

OFFICE OF DISPUTE RESOLUTION

In the Matter of the Arbitration Between

Name of Claimant

Horizon Securities, Inc.

96-02319

Name of Respondents

Peter J. De Angelis
William R. Madden
Harvey B. Merkin

REPRESENTATION

For Claimant Horizon Securities ("Horizon"), appeared Aaron Karp, Esq., of the law firm, Karp and Sommers, located in New York City, New York.

For Respondent Peter J. De Angelis ("De Angelis"), appeared Joel M. Leifer, Esq., of the law firm, Joel M. Leifer & Associates, located in New York City, New York.

For Respondents William R. Madden ("Madden") and Harvey B. Merkin ("Merkin"), appeared Aaron Karp, Esq., of the law firm, Karp and Sommers, located in New York City, New York.

CASE INFORMATION

Statement of Claim filed: May 30, 1996.

Claimant's Submission Agreement signed on: May 28, 1996.

Statement of Answer and Counterclaim filed by Respondent, De Angelis on: August 12, 1996.

Respondent, De Angelis' Submission Agreement signed on: September 18, 1996.

Respondent De Angelis' Supplemental Counterclaim filed on: January 21, 1997.

Joint Statement of Answer filed by Respondents, Madden and Merkin on: October 15, 1996.

Respondent, Madden's Submission Agreement signed on: November 4, 1996.

Respondent, Merkin's Submission Agreement signed on: November 4, 1996.

HEARING INFORMATION

Hearing Dates/Sessions:

March 11, 1997

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Two Sessions

March 12, 1997	-	Two Sessions
May 20, 1997	-	Two Sessions
May 21, 1997	-	Two Sessions

The hearings were held at the offices of NASD Regulation, Inc., New York City, New York.

CASE SUMMARY

Claimant alleged that it was a broker dealer and that DeAngelis, Merkin and Madden were each an officer and director of the firm, owning one-third of the firm's common stock. Claimant alleged that Respondent De Angelis, was also a registered representative and municipal securities principal of Claimant. Claimant asserted that, without the knowledge or consent of Claimant, De Angelis had diverted business away from Claimant, towards himself and others, for his own personal benefit. Claimant further alleged that during June 1994, De Angelis organized a New Jersey corporation under the name Peter Dean Investments, Inc. ("PDI"), without the knowledge or consent of Claimant, to further that pattern of unauthorized behavior. Additionally, Claimant alleged that Respondent had solicited Claimant's customers, directly and indirectly, through others and through PDI, to conduct business for his own benefit, in competition with Horizon. Claimant Horizon alleged that the conduct of Respondent De Angelis constituted fraud and a violation of the rules and regulations of the SEC, the NASD, and Respondent's agreements with Claimant.

Respondent De Angelis denied all of the claims asserted in the Statement of Claim and denied that he is liable to Claimant for any damages whatsoever. De Angelis maintained that he never diverted business which could be handled by Claimant away from Claimant; that he was under no obligation to work exclusively for Claimant; that none of his clients or information about his clients constituted proprietary or confidential information; and that Claimant had suffered no monetary damages as a result of his actions. Moreover, Respondent De Angelis asserted counterclaims for slander and libel as a result of the filing by Claimant of a false and defamatory Form U-5. De Angelis maintained that respondents Madden and Merkin together with Claimant caused a false and defamatory Forum U-5 to be filed and further asserted that the Claimant, Merkin and Madden was bringing this proceeding to coerce resolution of an internal dispute. De Angelis also demanded an accounting of the profits and income owing to him as an owner of one third of the equity securities of Claimant.

Respondents Merkin and Madden denied the allegations in De Angelis' Answer and Counterclaim.

RELIEF REQUESTED

Claimant requested that Respondent De Angelis be ordered to return all proprietary documentary information, and be enjoined from disclosing or using any of Horizon's proprietary information or from contacting or soliciting any of Horizon's customers; that Respondent De Angelis be ordered to account to Horizon with respect to: all transactions that he entered into with Horizon's customers, other than for the benefit of Horizon, since he first became a shareholder of Horizon; all revenue which he generated from transactions he conducted away from Horizon, since he first became a shareholder of Horizon; and all expenses paid by him by Horizon which entailed expenses other than those for Horizon's direct benefit; that Horizon recover from Respondent all monetary damages sustained by Horizon as a result

of Respondent's activities; and all other relief as deemed appropriate, including reimbursement of the filing fees, disbursements and reasonable attorneys' fees.

