

Award
NASD Dispute Resolution

In the Matter of the Arbitration Between:

PEB Financial Group, Inc.,
Claimant,

Case Number: 04-02821

v.

Hearing Site: Chicago, Illinois

Michael P. Cahill, an Individual and
Waterstone Financial Group, Inc., an
Illinois Corporation,
Respondents.

Nature of the Dispute: Member vs. Member and Associated Person

REPRESENTATION OF PARTIES

PEB Financial Group, Inc. ("PEB"), hereinafter referred to as "Claimant": Michael B. Roche, Esq. and Ernie Irons, Esq. of Schuyler, Roche & Zwirner located in Chicago, Illinois.

Michael P. Cahill ("Cahill"), hereinafter referred to as "Respondent Cahill": Thomas G. Gardiner, Esq. of Gardiner Koch & Weisberg located in Chicago, Illinois.

Waterstone Financial Group, Inc. ("Waterstone"), hereinafter referred to as "Respondent Waterstone": Steve Varick, Esq. of Holland & Knight located in Chicago, Illinois.

CASE INFORMATION

Statement of Claim filed on or about: April 16, 2004

PEB signed the Uniform Submission Agreement: April 15, 2004

Amended Statement of Claim filed on or about: April 22, 2004

Statement of Answer to Amended Statement of Claim filed by Respondent Waterstone on or about: June 8, 2004

Respondent Waterstone did not submit a signed Uniform Submission Agreement.

Respondent Cahill filed an Answer to the Amended Statement of Claim on or about: May 25, 2004

Cahill's Motion for Consideration of Motion for Summary Award filed on or about: July 27, 2005

Respondent Cahill did not submit a Uniform Submission Agreement.

CASE SUMMARY

Claimant asserted the following causes of action: breach of employment agreement; conversion; breach of fiduciary duty; unfair competition; tortious interference; and violation of the Illinois

Trade Secrets Act. Claimant asserted that upon resignation from his employment with PEB, Respondent Cahill became employed with Waterstone. Cahill breach his Employment Agreement with PEB by providing client information to Waterstone and using that information to solicit PEB clients to transfer accounts to Waterstone. Claimant further asserted that Waterstone tortiously interfered with Cahill's contractual relationship with PEB by permitting Cahill to solicit, sell to, or attempt to sell to persons who have been PEB customers. Cahill and Waterstone exercised unauthorized dominion and control over PEB's business records and information and thereby converted PEB's property to their own use and economic advantage.

Unless specifically admitted in his Answer, Respondent Cahill denied the allegations made in the Statement of Claim and asserted that the claims made by Claimant had no basis in law or in fact.

Unless specifically admitted in its Answer, Respondent Waterstone denied the allegations made in the Statement of Claim and asserted that Waterstone did not induce or permit Cahill to breach any contract he had with PEB, or to convert PEB property or trade secrets.

RELIEF REQUESTED

Claimant requested for a Permanent Injunction Order restraining and enjoining Cahill, and all persons acting in concert with him, from directly or indirectly: (1) soliciting, selling or attempting to sell any product or service for a period of twenty-four months that is in any way competitive with PEB's business to any person or entity that has been a customer of PEB at any time on or after March 26, 2002; (2) using, disclosing, or transmitting for any purpose any information contained in the records of PEB, including but not limited to names, addresses and financial information of clients; and (3) requiring Cahill and Waterstone to return to PEB all originals, copies or other reproductions, in any form whatsoever, of any document, record or file of PEB, and to purge or destroy any computerized record or information made or derived from such document, record or file of PEB within Cahill's or Waterstone's possession, custody or control. Claimant further requested for unspecified damages; pre-award and post-award interest; punitive damages; costs, expenses and attorney's fees; and for further relief as the Panel deems just and equitable.

Respondent Cahill requested that all claims made against him be denied in their entirety; for attorney's fees and costs; and for further relief as this Panel considers fair and just.

Respondent Waterstone requested that all claims made against it be denied in their entirety; for costs and attorney's fees of this arbitration, as well as costs and attorney's fees associated with Claimant's filing of a motion for injunction with the Circuit Court of Cook County.

OTHER ISSUES CONSIDERED AND DECIDED

Pursuant to Claimant's motion for Temporary Restraining Order, the Circuit Court of Cook County denied Claimant's motion.

On March 15, 2006, Claimant informed NASD that it reached a confidential settlement with Respondent Michael P. Cahill and dismissed all claims against Cahill in this arbitration.

During the hearing, at the close of Claimant's case, Waterstone moved for dismissal. The Panel denied Waterstone's motion.

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, Waterstone Financial Group, Inc., is solely liable for and shall pay Claimant, PEB Financial Group, Inc. the sum of \$175,000.00 as compensatory damages, plus 5% interest to accrue from the date the Award is served until the date the Award is paid in full.
2. Respondent Waterstone's request for costs and attorney's fees associated with this arbitration, as well as costs and attorney's fees associated with the motion for injunction in the Circuit Court of Cook County is denied.
3. Any and all claims against Respondent Michael P. Cahill are dismissed with prejudice.
4. Except as otherwise specified herein, parties shall bear their own costs, including attorneys' fees.
5. Any and all relief not specifically addressed herein, including punitive damages, 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	= \$ 500.00
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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, PEB Financial Group, Inc. and Waterstone Financial Group, Inc. are parties to this proceeding and are assessed the following fees:

