

N.A.S.D. AWARD

NATIONAL ASSOCIATION OF SECURITIES DEALERS

In the Matter of the Arbitration Between

Name of Claimant(s)

McLaughlin, Piven, Vogel Securities, Inc.

93-03503

Name of Respondent(s)

Nile J. Steigerwald
Dennis M. Hellwig

REPRESENTATION

For Claimant McLaughlin, Piven, Vogel Securities, Inc. ("McLaughlin"): Christopher Coss, Esq. and Michael J. Fortunato, Esq. of the law firm of Rubin & Associates.

For Respondents Nile J. Steigerwald and Dennis M. Hellwig: Lloyd S. Clareman, Esq.

CASE INFORMATION

Statement of Claim filed: September 8, 1993.

Amended Statement of Claim filed: October 1, 1993.

Claimant's Submission Agreement signed on: September 3, 1993.

Joint Statement of Answer filed by Respondents Nile J. Steigerwald and Dennis M. Hellwig on: September 28, 1993.

Respondent Nile J. Steigerwald's Submission Agreement signed on: September 28, 1993.

Respondent Dennis M. Hellwig's Submission Agreement signed on: September 28, 1993.

HEARING INFORMATION

Pre-Hearing Conference: October 25, 1993 - One Session (Panel)

Hearing Dates/Sessions: October 27, 1993 - Two Sessions
 October 28, 1993 - Two Sessions

Hearing Location: National Association of Securities Dealers, Inc. offices located at 33 Whitehall Street, New York City, New York.

CASE SUMMARY

Claimant alleged that Respondent Steigerwald commenced his employment with McLaughlin in or about April, 1990. Claimant alleged that respondent Heilwig commenced his employment with McLaughlin in or about September, 1990. Claimant further alleged that the respondents executed an employment agreement as a condition of their employment.

Claimant further alleged that by virtue of respondents' employment at McLaughlin respondents gained access to the books and records of McLaughlin and confidential information contained therein, and especially the identity of McLaughlin customers, referrals, including their names and addresses, financial statements, investment objectives, and the securities held by these customers in their McLaughlin accounts.

Claimant further maintained that respondent Steigerwald resigned from McLaughlin abruptly and without notice on August 13, 1993, to join a competitor securities firm. Claimant alleges that respondent Hellwig similarly resigned from McLaughlin abruptly and without notice on August 20, 1993, to join the same competitor securities firm.

Claimant McLaughlin further alleged that respondents' conduct was and is in furtherance of a scheme to obtain and convert to personal use and gain the records of McLaughlin the property of McLaughlin, the names and addresses and other customer information and records used to conduct business at McLaughlin, the client lists and contacts of McLaughlin, the trade secrets of McLaughlin, McLaughlin's procedures and systems, McLaughlin marketing and promotional techniques, and the goodwill generated, directly and indirectly by respondents association with McLaughlin, and to do so by means of solicitation of clients, prospective clients, leads and referrals of McLaughlin.

Respondents maintained that continuing to work for the claimant exposed respondents to regulatory action because what they are asked to do, ranging from

the recommendation of unsuitable securities to committing perjury, is fundamentally wrong.

Respondents maintained that as novices in the business, these new recruits have no bargaining power and no ability to negotiate this contract. The respondents further maintained that the recruits believed McLaughlin's promises that in return for signing the contract they would be properly trained and provided with highly proprietary information in a professional firm that will help them to succeed. Respondents alleged that no competent training was provided and in fact the only "training" that occurred was that unlicensed trainees were assigned to a registered broker, and then told to sell securities without a license. Respondents contend that McLaughlin applied coercive and abusive pressure to get brokers to sell products that were unsuitable for customers but profitable for the firm. Respondents further maintained that the claimant falsified firm records by instructing brokers to invent some reason for a cancellation, other than that the client refused to pay for a bond. Respondents maintained that the claimant misappropriated customer funds through "float" by delaying interest payments to its customers on their bonds.

