

**NASD AWARD**

**NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.**

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In the Matter of the Arbitration Between

Name of Claimant

Legg Mason Wood Walker, Inc.  
and

NASD Case Number: 94-02280

Name of Respondent

Carl A. Grimstad

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**REPRESENTATION OF PARTIES**

Claimant. Legg Mason Wood Walker was represented by Andrew J. Bowden, Esq. of Legg Mason Wood Walker, Inc., Baltimore, Maryland.

Respondent, Carl A. Grimstad was represented by Harland L. Smith, Esq., Franklin, Massachusetts.

**HEARING INFORMATION**

The hearing was held on October 26, 1995 in Nashville, Tennessee for two (2) sessions.

**CASE INFORMATION**

Claimant's Statement of Claim was filed with the National Association of Securities Dealers, Inc. ("NASD") on or about June 16, 1994.

Claimant's Submission Agreement was signed on June 10, 1994 by C. Gregory Kallmyer, Vice President, Legg Mason Wood Walker, Inc.

The NASD has no record that Respondent, Carl A. Grimstad filed a Statement of Answer with the NASD.

The NASD has no record that Respondent, Carl A. Grimstad signed a Submission Agreement.

### **CASE SUMMARY**

Claimant, Legg Mason Wood Walker ("Legg Mason") alleged that it loaned Respondent, Carl A. Grimstad ("Grimstad") the sum of \$54,600 at the time Grimstad became employed by Legg Mason as a registered representative. According to Legg Mason, the Promissory Note provided, in part:

2. In the event the undersigned's employment with Legg terminates for any reason other than death...the principal amount, plus accrued interest, shall be due and payable as of the date of the undersigned's termination.

Claimant, Legg Mason asserted that after Grimstad's one year anniversary at Legg Mason, Legg Mason forgave \$18,200 of the principal on the Promissory Note, as well as all interest then due. Claimant, Legg Mason maintained that as of January 13, 1994, Grimstad owed Legg Mason \$36,400 on the Note.

Claimant, Legg Mason alleged that on March 31, 1994, Legg Mason terminated Grimstad's employment because Grimstad failed to follow firm policies and procedures and demonstrated an unwillingness to cooperate with firm management. Claimant, Legg Mason alleged that as of the date of his termination, Grimstad owed Legg Mason \$36,400 in principal and \$544.39 in interest on the Note. Claimant, Legg Mason alleged that on April 4, 1994, Legg Mason wrote Grimstad and requested that he pay the amount due on the Promissory Note, but Grimstad did not respond.

Respondent, Grimstad denied any liability to Claimant, Legg Mason at the hearing. Grimstad alleged that he was not subject to NASD jurisdiction because the Promissory Note was signed prior to his employment at Legg Mason as a registered representative. Grimstad further alleged that Legg Mason failed to provide him with the adequate support necessary to carry out the business of a registered representative.

### **RELIEF REQUESTED**

Claimant requested an award in the amount of \$36,944.39, plus accrued interest and attorneys' fees.

Respondent requested that the claim asserted against him be denied in its entirety and that he be awarded costs and attorneys' fees.

### **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 original(s) remain on file with the NASD.

Claimant's Motion to Allow Witness John Pliaka to Testify by Telephone was granted.

Claimant's Section 25(b)(2) Motion to Preclude Respondent's Defenses was denied.

Respondent's Motion to Challenge Jurisdiction was denied.

The NASD does not have a copy of Respondent's properly executed submission to arbitrate but Respondent is required to submit to arbitration pursuant to Section 8 of the NASD Code of arbitration Procedure and having appeared and testified at hearing is bound by the determination of the panel on all issues submitted.

#### **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. Respondent, Carl A. Grimstad is liable for and shall pay Claimant, Legg Mason Wood Walker, Inc. the sum of Forty One Thousand Sixty One Dollars and Ninety Three Cents (\$41,061.93) in compensatory damages;
2. Respondent, Carl A. Grimstad is liable for and shall pay Claimant, Legg Mason Wood Walker, Inc. its attorneys' fees and costs in the amount of Three Thousand One Hundred Sixty Seven Dollars and Twenty Cents (\$3,167.20);
3. Respondent, Carl A. Grimstad shall reimburse Claimant, Legg Mason Wood Walker for the NASD filing fee and deposit in the amount of One Thousand One Hundred Dollars (\$1,100);
4. Respondent, Carl A. Grimstad is liable for and shall pay all forum fees incurred in this matter, as specified below; and
5. Any relief not specifically enumerated is hereby denied.

#### **FORUM FEES**

Forum fees are calculated at the rate of \$600 per hearing session and \$300 for each pre-hearing conference, if any. There were two (2) hearing sessions x \$600 = \$1,200 in forum fees. Pursuant to §43(b) a hearing session is any meeting between the parties and the arbitrator(s), including a pre-hearing conference with an arbitrator, which lasts four (4) hours or less.

Pursuant to §43(c) of the NASD Code of Arbitration Procedure, the National Association of Securities Dealers, Inc. ("NASD") shall retain the non-refundable filing fee in the amount of \$500 and shall retain as forum fees the hearing session deposit in the amount of \$600 previously deposited with the NASD by the Claimant. The NASD shall retain the Section 45 member surcharge in the amount of \$200 previously deposited with the NASD by the Claimant.

Respondent, Carl A. Grimstad is assessed and shall pay to the NASD forum fees in the amount of \$600.

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

Concurring Arbitrators' Signatures:

Date:

/s/ Milton H. Sitton  
Milton H. Sitton, Esq.  
Presiding Chairperson  
Industry Arbitrator

January 8, 1996

/s/ Lloyd D. Anderson  
Lloyd D. Anderson  
Industry Arbitrator

January 9, 1996

/s/ Nicholas James Douglas  
Nicholas James Douglas  
Industry Arbitrator

January 15, 1996

For NASD use only:

Date Award served on the parties: January 15, 1996