

Award
NASD Dispute Resolution

In the Matter of the Arbitration Between:

Name of the Claimants

Frank Glosky, William Palmer and
Jack Zausa

Case Number: 00-04535

Name of the Respondents

Daniel Sigfrid and Waterford Financial, Inc.

Hearing Site: Chicago, Illinois

REPRESENTATION OF PARTIES

Claimants Frank Glosky ("Glosky"), William Palmer ("Palmer"), and Jack Zausa ("Zausa"), hereinafter collectively referred to as Claimants: John A. Dienner, III, Esq., of Kubasiak, Fylstra, Reizen & Rotunno, located in Chicago, Illinois.

Respondent Daniel Sigfrid ("Sigfrid") was pro se and did not appear at the hearing.
Respondent Waterford Financial, Inc. ("Waterford") was initially represented by Paul J. DesHotels, Esq., of SecureCounsel, L.L.P., located in Minneapolis, Minnesota and did not appear at the hearing.

CASE INFORMATION

Joint Statement of Claim filed on or about: October 24, 2000.
Joint Amended Statement of Claim filed on or about November 27, 2001.
Claimants each signed the Uniform Submission Agreements: October 11, 2000.
Respondent Waterford filed the Statement of Answer on or about February 6, 2001.
Respondent Waterford signed the Uniform Submission Agreement on January 26, 2001.
Respondent Sigfrid filed a Statement of Answer on February 6, 2001.
Respondent Sigfrid filed a Uniform Submission Agreement on January 20, 2001.

Respondent Waterford filed a Motion to Dismiss on January 7, 2003.
Claimants filed opposition to Respondent Waterford's Motion to Dismiss on or about January 7, 2003.
Claimants filed a Motion to Amend their Statement of Claim on November 27, 2001.
Respondent Waterford filed a response to the Motion to Amend the Statement of Claim on November 29, 2001.

CASE SUMMARY

Claimants asserted the following causes of action in their initial Statement of Claim: Intentional Misrepresentation of Material Facts and Fraud in connection with the sale of common stocks.

Claimants asserted the following causes of action in their Amended Statement of Claim:

Violations of Section 10(b), Rule 10b-5 of the Securities and Exchange Act; Violations of the Illinois Consumer Fraud and Deceptive Trade Practices Act Section 505-2; common law fraud; negligent supervision and Illinois common law negligence.

Unless specifically admitted in its Answer, Respondent Waterford denied the allegations made in the Statement of Claim and asserted the following affirmative defenses: Claimants were jointly referred to Waterford by an outside source as Accredited investors interested in the private securities market; Waterford acted as an agent of Vallon, Inc.; registered representatives cannot assure or reliably project the future performance of any investment; Sigfrid sought to keep the Claimants well informed of developments regarding the company they invested in; and Respondents did not misrepresent facts regarding potential investors or joint venture suitors.

Unless specifically admitted in his Answer, Respondent Sigfrid denied the allegations made in the Statement of Claim and asserted the following affirmative defenses; Respondent Sigfrid did not guarantee a return on Claimants investment; Respondent Sigfrid did not represent that their were specific investors or joint venture suitors in Vallon, Inc., (the company that is the subject of Claimants' investment), Respondent Sigfrid did not solicit Claimants, Respondent Sigfrid did not tell Claimants that Vallon, Inc., had been sold; and Claimants' claims against Respondent Sigfrid have no merit and are brought solely because their investment failed.

RELIEF REQUESTED

Claimants requested:

Compensatory Damages	\$ 150,000.00
Punitive Damages	\$ 75,000.00
Interest	\$ unspecified
Attorneys' Fees	\$ unspecified
Other Costs	\$ unspecified

Respondent Waterford requested that the claims against it be dismissed in their entirety.
Respondent Sigfrid requested that the claims filed against him be dismissed in their entirety.

OTHER ISSUES CONSIDERED AND DECIDED

The Panel denied Respondent Waterford's Motion to Dismiss on January 23, 2003.
The Panel granted Claimants' Motion to Amend the Statement of Claim on January 23, 2003.

On February 14, 2003, Paul J. DesHotels, Esq., of SecureCounsel L.L.P. notified NASD that he had withdrawn his representation of Respondent Waterford Financial, Incorporated.

Respondents Daniel Sigfrid and Waterford Financial Inc., did not appear at the hearing.
Claimant Jack Zausa did not appear at the hearing.

Upon review of the file and the representations made on behalf of the Claimants, the undersigned Panel determined that Respondents Daniel Sigfrid and Waterford Financial, Inc., had been

properly served with the Statement of Claim and received due notice of the hearing, and that the arbitration of the matter would proceed without said Respondents present, in accordance with the NASD Code of Arbitration Procedure (the "Code").

Upon review of the file and the representations made behalf of the Claimants' counsel, the undersigned "Panel" determined that Claimant Jack Zausa had received due notice of the hearing, and that the arbitration of the matter would proceed without said Claimant present, in accordance with the Code.

The parties who attended the arbitration agreed that this award would be executed by the arbitrators in counterpart and that the original shall remain on file with NASD.