Respondents further maintained that the firm's senior management engaged in gross and offensive behavior that made the work environment at McLaughlin intolerable.

As their counterclaim, respondents' Steigerwald and Hellwig alleged that the respondents have lost a good deal of business, and will continue to lose business as long as the temporary injunction obtained by McLaughlin stays in effect.

For their Amended Statement of Claim, claimant alleged that in violation of McLaughlin's clear contractual rights, and while still full-time employees of McLaughlin the respondents secretly confiscated hundreds of confidential records regarding McLaughlin's clients. Claimant alleged that these records were used to prepare and immediately dispatch a mass solicitation mailing to McLaughlin's clients in an effort to divert commission revenues. Claimant alleged that respondents' confiscation of claimant's confidential records and diversion of claimant's clients constitutes a violation of McLaughlin's clear contractual rights.

RELIEF REQUESTED

Claimant requested the following damages against Respondents: (a) Continuation of the injunction entered by the New York Supreme Court for one year from the date of the Respondents' resignation; (b) Compensatory damages in favor of McLaughlin and against the respondents in an amount to be determined at the hearing, but not less than \$500,000.00; (c) Compensatory damages in favor of McLaughlin and against the respondents for violation of the Court Order in an

amount to be determined at the hearing, but not less than an additional \$500,000.00; and (d) Costs, attorney fees, and prejudgment interest.

Respondents requested (a) Dismissal of claimant's Statement of Claim in all respects, including the denial of any injunctive relief sought; (b) A direction to McLaughlin to cease and desist from further attempts to interfere with the business of respondents or their clients; (c) an award to respondents on their counterclaim of the commission income shown to be lost as a consequence of the temporary restraining order and the abuse thereof by McLaughlin; and (d) an award of punitive damages in such amount as the panel finds would be proper to punish and deter McLaughlin in connection with its abusive conduct in this and other cases involving employees who choose to seek a more acceptable working environment for themselves and for their clients.

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 arbitrators have decided in full and final resolution of the issues submitted for determination as follows:

1. The request for continuance of the injunction entered by the New York Supreme Court for one year from the date of the Respondents' resignation is denied.
2. The Respondent Nile J. Steigerwald be and hereby is liable and shall pay to the Claimant the sum of \$80,000.00 interest specifically excluded.
3. The Respondent Dennis Hellwig be and hereby is liable and shall pay to the Claimant the sum of \$50,000.00 interest specifically excluded.
4. All claims against Claimant by the Respondents be and hereby are dismissed in all respects.
5. All claims by the Respondents against Claimant for punitive damages be and hereby are dismissed in all respects.

6. The Respondent Nile J. Steigerwald be and hereby is liable and shall pay to the Claimant the sum of \$2400.00 to reimburse the Claimant its fees previously paid to the NASD.
7. The Respondent Dennis M. Hellwig be and hereby is liable and shall pay to the Claimant the sum of \$1600.00 to reimburse the Claimant its fees previously paid to the NASD.
8. Each party shall bear their respective costs including attorneys' fees.

FORUM FEES

Pursuant to Section 44c of the Code of Arbitration Procedure, the following Forum Fees are assessed.

5 sessions X \$1000.00 = \$5000.00 minus hearing session deposits of \$1600.00
= net \$3400.00 due.

Forum fees Assessed Against:

Respondent Nile J. Steigerwald be and hereby is liable and shall pay to the NASD the sum of \$2040.00 representing the balance of the outstanding forum fees due to the NASD and Respondent Dennis M. Hellwig be and hereby is liable and shall pay to the NASD the sum of \$1360.00 representing the balance of the outstanding forum fees due to the NASD.

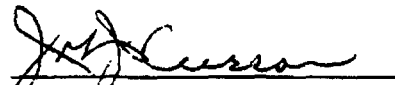
Fees are payable to the National Association of Securities Dealers, Inc.

