

Award
FINRA Dispute Resolution Services

In the Matter of the Arbitration Between:

Claimant
Jonathan Russell Legg

Case Number: 20-02854

vs.

Respondents
B. Riley Securities, Inc.
Legg Mason Wood Walker, Inc

Hearing Site: Washington, D.C.

Awards are rendered by independent arbitrators who are chosen by the parties to issue final, binding decisions. FINRA makes available an arbitration forum—pursuant to rules approved by the SEC—but has no part in deciding the award.

Nature of the Dispute: Associated Person vs. Members

This case was administered under the Special Proceeding option for simplified cases.

The evidentiary hearing was conducted by videoconference.

REPRESENTATION OF PARTIES

For Claimant Jonathan Russell Legg (“Claimant”): Adam M. Kauff, Esq. and Jonathan Perrelle, Esq., Kauff, Laton, Miller, LLP, New York, New York.

For Respondent B. Riley Securities, Inc. (“B. Riley”): Michael Markunas, Esq., B. Riley Securities, Inc., Los Angeles, California.

Respondent Legg Mason Wood Walker, Inc. (“Legg Mason”) did not enter an appearance in this matter.

CASE INFORMATION

Statement of Claim filed on or about: August 28, 2020.

Jonathan Russell Legg signed the Submission Agreement: August 28, 2020.

Amended Statement of Claim filed on or about: June 24, 2021.

Respondent B. Riley did not file a Statement of Answer or sign the Submission Agreement.

Respondent Legg Mason did not file a Statement of Answer or sign the Submission Agreement.

CASE SUMMARY

In the Statement of Claim, as amended, Claimant asserted a claim seeking expungement of customer dispute information from registration records maintained by the Central Registration Depository ("CRD").

RELIEF REQUESTED

In the Statement of Claim, as amended, Claimant requested: expungement of Occurrence Numbers 310799 ("Customer A"), 310800 and 1030835 ("Customer B"), 311566 ("Customer C"), 311567 ("Customers D"), 319428 ("Customer E"), 349547 ("Customer F"), 621885 ("Customer G"), and 624883 ("Customer H"), hereinafter collectively referred to as the "Customers," from Claimant's CRD records pursuant to FINRA Rules 2080 and 12805; an award of compensatory damages in the amount of \$1.00 against Respondent; and such other and further relief as the Arbitrator deems proper.

At the hearing, Claimant withdrew the request for \$1.00 in damages.

OTHER ISSUES CONSIDERED AND DECIDED

The Arbitrator acknowledges having read the pleadings and other materials filed by the parties.

Respondent B. Riley did not file a properly executed Submission Agreement but is required to submit to arbitration pursuant to the Code of Arbitration Procedure ("Code") and is bound by the determination of the Arbitrator on all issues submitted.

Respondent Legg Mason did not file a properly executed Submission Agreement but is required to submit to arbitration pursuant to the Code and is bound by the determination of the Arbitrator on all issues submitted.

On March 19, 2021, Claimant advised that Customers B, C, F, G, and H were served with the Statement of Claim and notice of the date and time of the expungement hearing.

On March 22, 2021, Claimant advised that Customer E was served with the Statement of Claim and notice of the date and time of the expungement hearing.

On June 24, 2021, Claimant filed an Amended Statement of Claim which added Occurrence Numbers 310800 and 1030835 and removed Occurrence Numbers 310900 and 974397.

On June 28, 2021, Claimant advised that Customers D were served with the Statement of Claim, as amended, and notice of the date and time of the expungement hearing. On July 21, 2021, Claimant filed an Affidavit confirming that one of the surviving Customers was served with the Statement of Claim, as amended, and notice of the date and time of the expungement hearing.

On July 21, 2021, Claimant filed an Affidavit confirming that the Customer A was deceased as of 2019.

The Arbitrator conducted recorded hearings by videoconference on May 13, 2021, July 21, 2021, and August 26, 2021 so the parties could present oral argument and evidence on Claimant's request for expungement.

Respondents B. Riley and Legg Mason did not participate in the expungement hearing. The Arbitrator found that both Respondents had notice of the expungement request and hearing.

The Customers also did not participate in the expungement hearing and did not oppose the expungement request. The Arbitrator found that the Customers had notice of the expungement request and hearing.

The Arbitrator reviewed Claimant's BrokerCheck® Report. The Arbitrator noted that a prior arbitration panel or court did not previously rule on expungement of the same occurrences in the CRD.

The Arbitrator did not review the settlement documentation related to Occurrence Numbers 310799, 310800, 1030835, 311566, 311567, 319428, 349547, 621885, and 624883. Claimant was no longer employed with Respondent B. Riley when the settlements were made. Claimant was not included in settlement discussions and never had access to the settlement agreements. Due to the passage of time, Respondents were unable to locate any of the settlement agreements. The Arbitrator reviewed Claimant's CRD report and determined the amount of payment made in connection with the settlements and that Claimant did not contribute to the settlement amounts.

