

**AWARD**  
**NASD Dispute Resolution, Inc.**

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In the Matter of the Arbitration Between

Name of Claimant(s)

Jeffrey Schlegel & Martha McKibben

and

99-05198  
Tucson, Arizona

Name of Respondent(s)

First Liberty Investment Group, Inc.  
Peter Laurella  
Michael Palmer  
Richard E. Madison, Jr.  
Chintu Dalvi

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**REPRESENTATION OF PARTIES**

Jeffrey Schlegel & Martha McKibben ("**Claimants**") were represented by George O. Krauja, Esq., Fennemore Craig, Tucson, Arizona.

First Liberty Investment Group, Inc. ("**Respondent First Liberty**") was represented by Nicholas J. Guiliano, Esq., Philadelphia, Pennsylvania.

Peter Laurella ("**Respondent Laurella**") did not appear at the hearing.

Michael Palmer ("**Respondent Palmer**") did not appear at the hearing.

Richard E. Madison, Jr. ("**Respondent Madison**") did not appear at the hearing.

Chintu Dalvi ("**Respondent Dalvi**") did not appear at the hearing and was represented by Brian F. Amery, Esq., Bressler, Amery & Ross, P.C., Morristown, New Jersey after the conclusion of the hearing on the merits.

### **CASE INFORMATION**

The Statement of Claim was filed on or about November 16, 1999. Opposition to Respondent First Liberty's request to Allow First Liberty to Present Additional Evidence was filed on or about January 23, 2001. Response to First Liberty's February 2, 2001 Request was filed on or about February 8, 2001. Submission Agreement of Claimants Jeffrey Schlegel & Martha McKibben was signed on November 12, 1999.

Request to Dismiss and Answer of Respondents First Liberty Investment Group, Inc. and Michael Palmer was filed on or about January 24, 2000. Letter dated January 18, 2001 submitted in support of keeping the record open to allow respondents to present additional evidence. Additional post-hearing submissions were filed on February 2, 2001 and March 7, 2001. Submission Agreement of Respondent First Liberty Investment Group, Inc. was signed on January 19, 2000. Submission Agreement of Respondent Michael Palmer was signed on January 19, 2000.

### **CASE SUMMARY**

Claimants alleged that Respondents breached their contract with claimants, were negligent, and made fraudulent misrepresentations. In addition, Claimants alleged that Respondent First Liberty was negligent in its supervision of its employees. It was specifically alleged that Respondents failed to execute an order to sell Claimants' holdings in Globus International Resources Corporation ("GIRC"). Claimants also specifically alleged that Respondents repeatedly and falsely assured them that an internal compliance review was being conducted.

Respondents First Liberty and Palmer denied the allegations set forth in the Statement of Claim. These Respondents specifically stated that Mr. Schlegel was an experienced investor and that Claimants were had an opportunity to sell the shares at \$2.50 per share but were unwilling to do so. It was also stated by these Respondents that a "stop-loss" order cannot be placed on over-the-counter securities traded on the OTC Bulletin Board.

### **RELIEF REQUESTED**

Claimants requested an award of damages, including but not limited to compensatory and punitive damages, interest, and attorneys' fees and costs incurred in connection with this matter, of an amount not less than \$120,000 and to the fullest extent available under applicable law.

Respondents First Liberty and Palmer requested that the claims asserted against them be dismissed and for the entry of an award against Claimants for reasonable attorneys' fees and costs.

### **OTHER ISSUES CONSIDERED & DECIDED**

Upon review of the file and the representations made by/on behalf of the Claimant, the undersigned arbitrators have determined that Respondents Peter Laurella, Michael Palmer, Richard E. Madison, Jr. and Chintu Dalvi have been properly served with the Statement of Claim pursuant to Rule 10302 and Rule 10314 of the NASD Code of Arbitration Procedure (the "Code"). The undersigned arbitrators have also determined that Respondents Peter Laurella, Michael Palmer, Richard E. Madison, Jr. and Chintu Dalvi had received due notice of the hearing as required under Rule 10315 of the Code and that arbitration of the matter would proceed pursuant to Rule 10318 of the Code.

Respondents Peter Laurella, Richard E. Madison, Jr. and Chintu Dalvi did not file with the NASD Dispute Resolution, Inc. (the "NASD") properly executed submissions to arbitration but are required to submit to arbitration pursuant to Rule 10301 of the Code and are bound by the determination of the arbitration panel on all issues submitted.

After the conclusion of the hearing on the merits, held on January 11, 2001 and January 12, 2001, Respondents First Liberty and Dalvi requested that the hearing be reopened to allow Respondent Dalvi to present a defense to the claims asserted against him. Respondent First Liberty requested that it be allowed to present additional testimony and evidence to support its defense of the claims asserted against it. The Arbitration Panel allowed the parties an opportunity to present argument on the request in addition to post-hearing submissions in support of the requests. On or about March 15, 2001, the parties were notified of the Arbitration Panel's request that Claimants submit by March 23, 2001, an Affidavit of Attorneys' Fees. In addition, the parties were notified that Respondent First Liberty would have until April 3, 2001 to submit a response to the Affidavit of Attorneys' Fees submitted on behalf of Claimants. Claimants' Reply was to be filed by April 10, 2001. Additional post-hearing submissions are described above.

