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**Award
NASD Regulation, Inc.**

In the Matter of the Arbitration Between

Names of Claimants

R.J.K. Family Limited Partnership #1 and Richard Karam

Case No. 99-01002

Names of Respondents

Ferris, Baker Watts, Inc., H. Beck, Inc. and
Ryan Lee & Co., Inc.

REPRESENTATION OF PARTIES

For Claimants R.J.K. Family Limited Partnership #1 ("R.J.K.") and Richard Karam ("Karam"), (hereinafter collectively referred to as "Claimants"): John G. Brown II, Esq., Justin O'Toole Lucey, P.A., Mt. Pleasant, South Carolina.

For Respondent Ferris, Baker Watts, Inc. ("Ferris"): Julie L. Kaplan, Esq., Kirkpatrick & Lockhart LLP, Washington, D.C.

For Respondent H. Beck, Inc. ("Beck"): Gary S. Hurvitz, Esq., Senior Vice President/General Counsel, The Capital Financial Group, Rockville, Maryland.

For Respondent Ryan & Lee, Inc. ("Ryan"): Wayne M. Lee, Chairman, Ryan, Lee & Co., Inc., McLean, Virginia.

CASE INFORMATION

Statement of Claim filed on or about: March 5, 1999.

Amended Statement of Claim filed on or about: November 29, 1999.

Claimants signed the Uniform Submission Agreement: February 24, 1999 by Richard Karam, General Partner of R.J.K.

Statement of Answer filed by Respondent Ferris on or about: August 9, 1999.

Respondent Ferris did not file a signed Uniform Submission Agreement.

Statement of Answer filed by Respondent Beck on or about: July 12, 1999.
Respondent Beck signed the Uniform Submission Agreement: July 12, 1999 by Steven R. Porter, President of Beck.

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Statement of Answer filed by Respondent Ryan on or about: July 9, 1999.
Respondent Ryan signed the Uniform Submission Agreement: July 9, 1999 by Wayne Lee, Chairman of Ryan.

CASE SUMMARY

Claimant asserted the following: Each of the Respondents solicited one or the other Claimants to purchase the stock of Frederick Brewing Co. in its initial public offering ("IPO"). Both Claimants are domiciled in South Carolina. The stock at issue was not registered with the state of South Carolina. As such, the solicitation and subsequent sale of this stock to Claimants violated the blue sky registration requirements of South Carolina. Further, Claimants alleged that none of the Respondents or their agents were registered to sell securities in South Carolina. Claimants alleged that these firms conspired to dupe an out-of-state investor into purchasing a highly speculative, unsafe investment, with full knowledge that Claimants were not Maryland residents and thus could not purchase the stock.

Unless specifically admitted in its Answer, Respondents denied the allegations and asserted the following: Contrary to Claimants' allegations, Claimants sought out each of the three Respondents, all of whom were members of the selling group in the IPO, with the specific intent to "buy up" stock in the IPO. Because the stock was registered in Maryland, Claimant Karam held himself out as a Maryland resident and provided a Maryland address. Further, Respondents variously asserted the following affirmative defenses: failure to state a claim upon which relief can be granted, failure to state a cause of action, the doctrine of "unclean hands", statute of limitations and failure to mitigate damages.

RELIEF REQUESTED

Claimants requested compensatory damages from Respondent Ferris in the amount of \$26,834.37, representing \$10,160.42 in losses from the sale of the stock plus \$16,673.95 in lost opportunity; compensatory damages from Respondent Beck in the amount of \$17,552.00, representing \$8,218.00 in losses from the sale of the stock plus \$9,334.00 in lost opportunity; and compensatory damages from Respondent Ryan in the amount of \$20,384.77, representing \$7,049.17 in losses from the sale of the stock plus \$13,335.60 in lost opportunity. Alternatively, Claimants requested rescission with interest. Claimants further requested any additional, allowable relief, including, but not limited to, attorneys' fees and the costs of this action.

Respondent Ferris requested that the Statement of Claim be dismissed in its entirety without a hearing and that it be awarded its costs, including, but not limited to, attorney's fees.

Respondent Beck requested that the Statement of Claim be dismissed in its entirety and that it be awarded its costs.

Respondent Ryan requested that the Statement of Claim be dismissed without a hearing.

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OTHER ISSUES CONSIDERED AND DECIDED

Respondent Ferris did not file with the NASD Regulation, Inc. Office of Dispute Resolution a properly executed submission to arbitration but is required to submit to arbitration pursuant to the Code and, having answered the claim, is bound by the determination of the Panel on all issues submitted.

Respondent Beck's Statement of Answer included a Motion to Dismiss which Respondent Beck requested to be ruled upon prior to any pre-hearing conference. The Panel granted this request. Thereafter, the Panel considered the Motions to Dismiss submitted by all Respondents and issued an Order granting the Motions to Dismiss the arbitration with prejudice. The Panel further ordered that Respondents may file applications for costs incurred in responding to this claim, exclusive of any member surcharge and process fees assessed against them pursuant to Rule 10333 of the Code. Thereafter, Respondents each filed such an application which the Panel granted.

Thereafter, Claimant submitted Motions to Set Aside Panel's Ruling and to Recuse the Entire Panel. Each Respondent filed a Response in Opposition thereto. The Panel denied both Motions.

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.