In recommending expungement, the Arbitrator relied upon the following documentary or other evidence: March 30, 1999 Draft letter to New York Stock Exchange RE: Jonathan Legg from the in-house attorney for Morgan Stanley; Letter of Affirmation by the in-house attorney for Morgan Stanley dated July 22, 2021; handwritten notes Claimant made after he left Respondent B. Riley; and six (6) hours of recorded testimony by Claimant.

AWARD

After considering the pleadings, the testimony and evidence presented at the expungement hearing, and any post-hearing submissions, the Arbitrator has decided in full and final resolution of the issues submitted for determination as follows:

1. The Arbitrator recommends the expungement of all references to Occurrence Numbers 310799, 310800, 1030835, 311566, 311567, 319428, 349547, 621885, and 624883 from registration records maintained by the CRD for Claimant Jonathan Russell Legg (CRD Number 2123916) with the understanding that, pursuant to Notice to Members 04-16, Claimant Jonathan Russell Legg must obtain confirmation from a court of competent jurisdiction before the CRD will execute the expungement directive.

Unless specifically waived in writing by FINRA, parties seeking judicial confirmation of an arbitration award containing expungement relief must name FINRA as an additional party and serve FINRA with all appropriate documents.

Pursuant to Rule 13805 of the Code, the Arbitrator has made the following Rule 2080 affirmative finding of fact as to all occurrences:

The claim, allegation, or information is false.

The Arbitrator has made the above Rule 2080 finding based on the following reasons:

The complaints which are the subject of this case are from a close-knit group of customers with Respondent B. Riley. Although each of the Customers are recognized as unique, in the occurrences subject to this arbitration, the Customers shared the common features that are material to their complaints. The Customers knew each other, and are high-net-worth independent businessmen, most being former owners of stationary/business supply stores. At conferences and client retreats, the Customers had multiple opportunities to exchange business and financial strategies. Claimant left Respondent B. Riley in December of 1998. In 1999, as part of vetting the employment application of Claimant, in-house counsel ("Counsel") for Morgan Stanley spoke with each of the Customers who filed the complaints now under expungement consideration. As cited in his letter to the New York Stock Exchange ("NYSE"), Counsel found that some of these complaints were solicited by Respondent B. Riley. On July 21, 2021, Claimant testified that in his interview, Counsel added that several of the Customers claimed to have been told by Respondent B. Riley how to file the complaints, including specific wording that should be used.

The Arbitrator considered that these complaints were not an expression of dissatisfaction with Claimant, but instead an attempt to turn market losses into insurable events. Claimant also testified that there had been one more complaint in this group. It was the first arbitration to go to hearing. The case was decided in favor of Respondents and expunged from Claimant's CRD. These similar complaints, subject to this expungement request, were all settled without allowing Claimant the opportunity for input and defense. Each complaint has been investigated by NYSE, NASD, and Morgan Stanley's in-house counsel. After considering the findings of these investigations, Claimant was hired by Morgan Stanley. Several of these Customers, or their family members, followed Claimant to Morgan Stanley. Mr. Legg has since enjoyed a more than twenty (20) year career, complaint free.

2. Any and all claims for relief not specifically addressed herein are denied.

FEES

Pursuant to the Code, the following fees are assessed:

Filing Fees

FINRA Dispute Resolution Services assessed a filing fee* for each claim:

Initial Claim Filing Fee	= \$	50.00
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**The filing fee is made up of a non-refundable and a refundable portion.*

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 at the time of the events giving rise to the dispute. Accordingly, as parties, Respondents are each assessed the following:

Member Surcharge = \$ 150.00

Hearing Session Fees and Assessments

The Arbitrator has assessed hearing session fees for each session conducted. A session is any meeting between the parties and the Arbitrator, including a pre-hearing conference with the Arbitrator, which lasts four (4) hours or less. Fees associated with these proceedings are:

One (1) pre-hearing session with a single Arbitrator @ \$50.00/session = \$ 50.00
Pre-Hearing Conference: December 28, 2020 1 session

Three (3) hearing sessions on expungement request @ \$50.00/session = \$ 150.00

Hearings: May 13, 2021 1 session
July 21, 2021 1 session
August 26, 2021 1 session

Total Hearing Session Fees = \$ 200.00

The Arbitrator has assessed the total hearing session fees to Claimant.

All balances are payable to FINRA Dispute Resolution Services and are due upon receipt.

ARBITRATOR

Jane C. Carney

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Sole Public Arbitrator

I, the undersigned Arbitrator, do hereby affirm that I am the individual described herein and who executed this instrument, which is my award.

Arbitrator's Signature

Jane C. Carney

Jane C. Carney
Sole Public Arbitrator

09/23/2021

Signature Date

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September 24, 2021

Date of Service (For FINRA Dispute Resolution Services use only)