

Award
NASD Dispute Resolution, Inc.

In the Matter of the Arbitration Between:

ISG Capital Markets (Deutschland) Gmbh, Edward Henschel, and Edgar Seiz, (Claimants) vs.
ISG Solid Capital Markets, LLC, (Respondent)

Case Number: 99-05006

Hearing Site: New York, New York

REPRESENTATION OF PARTIES

Claimants, ISG Capital Markets (Deutschland) Gmbh ("ISG Capital"), Edward Henschel ("Henschel"), and Edgar Seiz ("Seiz"), hereinafter collectively referred to as "Claimants": Chan H. Kim, Esq., McCabe & Flynn, LLP, New York, NY.

Respondent, ISG Solid Capital Markets, LLC ("ISG Solid"), hereinafter referred to as "Respondent": Louis F. Burke, Esq., Louis F. Burke P.C., New York, NY.

CASE INFORMATION

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

Amended Statement of Claim filed on or about: June 19, 2001.

Reply to Counterclaim filed by Claimant on or about: October 18, 2001.

ISG Capital signed the Uniform Submission Agreement.

Henschel signed the Uniform Submission Agreement.

Seiz signed the Uniform Submission Agreement.

Statement of Answer and Counterclaim filed by Respondent on or about: December 21, 1999.

Respondent signed the Uniform Submission Agreement: January 27, 2000.

CASE SUMMARY

Claimant asserted the following causes of action: failure to pay commissions; common law fraud; breach of fiduciary duty; breach of contract; negligence; and conversion.

Unless specifically admitted in its Answer, Respondent denied the allegations made in the Statement of Claim and Amended Statement of Claim and asserted the following defenses: Claimants have failed to state a cause of action upon which relief can be granted; Claimants have failed to join necessary and indispensable parties to this arbitration; Claimants are precluded from prevailing on their claims based upon their breach of fiduciary duty; Claimants are precluded from prevailing on their claims in that they failed to fulfill their obligations under the Memorandum in question; Claimants are precluded from prevailing on their claims based upon their negligence; Claimants are precluded from prevailing on their claims based upon their breach of the implied duty of good faith and fair dealing; Claimants are precluded from prevailing on their claims based upon their fraudulent conduct; and Claimants are precluded from prevailing on their claims based upon the doctrine of unclean hands.

In its Counterclaim, Respondent asserted the following causes of action: breach of contract; breach of fiduciary duty; fraud; and negligence.

Unless specifically admitted in their Reply, Claimants denied the allegations made in the Counterclaim and asserted the following defenses: the Counterclaim fails to state a cause of action upon which relief can be granted; Respondent is precluded from prevailing upon its Counterclaim based upon its own fraudulent conduct; Respondent is precluded from prevailing upon its Counterclaim based upon its own breach of fiduciary duty; Respondent is precluded from prevailing upon its Counterclaim based upon its own breach of contract; and Respondent is precluded from prevailing upon its Counterclaim based upon its own fraudulent conduct.

RELIEF REQUESTED

Claimants requested that the Panel:

1. Award Claimants the loss of commissions from its business in the amount of \$390,850.00;
2. Award Claimants loss of revenues, loss of options commissions, legal fees incurred, and extra costs incurred as a result of Respondent's conduct in the approximate amount of \$319,295.00;
3. Award Claimants all damages to their business operations as a result of Respondent's conduct in a sum to be determined, but not less than \$2,000,000.00;
4. Award Claimants the costs and reasonable attorneys' fees of maintaining this arbitration; and
5. Award such other, further, or different relief as may be just and proper under the circumstances.

In its Answer and Counterclaim, Respondent requested an Award as follows:

1. Dismissing Claimant's Statement of Claim in its entirety;
2. On the Counterclaim, damages as follows:
 - a. in an amount to be determined at the hearing, but in no event less than \$50,000.00, representing the administrative fees expended by Respondent in transferring all of its accounts to another clearing firm;
 - b. in an amount to be determined at the hearing, but in no event less than \$15,000.00, representing the legal fees expended by Respondent relating to the business of ISG Capital;
 - c. in the amount of \$3,500.00 representing the charge to Respondent by Bear Stearns for its investigation into the activities of ISG Capital;
 - d. commission earnings from customers of Respondent who declined to transfer their accounts from Bear Stearns to Respondent's new clearing firm in an amount to be determined at the hearing;
 - e. in an amount to be determined at the hearing, but in no event less than \$250,000.00, representing damages to Respondent's reputation in the investment community as a result of ISG Capital's conduct;
3. For the costs and attorneys' fees of maintaining this arbitration; and
4. For such other and further relief as to the Panel seems just and proper.