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. The Panel finds in favor of Claimants Frank Glosky and William Palmer and against Respondents Daniel Sigfrid and Waterford Financial, Inc., on count I of the Amended Statement Claim for violations of Section 10(b) and Rule 10b-5 of the Securities and Exchange Act;
2. The Panel dismisses count II of the Amended Statement of Claim for Illinois Consumer Fraud and Deceptive Practices Act.
3. The Panel finds in favor of Claimants Frank Glosky and William Palmer and against Respondents Daniel Sigfrid and Waterford Financial, Inc., on count III of the Amended Statement of Claim for Common law Fraud;
4. The Panel finds in favor of Claimants Frank Glosky and William Palmer and against Respondent Waterford Financial, Inc., on count IV of the Amended Statement Claim for Negligent Supervision;
5. Respondent Waterford Financial, Inc., and Daniel Sigfrid are jointly and severally liable and shall pay to Claimant Frank Glosky the sum of \$75,000.00 in compensatory damages;
6. The Panel dismisses count V of the Amended Statement of Claim for Illinois common law negligence;
7. Respondents Waterford Financial, Inc., and Daniel Sigfrid are jointly and severally liable and shall pay to Claimant William Palmer the sum of \$37,500.00 in compensatory damages;
8. Claimant Jack Zausa's claims against Respondent Waterford Financial Inc., and Daniel Sigfrid are dismissed with prejudice. Claimant Jack Zausa did not appear and testify at the hearing and the Panel does not find sufficient evidence for an award of compensatory damages in his favor;
9. Any and all costs not specifically enumerated herein shall be borne by the party who incurred them; and,
10. Any and all relief not specifically addressed herein is denied.

FEES

Pursuant to the Code, the following fees are assessed:

Filing Fees

NASD Dispute Resolution 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 that employed the associated person at the time of the events giving rise to the dispute. Accordingly, the Respondent Waterford is the member firm.

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

Adjournment Fees

Adjournments granted during these proceedings for which fees were assessed:

January 9-11, 2002, adjournment by Respondent Waterford. = \$ 1,125.00
October 10-11, 2002 adjournment by Respondent Waterford. = \$ 1,500.00
November 14-15, 2002 adjournment by Respondent Waterford. = \$ 1,500.00
January 15-16, 2003 adjournment by Respondent Waterford. = \$ 1,500.00

Forum Fees and Assessments

The Panel has assessed forum fees for each session conducted. A 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:

Two (2) Pre-hearing sessions with a single arbitrator @ \$900.00 = \$ 900.00
Pre-hearing conferences: June 10, 2002 1 session
January 23, 2003 1 session
Two (2) Pre-hearing sessions with Panel @ \$1,125.00 = \$2,250.00
Pre-hearing conferences: July 20, 2001 1 session
January 23, 2003 1 session
One (1) Hearing session @ \$1,125.00 = \$1,125.00
Hearing Date: February 18, 2003 1 session
Total Forum Fees = \$ 4,275.00

1. The Panel has assessed \$ 2,137.50 of the forum fees to Claimants Glosky, Palmer and Zausa, jointly and severally.
2. The Panel has assessed \$ 2,137.50 of the forum fees to Respondents Waterford and Sigrid, jointly and severally.

Fee Summary

1. Claimants Frank Glosky, William Palmer and Jack Zausa are jointly and severally liable for:

Initial Filing Fee	= \$ 300.00
<u>Forum Fees</u>	<u>= \$2,137.50</u>
Total Fees	= \$2,437.50
<u>Less payments</u>	<u>= \$1,425.00</u>
Balance Due NASD Dispute Resolution	= \$1,012.50

3. Respondent Waterford is solely liable for:

Member Fees	= \$ 4,600.00
Adjournment Fees	= \$ 5,625.00
<u>Total Fees</u>	<u>= \$10,225.00</u>
<u>Less payments</u>	<u>= \$ 4,600.00</u>
Balance Due NASD Dispute Resolution	= \$ 5,625.00

4. Respondents Waterford Financial, Inc. and Daniel Sigfrid are jointly and severally liable for:

Fee Forum Fees	= \$ 2,137.50
<u>Less Payments</u>	<u>= \$.00</u>
Balance Due NASD Dispute Resolution	= \$ 2,137.50

All balances are payable to NASD Dispute Resolution and are due upon receipt pursuant to Rule 10330(g) of the Code.

ARBITRATION PANEL

Thomas Ward, Esq.-Public Arbitrator, Presiding Chairperson
Thomas Wallace- Public Arbitrator
Susan Franz- Non-Public Arbitrator

Concurring Arbitrators' Signatures

Thomas Ward, Esq.
Public Arbitrator, Presiding Chairperson

Signature Date

Thomas Wallace
Public Arbitrator

Signature Date

Susan Franz
Non-Public Arbitrator

Signature Date

Date of Service (For NASD Dispute Resolution office use only)

NASD Dispute Resolution
Arbitration No. 00-04535
Award Page 5

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4. Respondents Waterford Financial, Inc. and Daniel Sigfrid are jointly and severally liable for:

Fee Forum Fees	= \$ 2,137.50
Less Payments	= \$ 00
Balance Due NASD Dispute Resolution	= \$ 2,137.50

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FROM :

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NASD REGULATION

NASD Dispute Resolution
Arbitration No. 00-04535
Award Page 5

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Public Arbitrator, Presiding Chairperson

Thomas Wallace
Public Arbitrator

Susan Franz
Non-Public Arbitrator

Signature Date

02-19-03

Signature Date

Signature Date

Date of Service (For NASD Dispute Resolution office use only)

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NASD REGULATION

NASD Dispute Resolution
Arbitration No. 00-04535
Award Page 5

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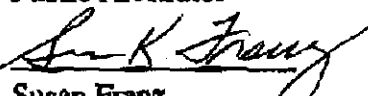
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