

N.A.S.D. AWARD

NATIONAL ASSOCIATION OF SECURITIES DEALERS

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In the Matter of the Arbitration Between

Name of Claimants

Michael J. and Anne Smylie

93-02741

Name of Respondents

Joseph Ralph Abbruzzi  
Legg Mason Wood Walker, Incorporated

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REPRESENTATION

For Claimant Michael J. and Anne Smylie ("Claimants"): Michael J. Stack, Jr.,  
Attorney at Law, Philadelphia, PA.

For Respondents Joseph Ralph Abbruzzi ("Abbruzzi") and Legg Mason Wood  
Walker, Incorporated ("Legg Mason"): Michael J. Cerato, Vice President, Legg  
Mason Wood Walker, Inc.

CASE INFORMATION

Statement of Claim filed: July 12, 1993.

Claimants' Submission Agreement signed on: June 30, 1993.

Joint Statement of Answer filed by Respondents Abbruzzi and Legg Mason  
(collectively referred to as "Respondents") on: September 28, 1993.

Abbruzzi's Submission Agreement signed on: September 14, 1993.

Legg Mason's Submission Agreement signed on: September 27, 1993.

HEARING INFORMATION

Hearing Date/Sessions: June 2, 1994 - one session

Hearing Location: NASD Offices, Philadelphia, PA

### **CASE SUMMARY**

Claimants alleged that in March 1992 Abbruzzi recommended to the Claimants that they purchase \$175,000 face value of Walt Disney Co. Zero Coupon, Subordinated, Liquid Yield Notes due June 27, 2005 ("Disney bonds"). Claimants alleged that based on representations by Abbruzzi, they purchased the Disney bonds. Claimants alleged that Abbruzzi failed to disclose material information regarding the Disney bonds such as the investment was not tied to the dollar but rather to foreign currency. Claimants alleged that Abbruzzi mislead them into believing that they were making a safe, conservative investment when the investment was a volatile one. Claimants alleged that Abbruzzi informed the Claimants that they could make a quick profit on this investment. Claimants alleged that Abbruzzi failed to give Claimants a prospectus. Claimants alleged that Legg Mason is responsible for the wrongdoing of its agent Abbruzzi.

Respondents categorically denied all allegations of wrongdoing. Respondents maintained, among other things, that Abbruzzi thoroughly discussed all the risks related to Claimants' purchase of the Disney bonds and made Claimants aware of all developments regarding the bonds as the Respondents were made aware. Respondents maintained that Abbruzzi never promised Claimants that they would realize a quick profit on this investment. Respondents maintained that Claimants were sophisticated investors. Respondents maintained that as the Disney bonds were not a new offering, Legg Mason was not required to send Claimants a prospectus but had they asked for one it would have been sent. Respondents maintained that the Disney bonds were recommended in good faith. Respondents maintained that Claimants' failed to complain about their investment until over a year later and that Claimants failed to mitigate their damages.

### **RELIEF REQUESTED**

Claimants requested damages in the amount of \$14,672.00 together with interest from April 13, 1992.

Respondents requested that Claimants claim be dismissed in its entirety.

### **OTHER ISSUES CONSIDERED & DECIDED**

The parties 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.

**AWARD**

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

1. That Respondents Abbruzzi and Legg Mason are jointly and severally liable to Claimants and shall pay to the Claimant the sum of \$5,000; exclusive of interest.
2. That the parties shall bear their own costs including attorney's fees.

**FORUM FEES**

Pursuant to Section 43(c) of the Code of Arbitration Procedure, the following Forum Fees are assessed.

1 session X \$400 = \$400 minus hearing session deposit of 300 = net \$100 due.

Forum Fees Assessed Against Respondents jointly and severally in the amount of \$100.

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

**ARBITRATION PANEL**

|                          |   |                   |
|--------------------------|---|-------------------|
| Richard W. Bourbon, Esq. | - | Public Chairman   |
| Henry H. Reichner, Jr.   | - | Public Panelist   |
| Dale S. Cronnell         | - | Industry Panelist |

Concurring Arbitrator's Signature

Name

  
Dale S. Cronnell

Date of Decision: October 19, 1994

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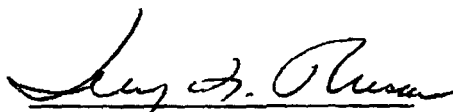
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| Henry H. Reichner, Jr.   | - | Public Panelist   |
| Dale S. Cronnell         | - | Industry Panelist |

Concurring Arbitrator's Signature

Name

  
Henry H. Reichner, Jr.

Date of Decision: October 19, 1994

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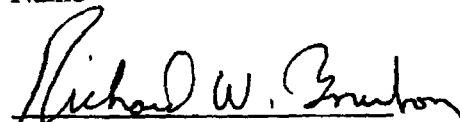
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Concurring Arbitrator's Signature

Name

  
Richard W. Bourbon, Esq.

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