In their Reply, Claimants requested an Award dismissing the Counterclaim in all respects, together with the costs and disbursements of this arbitration proceeding, and such other and further relief as the Panel may deem just and equitable.

OTHER ISSUES CONSIDERED AND 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.

AWARD

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

1. Respondent be and hereby is liable for and shall pay to Claimants the sum of \$336,000.00 as compensatory damages, inclusive of interest.
2. Respondent's Counterclaim is hereby dismissed in its entirety.
3. All other requests for relief are hereby denied.

FEES

Pursuant to the Code, the following fees are assessed:

Filing Fees

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

Initial claim filing fee	= \$ 500.00
Counterclaim filing fee	= \$ 1,000.00
Injunctive Relief fee	= \$ 2,500.00

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 events giving rise to the dispute. In this matter, ISG Solid Capital Markets, LLC is a party.

Member surcharge	= \$ 2,500.00
Pre-hearing process fee	= \$ 600.00
Hearing process fee	= \$ 4,500.00

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. Fees associated with these proceedings are:

Four (4) Pre-hearing sessions with a single arbitrator x \$450.00	= \$ 1,800.00
Pre-hearing conferences: November 16, 1999	2 sessions
November 23, 1999	2 sessions
Two (2) Pre-hearing sessions with Panel x \$1,200.00	= \$ 2,400.00
Pre-hearing conferences: May 17, 2000	1 session
October 29, 2001	1 session

Seven (7) Hearing sessions x \$1,200.00 = \$ 8,400.00

Hearing Dates:	March 5, 2002	2 sessions
	March 6, 2002	2 sessions
	March 7, 2002	1 session
	May 15, 2002	2 sessions

Total Forum Fees = \$12,600.00

1. The Panel has assessed \$6,300.00 of the forum fees jointly and severally against Claimants.
2. The Panel has assessed \$6,300.00 of the forum fees against Respondent.

Administrative Costs

Administrative costs are expenses incurred due to a request by a party for special services including, but not limited to, additional copies of arbitrator awards beyond those provided without charge, copies of audio transcripts, retrieval of documents from archives, interpreters, and security.

1. Claimants, requested copies, \$20.00.
2. Respondent, requested tapes, \$150.00.

Fee Summary

1. Claimants be and hereby are jointly and severally liable for:

Initial Filing Fee	= \$ 500.00
Injunctive Relief Fee	= \$ 2,500.00
Forum Fees	= \$ 6,300.00
<u>Administrative Costs</u>	= \$ 20.00
Total Fees	= \$ 9,320.00
<u>Less payments</u>	= \$ 4,200.00
Balance Due NASD Dispute Resolution, Inc.	= \$ 5,120.00

2. Respondent be and hereby is solely liable for:

Counterclaim Filing Fee	= \$ 1,000.00
Member Fees	= \$ 7,600.00
Forum Fees	= \$ 6,300.00
Administrative Costs	= \$ 150.00
Total Fees	= \$15,050.00
<u>Less payments</u>	<u>= \$ 5,870.00</u>
Balance Due NASD Dispute Resolution, Inc.	= \$ 9,180.00

All balances are due and payable to NASD Dispute Resolution, Inc.

ARBITRATION PANEL

E. Stephen Walsh, Esq.	-	Industry Arbitrator, Presiding Chair
Joseph C. Pickard, Jr., Esq.	-	Industry Arbitrator
Jerry P. DeNigris	-	Industry Arbitrator

Concurring Arbitrators' Signatures

I, the undersigned arbitrator, 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.

E. Stephen Walsh
E. Stephen Walsh, Esq.
Industry Arbitrator, Presiding Chair

6/4/02
Signature Date

Joseph C. Pickard, Jr., Esq.
Joseph C. Pickard, Jr., Esq.
Industry Arbitrator

Signature Date

Jerry P. DeNigris
Jerry P. DeNigris
Industry Arbitrator

Signature Date

June 18, 2002
Date of Service (For NASD office use only)

ARBITRATION PANEL

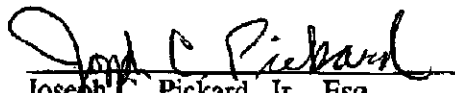
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E. Stephen Walsh, Esq.
Industry Arbitrator, Presiding Chair

Signature Date



Joseph C. Pickard, Jr., Esq.
Industry Arbitrator

6/10/02

Signature Date

Jerry P. DeNigris
Industry Arbitrator

Signature Date

June 18, 2002

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Industry Arbitrator



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June 18, 2002

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