AWARD

After considering the pleadings, the motions and the evidence presented, the Panel has decided in full and final resolution of the issues submitted for determination as follows:

Claimants' claims are dismissed in their entirety for the following reasons:

- 1) All claims against the Respondents are barred by the South Carolina statute of limitations as the three (3) year time period within which to bring a claim had expired;
- 2) Claimant is estopped from claiming any relief due to his own *pari delicto*, or "unclean hands" in effecting a purchase for a security which he knew was not registered in South Carolina;
- 3) Claimant failed to mitigate damages he now seeks by failing to follow up on a purported order to sell until nearly 18 months after the alleged order took place; and,
- 4) No violation of industry standards has been established.

As a result of the above, Claimants have failed to establish a basis of facts upon which relief can be granted.

Respondents' claims for attorneys' fees and costs are granted and Claimants are liable jointly and severally as follows:

Respondent Ferris is awarded: \$16,886.32

Respondent Beck is awarded: \$2,275.00

Respondent Ryan is awarded: \$4,050.00

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FEES

Pursuant to the Code, the following fees are assessed:

Filing Fees

NASD Regulation, Inc. will retain or collect the non-refundable filing fees for each claim:

Initial claim filing fee = \$150.00

Member Fees

Member fees are assessed to each member firm that is a party in these proceedings or to the member firm that employed the associated person at the time of the event giving rise to the dispute. In this matter, the member firms are Respondent Ferris, Respondent Beck and Respondent Ryan.

Respondent Ferris:

Member surcharge	= \$600.00
Pre-hearing process fee	= \$600.00
Hearing process fee	= \$0.00

Respondent Beck:

Member surcharge	= \$400.00
Pre-hearing process fee	= \$600.00
Hearing process fee	= \$0.00

Respondent Ryan:

Member surcharge	= \$400.00
Pre-hearing process fee	= \$600.00
Hearing process fee	= \$0.00

Forum Fees and Assessments

The Panel assesses forum fees for each hearing session conducted. A hearing session is any meeting between the parties and the arbitrators, including a pre-hearing conference with the arbitrators, that lasts four (4) hours or less. There are no fees associated with these proceedings.

Total Forum Fees = \$0.00

Fee Summary

Claimants be and hereby are solely liable for:

Initial Filing Fee	= \$150.00
Administrative Costs	= \$20.00

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Total Fees	= \$170.00
<u>Less payments</u>	<u>= \$170.00</u>
Balance Due NASD Regulation, Inc.	= \$0.00

Respondent Ferris be and hereby is solely liable for:

Member Fees	= \$1200.00
Total Fees	= \$1200.00
<u>Less payments</u>	<u>= \$1200.00</u>
Balance Due NASD Regulation, Inc.	= \$0.00

Respondent Beck be and hereby is solely liable for:

Member Fees	= \$1000.00
Total Fees	= \$1000.00
<u>Less Payments</u>	<u>= \$1000.00</u>
Balance Due NASD Regulation, Inc.	= \$0.00

Respondent Lee be and hereby is solely liable for:

Member Fees	= \$1000.00
Total Fees	= \$1000.00
<u>Less Payments</u>	<u>= \$1000.00</u>
Balance Due NASD Regulation, Inc.	= \$0.00

All balances are due and payable to NASD Regulation, Inc.

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Concurring Arbitrators' Signatures

_____/s/_____
Kenneth Hoffner, M.S.
Public Arbitrator, Presiding Chair

Signature Date

_____/s/_____
Patricia A. Boorman,
Industry Arbitrator

Signature Date

_____/s/_____
Stuart W. Elliott
Public Arbitrator

Signature Date

April 12, 2000
Date of Service (For NASD office use only)

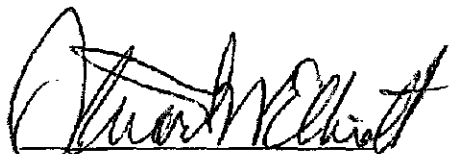
Concurring Arbitrators' Signatures

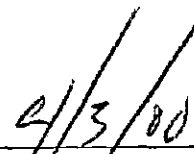
Kenneth Hoffner, M.S.
Public Arbitrator, Presiding Chair

Signature Date

Patricia A. Boorman,
Industry Arbitrator

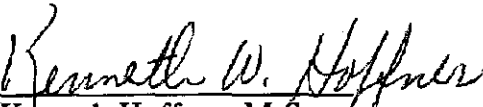
Signature Date


Stuart W. Elliott
Public Arbitrator


Signature Date

Date of Service (For NASD office use only)

Concurring Arbitrators' Signatures


Kenneth Hoffner, M.S.
Public Arbitrator, Presiding Chair

3 APRIL '00
Signature Date

Patricia A. Boorman,
Industry Arbitrator

Signature Date

Stuart W. Elliott
Public Arbitrator

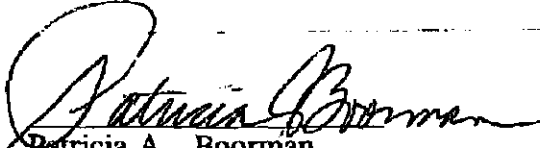
Signature Date

Date of Service (For NASD office use only)

Concurring Arbitrators' Signatures

Kenneth Hoffner, M.S.
Public Arbitrator, Presiding Chair

Signature Date


Patricia A. Boorman,
Industry Arbitrator

4/8/00
Signature Date

Stuart W. Elliott
Public Arbitrator

Signature Date

Date of Service (For NASD office use only)