Respondent De Angelis requested that: the Statement of Claim be dismissed in its entirety; an award on the Counterclaims be made in his favor in the sum of \$1,000,000 against Horizon, Merkin and Madden jointly and severally; punitive damages be imposed against Horizon, Merkin and Madden jointly and severally in the amount of \$3,000,000. De Angelis also requested that he be awarded attorney's fees and costs, including but not limited to filing fees, forum fees and session fees. In addition, as per his supplemental counterclaim, Respondent requested that an accounting of Claimant's assets, liabilities and income be compelled in order to determine the amount of funds that are owned to Respondent, and that such funds, estimated to be in the amount of \$55,000, be awarded to the Respondent. Respondent De Angelis further sought an order compelling Horizon, Merkin and Madden to file a corrected Form U-5 stating that De Angelis resigned voluntarily and that Horizon's internal review had revealed no fraud or wrongful taking of property, or violations of any investment related statutes, regulations, rules or industry standards of conduct.

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 NASD Regulation, Inc.

AWARD

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

1. All claims by Horizon Securities, Inc., Merkin and Madden are denied.
2. The claims by Respondent De Angelis are decided as follows:
 - a. Respondents Madden and Merkin be and hereby are jointly and severally liable, and shall pay to De Angelis the sum of \$40,000.00.
 - b. Claimant Horizon Securities and Respondents Merkin and Madden are ordered to change De Angelis' Form U-5 to indicate that De Angelis' resignation from Horizon was voluntary and that there was no wrongdoing by him.
3. All other claims of all parties are denied.
4. Each party shall bear their own attorneys' fees.

FORUM FEES

Pursuant to Rule 10332 of the Code of Arbitration Procedure, the arbitrators have determined that NASD Regulation, Inc. shall retain the \$500.00 non-refundable filing fee previously deposited by the Claimant and have assessed the following forum fees:

Eight (8) hearing sessions x \$600	=	\$4800
Minus claimant's hearing session deposit	-	\$600
TOTAL OUTSTANDING	=	\$4200

Claimant, Horizon Securities, Inc., be and hereby is liable for the sum of \$1,200.00, representing one-fourth of the Forum Fees assessed. Claimant previously deposited the sum of \$600.00 with NASD Regulation, Inc.; therefore, Claimant Horizon Securities, Inc., shall pay to NASD Regulation, Inc., the sum of \$600.00.

Claimant, Horizon Securities, Inc. be and hereby is liable for the sum of \$350.00 representing the Member Surcharge. Claimant owes \$350.00 to NASD Regulation, Inc.

Respondent, Peter J. De Angelis be and hereby is liable for the sum of \$1,200.00, representing one-fourth of the Forum Fees assessed. Therefore, Respondent, Peter J. De Angelis shall pay to NASD Regulation, Inc., the sum of \$1,200.00.

Respondent, William R. Madden be and hereby is liable for the sum of \$1,200.00, representing one-fourth of the Forum Fees assessed. Therefore, Respondent William R. Madden shall pay to NASD Regulation, Inc., the sum of \$1,200.00.

Respondent Harvey Merkin be and hereby is liable for the sum of \$1,200.00, representing one-fourth of the Forum Fees assessed. Therefore, Respondent Harvey Merkin shall pay to NASD Regulation, Inc. the sum of \$1,200.00.

Fees are payable to NASD Regulation, Inc.


George R. Freund

I, George R. Freund, do hereby affirm, pursuant to article 7507 of the Civil Practice Law and Rules, that I am the individual described herein, and who executed this instrument which is my award.



George R. Freund

Date of Decision: November 20, 1997


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Russel A. Jenkins

I, Russel A. Jenkins, do hereby affirm, pursuant to article 7507 of the Civil Practice Law and Rules, that I am the individual described herein, and who executed this instrument which is my award.

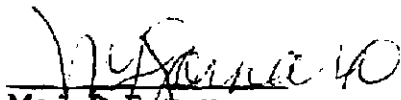

Russel A. Jenkins

Date of Decision: November 20, 1997

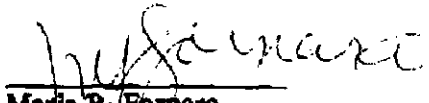
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Maria P. Fornaro

I, Maria P. Fornaro, do hereby affirm, pursuant to article 7507 of the Civil Practice Law and Rules, that I am the individual described herein, and who executed this instrument which is my award.


Maria P. Fornaro

Date of Decision: November 20, 1997