ARBITRATION PANEL

John Curran, Esq.	-	Chairperson - Industry
Michael J. DeMarco, Sr.	-	Industry Panelist
James E. Howard	-	Industry Panelist

Concurring Arbitrators' Signatures

Name

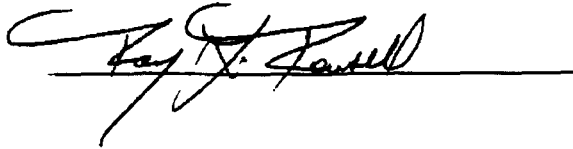

John Curran, Esq.

Date of Decision: ~~XXXXXXXXXXXX~~ December 2, 1993

STATE OF: New York
COUNTY OF: New York

S.S.:

On this 2nd day of December, 1993, before me personally appeared John Curran, Esq. known and known to me to be the individual described in and who executed the foregoing instrument and be duly acknowledged to me that he executed the same.

A handwritten signature in cursive script, appearing to read "Roy L. Rowse", is written over a horizontal line.

ROY L. ROWSE
Notary Public, State of New York
No. 4872567
Qualified in Suffolk County
Commission Expires Oct. 1, 1994

6. The Respondent Nile J. Steigerwald be and hereby is liable and shall pay to the Claimant the sum of \$2400.00 to reimburse the Claimant its fees previously paid to the NASD.
7. The Respondent Dennis M. Hellwig be and hereby is liable and shall pay to the Claimant the sum of \$1600.00 to reimburse the Claimant its fees previously paid to the NASD.
8. Each party shall bear their respective costs including attorneys' fees.

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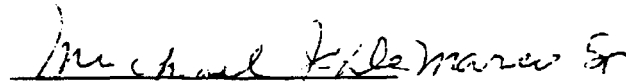
Fees are payable to the National Association of Securities Dealers, Inc.

ARBITRATION PANEL

John Curran, Esq.	-	Chairperson - Industry
Michael J. DeMarco, Sr.	-	Industry Panelist
James E. Howard	-	Industry Panelist

Concurring Arbitrators' Signatures

Name

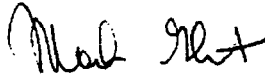

Michael J. DeMarco, Sr.

Date of Decision: December 2, 1993

STATE OF: New York
COUNTY OF: New York

S.S.:

On this 1st day of December, 1993, before me personally appeared Michael DeMarco, Sr. known and known to me to be the individual described in and who executed the foregoing instrument and be duly acknowledged to me that he executed the same.



MARK G. GLUT
Notary Public, State of New York
No. 4086183
Qualified in Queens County
Commission Expires April 20, 1994

6. The Respondent Nile J. Steigerwald be and hereby is liable and shall pay to the Claimant the sum of \$2400.00 to reimburse the Claimant its fees previously paid to the NASD.
7. The Respondent Dennis M. Hellwig be and hereby is liable and shall pay to the Claimant the sum of \$1600.00 to reimburse the Claimant its fees previously paid to the NASD.
8. Each party shall bear their respective costs including attorneys' fees.

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= net \$3400.00 due.

Forum fees Assessed Against:

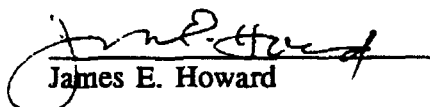
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Fees are payable to the National Association of Securities Dealers, Inc.

ARBITRATION PANEL

John Curran, Esq.	-	Chairperson - Industry
Michael J. DeMarco, Sr.	-	Industry Panelist
James E. Howard	-	Industry Panelist

Concurring Arbitrators' Signatures
Name


James E. Howard

Date of Decision: ~~XXXXXX~~ 11/22/93 December 2, 1993

STATE OF: New York
COUNTY OF: ~~New York~~ KINGS

S.S.:

On this 13 day of November, 1993, before me personally appeared James E. Howard known and known to me to be the individual described in and who executed the foregoing instrument and be duly acknowledged to me that he executed the same.



IRWIN FEDER
Notary Public, State of New York
No. 24-6232445
Qualified in Kings County
Date May 31 '94