgers' market losses and that the Claimants' demand for arbitration be dismissed.

Respondent Lazusky requested: he made no formal relief request.

Respondent Kelly requested: he made no formal relief request and has filed for bankruptcy protection after the conclusion of the hearings in this matter.

OTHER ISSUES CONSIDERED & DECIDED

The parties present at the hearing have agreed that the Award in this matter may be executed in 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 the NASD.

The arbitration panel in this matter has agreed that Shearson shall not be a party to this arbitration;

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- The arbitrators determined that Respondents Stanley J. Lazusky, Jr. and Steven D. Kelly had received adequate notice of this arbitration and were offered adequate opportunity to present a defense. Moreover Respondents Lazusky and Kelly both stated that they would not appear at any of the hearings unless requested to be present for the purpose of testimony.

2- The arbitrators determined that pursuant to the by-laws of the NASD, to which Respondents Lazusky and Kelly were found to be bound, Respondents Lazusky and Kelly were required to submit to this arbitration notwithstanding the fact that they did not submit an executed Submission Agreement nor

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present a defense. Therefore, Respondents Lazusky and Kelly are denied this panels rulings and determinations.

3- All claims against Respondent Steven D. Kelly are denied in their entirety;

4- Legg Mason Wood Walker, Incorporated is liable and shall pay to Claimants Charles H. Rodgers and Francis M. Rodgers the sum of \$16,000.00, with no interest;

5- Legg Mason Wood Walker, Incorporated is liable and shall pay to Claimants Rodger L. Coryell and Nancy S. Coryell the sum of \$4,300.00, with no interest;

6- Legg Mason Wood Walker, Incorporated and Stanley J. Lazusky, Jr. are jointly and severally liable and shall pay to Claimant W. Jeffrey Walker, Executor for the Estate of Harry D. Coryell, the sum of \$51,000.00, with no interest;

7- Stanley J. Lazusky, Jr. is liable and shall pay to Claimants Charles H. Rodgers and Frances M. Rodgers the sum of \$32,000.00, with no interest;

8- Stanley J. Lazusky is liable and shall pay to Claimants Rodger L. Coryell and Nancy S. Coryell the sum of \$10,700.00, with no interest;

9- Stanley J. Lazusky, Jr. is liable and shall pay to Claimant W. Jeffrey Walker, Executor of the Estate of Harry D. Coryell, the sum of \$10,000.00, with no interest;

10- All other claims are denied;

11- Each party shall bear its own costs, including attorneys' fees.

FORUM FEES

Pursuant to Section 43c of the Code of Arbitration Procedure, the NASD shall retain the \$1,000.00 non-refundable filing fee previously deposited by Claimants and the following Forum Fees are assessed.

44 sessions X \$1,000.00 = \$44,000.00

Forum fees Assessed Against:

1- Claimants Rodger L. Coryell and Nancy S. Coryell in the amount of \$7,333.33 minus \$5,000.00 hearing session deposit equals \$2,333.00 due and owing;

2- Claimants Charles H. Rodgers and Frances M. Rodgers in the amount of \$7,333.33 minus \$5,000.00 hearing session deposit equals \$2,333.00 due and owing;

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3- Claimant W. Jeffrey Walker, Executor of the Estate of Harry D. Coryell (and therefore, Rodger L. Coryell and Elizabeth Walker) in the amount of \$7,333.33 minus \$5,000.00 hearing session deposit equals \$2,333.00 due and owing;

4- Respondent Legg Mason Wood Walker, Incorporated in the amount of \$11,000.00 minus \$8,000.00 hearing session deposit equals \$3,000.00 due and owing;

5- Respondent Stanley J. Lazusky, Jr. in the amount of \$11,000.00.

Fees are payable to the National Association of Securities Dealers, Inc.

Concurring Arbitrators' Signatures


John J. Jordan/Public Arbitrator


Joseph H. Ball/Public Arbitrator


Edward T. Borer/Industry Arbitrator

DATE OF DECISION: June 19, 1992