Member surcharge	= \$ 1,500.00
Pre-hearing process fee	= \$ 750.00
Hearing process fee	= \$ 2,200.00

Adjournment Fees

Adjournments granted during these proceedings for which fees were assessed:

July 6-8, 2005, adjournment by Claimant	= \$ 1,000.00
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Three-Day Cancellation Fees

Fees apply when a hearing on the merits is postponed or settled within three business days before the start of a scheduled hearing session:

July 6-8, 2005 adjournment by Claimant	= \$ 300.00 (waived by Panel)
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Injunctive Relief Fees

Injunctive relief fees are assessed to each member or associated person who files for a temporary injunction in court. Parties in these cases are also assessed arbitrator travel expenses and costs when an arbitrator is required to travel outside his or her hearing location and additional arbitrator honoraria for the hearing for permanent injunction. These fees, except the injunctive relief surcharge, are assessed equally against each party unless otherwise directed by the panel.

1. Member firm, PEB Financial Group, Inc., is assessed:

Injunctive relief surcharge = \$ 2,500.00

Forum Fees and Assessments

The Panel has assessed forum fees for each session conducted or each decision rendered on a discovery-related motion on the papers. 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:

Three (3) Pre-hearing sessions with a single arbitrator @ \$450.00 = \$ 1,350.00

Pre-hearing conferences: April 11, 2005 1 session
June 30, 2005 1 session
November 18, 2005 1 session

Two (2) Pre-hearing sessions with Panel @ \$1,000.00 = \$ 2,000.00

Pre-hearing conferences: August 23, 2004 1 session
July 6, 2005 1 session

Seventeen (17) Hearing sessions @ \$1,000.00 = \$17,000.00

Hearing Dates: September 27, 2005 2 sessions
September 28, 2005 2 sessions
September 29, 2005 2 sessions
November 30, 2005 2 sessions
December 1, 2005 2 sessions
December 2, 2005 2 sessions
March 21, 2006 2 sessions
March 22, 2006 1 session
March 23, 2006 2 sessions

Total Forum Fees = \$20,350.00

1. The Panel has assessed 50% of the total forum fees in the amount of \$10,175.00 solely to Claimant PEB Financial Group, Inc.
2. The Panel has assessed 50% of the total forum fees in the amount of \$10,175.00 solely to Waterstone Financial Group, Inc.

Administrative Costs

Administrative costs are expenses incurred due to a request by a party for special services beyond the normal administrative services. These include, but not limited to, additional copies of arbitrator awards, copies of audio transcripts, retrieval of documents from archives, interpreters, and security.

1. Waterstone Financial Group, Inc. requested copies of tapes = \$ 150.00

Fee Summary

1. Claimant, PEB Financial Group, Inc. is solely liable for:

Initial Filing Fee	= \$ 500.00
Member Fees	= \$ 4,450.00
Injunctive Relief Fees	= \$ 2,500.00
Adjournment Fee	= \$ 1,000.00
Forum Fees	= \$10,175.00
Total Fees	= \$18,625.00
<u>Less payments</u>	<u>= \$ 8,450.00</u>
Balance Due NASD Dispute Resolution	= \$10,175.00

2. Respondent, Waterstone Financial Group, Inc. is solely liable for:

Member Fees	= \$ 4,450.00
Forum Fees	= \$10,175.00
<u>Administrative Costs</u>	<u>= \$ 150.00</u>
Total Fees	= \$14,775.00
<u>Less payments</u>	<u>= \$ 4,450.00</u>
Balance Due NASD Dispute Resolution	= \$10,325.00

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

ARBITRATION PANEL

Thomas F. Mahoney, Esq.	-	Public Arbitrator, Presiding Chairperson
David L. Tornga, Esq.	-	Public Arbitrator
Robert J. Larson	-	Non-Public Arbitrator

Concurring Arbitrators' Signatures

/s/ Thomas F. Mahoney, Esq.
Thomas F. Mahoney, Esq.
Public Arbitrator, Presiding Chairperson

3/24/06
Signature Date

/s/ David L. Tornga, Esq.
David L. Tornga, Esq.
Public Arbitrator

3/27/06
Signature Date

/s/ Robert L. Larson
Robert L. Larson
Non-Public Arbitrator

3/24/06
Signature Date

3/27/06
Date of Service (For NASD Dispute Resolution use only)

NASD Dispute Resolution
Arbitration No. 04-02821
Award Page 5 of 2

Fee Summary

1. Claimant, PED Financial Group, Inc. is solely liable for:	
Initial Filing Fee	= \$ 500.00
Member Fees	= \$ 4,450.00
Injunctive Relief Fees	= \$ 2,500.00
Adjournment Fee	= \$ 1,000.00
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Less payments	= \$ 8,450.00
Balance Due NASD Dispute Resolution	= \$10,175.00
2. Respondent, Waterstone Financial Group, Inc. is solely liable for:	
Member Fees	= \$ 4,450.00
Forum Fees	= \$10,175.00
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24 MARCH 06
Signature Date

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Public Arbitrator

Signature Date

Robert L. Larson
Non-Public Arbitrator

Signature Date

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NASD Dispute Resolution
Arbitration No. 04-02821
Award Page 5 of 5

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Public Arbitrator, Presiding Chairperson

Signature Date


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Public Arbitrator

3-27-06
Signature Date

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03/24/2006

Signature Date

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