Notice of Settlement and Voluntary Dismissal Without Prejudice was filed on March 6, 2001. Claimants and Respondent Dalvi have reached a settlement concerning the disputes between them.

After considering the request to reopen the hearing and all post-hearing submissions filed on behalf of the participating parties, the Arbitration Panel decided to deny the request to reopen the hearing for additional testimony and evidence.

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 original(s) remain on file with the NASD Dispute Resolution, Inc. (the "NASD").

### **AWARD**

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

1. Respondent First Liberty Investment Group, Inc. shall be and hereby is liable for and shall pay to Claimants Jeffrey Schlegel & Martha McKibben the sum of \$2.38 per day from and inclusive of December 2, 1997 to and inclusive of the date this Award is paid. Respondent First Liberty shall receive credit for any monies paid to Claimants by or on behalf of Respondent Chintu Dalvi.
2. Prejudgment interest at 8% per annum simple interest is awarded on the sum set forth above from and inclusive of December 2, 1997 to and inclusive of April 16, 2001.
3. Respondent First Liberty Investment Group, Inc. shall be and hereby is liable for and shall pay to Claimants Jeffrey Schlegel & Martha McKibben the sum of \$28,617.50 (**Twenty Eight Thousand Six Hundred Seventeen Dollars and Fifty Cents**) as attorneys fees and \$1,478.91 (**One Thousand Four Hundred Seventy Eight Dollars and Ninety One Cents**) as costs.
4. This Arbitration Panel makes no determination of liability of any other individual Respondent.
5. That to the extent not specifically awarded or otherwise provided for above, all other claims and requests for relief by any party hereto are denied with prejudice.
6. Other than the Forum Fees noted below, the parties shall each bear all other costs and expenses incurred by them in connection with this proceeding, including but not limited to attorneys fees not specifically awarded above.

### **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 = \$300.00

### **Member Fees**

Member fees are assessed to each member firm that is a party in these proceedings or to the member firm(s) that employed the associated person(s) at the time of the event(s) giving rise to the dispute. In this matter, the member firm is First Liberty Investment Group, Inc.

Member surcharge	= \$1,500.00
Pre-hearing process fee	= \$ 600.00
Hearing process fee	= \$2,500.00

### **Forum Fees and Assessments**

The Arbitration Panel assesses forum fees for each hearing session conducted. A hearing session is any meeting between the parties and the arbitrator(s), including a pre-hearing conference with the arbitrator(s), that lasts four (4) hours or less. Fees associated with these proceedings are:

One (1) Pre-hearing session(s) with a single arbitrator x \$450.00	= \$450.00
Pre-hearing conference(s): August 30, 2000 1 session	
One (1) Pre-hearing session(s) with Panel x \$1,125.00	= \$1,125.00
Pre-hearing conference(s): June 27, 2000 1 session	
Five (5) Hearing sessions x \$1,125.00	= \$5,650.00
Hearing Date(s): January 11, 2001 2 sessions	
January 12, 2001 2 sessions	
<u>January 13, 2001 1 session</u>	
Total Forum Fees	= \$7,200.00

The Arbitration Panel has assessed \$7,200.00 of the forum fees to First Liberty Investment Group, Inc.

### **Fee Summary**

Claimants, Jeffrey Schlegel & Martha McKibben, shall be and hereby are jointly and severally liable for:

Initial Filing Fee	= \$ 300.00
<u>Forum Fees</u>	= \$ 0.00
Total Fees	= \$ 300.00
<u>Less payments</u>	= \$1,425.00
Balance to be refunded by NASD Dispute Resolution, Inc.	= \$1,125.00

Respondent, First Liberty Investment Group, Inc., shall be and hereby is liable for:

Member Fees	= \$ 4,600.00
<u>Forum Fees</u>	= \$ 7,200.00
Total Fees	= \$11,800.00
<u>Less payments</u>	= \$ 4,600.00
Balance Due NASD Dispute Resolution, Inc.	= \$ 7,200.00

**All balances are due to NASD Dispute Resolution, Inc.**

/s/ S. Jeffrey Minker  
S. Jeffrey Minker  
Public Arbitrator, Presiding Chair

May 7, 2001  
Signature Date

/s/ Paul A. Cash  
Paul A. Cash, Jr., J.D.  
Public Arbitrator

May 7, 2001  
Signature Date

/s/ Richard E. Anderson  
Richard E. Anderson  
Non-Public Arbitrator

May 7, 2001  
Signature Date

NASD Dispute Resolution, Inc.  
Arbitration No. 99-05198  
Award Page 6 of 6

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Public Arbitrator, Presiding Chair

5/2/01  
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Signature Date

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Paul A. Cash, Jr., J.D.  
Public Arbitrator

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Signature Date

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Non-Public Arbitrator

\_\_\_\_\_  
Signature Date

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NASD REGULATION

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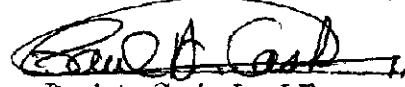
NASD Dispute Resolution, Inc.  
Arbitration No. 99-05198  
Award Page 6 of 6

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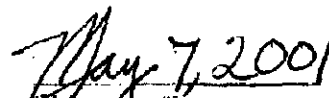
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Richard E. Anderson  
Non-Public Arbitrator

05/07/01  
Signature Date