

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

In the Matter of the Arbitration Between :

William C. Trainor :

Claimant :

vs. :

CASE #91-01293
AWARDLegg Mason Wood Walker, Inc. :
Ruth Robinette :Respondents :
-----CASE SUMMARY

In a claim filed with the National Association of Securities Dealers, Inc. on April 23, 1991, Claimant William C. Trainor who appeared Pro Se, alleged that on August 11, 1988 Respondent Ruth Robinette, Assistant Vice President with Respondent Legg Mason Wood Walker, Inc. recommended the purchase of \$10,000 Salant Corporation 13 1/4% Sr. Sub. Deb. due 6/15/99 ("Salant") by assuring it was a safe investment with a high yield. Claimant further alleged that Respondents withheld relevant information concerning the nature of the investment and failed to provide him with any such documentation including an annual report. Claimant contended that in February 1990, despite his dissatisfaction with Salant, Respondent Ruth Robinette advised him to hold this investment because the company was enjoying a "good cash flow". Claimant further contended that on April 18, 1990, when Respondents failed to keep in contact with him, he contacted Respondent Ruth Robinette in writing, to request an update on the holdings in his portfolio. Claimant asserted that on May 24, 1990 he notified Respondents of his intent to transfer his account and subsequently, on August 9, 1990 Claimant requested compensation for his losses in the Salant bonds. Claimant further asserted that in January 1990 he could have realized a recovery of \$8,100.00 if he had not been influenced, first verbally then in writing by Respondent Ruth Robinette. Claimant argued that Respondents misleading and incorrect information was in violation of their fiduciary responsibilities and they are therefore liable for his losses.

Respondents, Legg Mason Wood Walker, Inc. and Ruth Robinette by and through their Vice President of Compliance, Michael J. Cerato, maintained that on August 11, 1988, Claimant William C. Trainor purchased \$10,000 Salant Corporation 13 1/4% Sr. Sub. Deb.

6/15/99 ("Salant") with the full knowledge that Salant was emerging from bankruptcy in that these bonds were part of a restructuring plan and the high yield entailed acceptance of greater risk. Respondents further maintained that because Respondent Ruth Robinette had several clients with positions in Salant she continued to keep in touch with the Baltimore Research Department and Corporate Syndicate Department in New York, at which time, as pointed out in Respondent Ruth Robinette's note of February 2, 1990, it was the opinion, that Salant had a good cash flow and nothing had occurred to alter Respondent's Legg Mason Wood Walker, Inc. opinion concerning the Salant bonds. Respondents contended that Respondent Ruth Robinette had been in contact with Claimant and in fact, provided him with certain annual reports, one being for Salant, despite what Claimant's letter of April 18, 1990 claims. Respondents further contended that on May 11, 1990 Claimant's letter of April 18, 1990 was responded to by the Analyst in charge of Respondent Legg Mason Wood Walker, Inc. Pittsburgh Research Department, who set forth a detailed presentation covering the securities, including Salant, in Claimant's portfolio, at which time, Claimant was invited to meet with the analyst to discuss possibly restructuring his portfolio and this invitation was never accepted. Respondents asserted that on May 24, 1990 Claimant notified Respondent Ruth Robinette of his intent to transfer his account to another firm and subsequently, on August 9, 1990 Claimant requested compensation for his loss sustained in the Salant investment. Respondents further asserted that in January, 1990 when the Salant bonds were quoted at 81, he could have liquidated his position but chose not to and he received from Respondent Ruth Robinette in February 1990 an honest opinion, as to the status of Salant based on information then available from Respondent's Legg Mason Wood Walker, Inc. Research Department. Respondents argued that had there been any negative news that could have had an impact on the price of the Salant bonds, the Claimant would have been notified and that if the Claimant was that concerned, he could have liquidated the bonds at an approximate price of 78 in March, 60 in April and 50 in May, thereby minimizing the extent of his losses. Respondents further argued that Claimant was aware of the risk involved and achieving higher yields, had been kept informed of information as it was made available to Respondent Legg Mason Wood Walker, Inc. and with his background and expertise, could have, if that concerned with the declining price of the bonds, liquidated at any time to limit the extent of his loss.

RELIEF REQUESTED

Claimant William C. Trainor requested \$8,100.00 in actual damages plus interest at the rate of 7% per annum in the amount of \$138.82.

Respondents Legg Mason Wood Walker, Inc. and Ruth Robinette requested the claim be denied.

AWARD

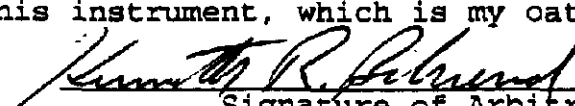
Pursuant to Section 13 of the National Association of Securities Dealers, Inc. Code of Arbitration Procedure, a single Public Arbitrator, Kenneth R. Behrend, was selected to review and determine the matter in controversy between the parties set forth in submissions to Arbitration signed by the Claimant on April 17, 1991, by the Respondent Legg Mason Wood Walker, Inc. on June 13, 1991 and by the Respondent Ruth Robinette on June 11, 1991.

And, the Arbitrator, having considered the proof of the Parties, has decided and determined in full and final resolution of the issues submitted for determination as follows:

1. Respondents Legg Mason Wood Walker, Inc. and Ruth Robinette are jointly and severally liable and shall pay to the Claimant William C. Trainor the sum of \$8,100.00 in damages.
2. Respondents, Legg Mason Wood Walker, Inc. and Ruth Robinette are jointly and severally liable and shall pay to the Claimant William C. Trainor the sum of \$138.82 representing interest at the rate of 7% per annum.
3. The parties shall bear their respective costs.
4. The \$150.00 filing fee previously deposited with the National Association of Securities Dealers, Inc. by the Claimant William C. Trainor shall be retained by the NASD, Inc. Respondents Legg Mason Wood Walker, Inc. and Ruth Robinette are jointly and severally and shall pay to the Claimant the sum of \$150.00 as reimbursement.

AFFIRMATION

I, KENNETH R. BEHREND, do hereby affirm upon my oath as arbitrator that I am the individual described herein and who executed this instrument, which is my oath and award.



Signature of Arbitrator

DATE OF DECISION: September 24, 1992