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GFI Ordered To Pay $1.3M To Burlington Capital

DOW JONES NEWSWIRES

GFI Group Inc. (GFIG) was ordered to pay $1.3 million in damages to Burlington Capital Markets Inc., culminating a four-year battle in which Burlington sued the rival brokerage, claiming GFI used confidential information obtained in 2002 to raid Burlington of its top brokers.

The compensatory damages award represents the amount a Financial Industry Regulatory Authority arbitration panel determined following a hearing.

Burlington was denied punitive damages and was ordered to pay GFI and employee Paul Basile $10,134.25 for failing to provide certain financial information "in a timely manner."

GFI General Counsel Scott Pintoff said the company disagrees with the award, adding, "We didn't violate any legal obligations." He said the company would not comment on whether it has intentions to appeal.

In the suit, Burlington said GFI misappropriated and used information obtained during negotiations for a proposed purchase of privately held Burlington by the interdealer broker. Burlington said GFI raided its employees and, subsequently, its customers. The suit further claimed that the employees raided from Burlington used confidential information obtained during their time there to give GFI Securities and GFI Group an unfair advantage.

"GFI Group's circumvention of the outright purchase of Burlington to simply have its subsidiary GFI Securities steal from the same can only be classified as outrageous," Burlington said in the suit.

According to the case, GFI first approached Burlington in August 2002, although Pintoff said in an interview that Burlington initiated the acquisition talks. Burlington's attorney, **Richard A. Roth** of **The Roth Law Firm PLLC**, said in an interview that regardless of which company initiated the talks, "the bottom line is Burlington was looking to be acquired and GFI was looking to acquire."

Negotiations then began for a potential purchase of Burlington that included a letter of intent between the parties. The potential deal was "severed in its entirety" that December, when GFI was - according to terms of the agreement - "legally obligated to 'promptly return or destroy all confidential information disclosed'."

But Burlington said GFI "did no such thing" and instead shared the information with its GFI Securities unit and employees, waiting for a "non-competition, non-hire" clause to expire. It then began using personnel information with Basile, a former Burlington employee, to solicit other brokers away from Burlington and make them GFI employees. Pintoff said Basile, who now works for GFI Securities, was not found to have done anything wrong, and had left Burlington prior to the departures of the other employees.

The suit claimed the employees GFI attempted to solicit away from Burlington were those who generated in aggregate $15 million a year, or more than 30% of Burlington's revenue base. Burlington also alleged that, in October 2004, GFI delivered to Burlington's legal counsel two boxes containing Burlington's confidential and proprietary information, which it said showed GFI "admitted" to possession of the confidential documents, in breach of the agreement.

Roth said GFI defended itself by contending that the non-solicitation period following the contemplated acquisition had expired prior to any approach and hiring of Burlington employees, and that none of them had ever executed a non-compete agreement, with several not even being Burlington employees during the due-diligence period. GFI also contended that the few brokers who switched employers constituted a fraction of Burlington's then 80-person firm.

Roth said, "The panel obviously found that GFI Securities' taking of certain key brokers, even in the absence of an agreement, was simply inappropriate." He went on to opine "the panel wanted to send a clear message to the brokerage community that it is unfair to compete by taking a handful of brokers where you have confidential information of your competitor, even if the brokers are free to leave at any time."

GFI maintained in a statement that "it acted lawfully in its hiring of seven former at-will employees of Burlington," noting that the award "failed to find GFI specifically liable on any of the nine causes of action alleged based on the hirings, rather it merely awarded what it termed to be 'compensatory' damages."

The company went on to call the arbiters' award was "a tacit rejection" of Burlington's claims, citing "the vast amount of damages" it said Burlington alleged to have suffered as a result of GFI's actions.

A merger of the NASD and some regulatory functions of New York Stock Exchange parent NYSE Group Inc. (NYX) formed Finra last summer.

GFI Group shares were recently trading up $1.97, or 3.1%, at $64.59.

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