

**STIPULATED AWARD
NASD Dispute Resolution**

In the Matter of the Arbitration Between

Name of Claimant

Philip R. Kraus

and

04-03373
Kansas City, Missouri

Name of Respondents

Signator Investors, Inc.
James Arthur Gallogly, d/b/a The Heartland Gallogly Agency
Stephen Dewey Godfrey, III

Nature of the Dispute: Customer vs. Member, Associated Person and Non-Member.

REPRESENTATION OF PARTIES

Philip R. Kraus ("**Claimant**") was represented by John J. Miller, Esq., Law Office of John J. Miller, P.C., Kansas City, Missouri.

Signator Investors, Inc. ("**Respondent Signator**") was represented by W. Perry Brandt, Esq. Bryan Cave, LLP., Kansas City, Missouri.

James Arthur Gallogly, d/b/a The Heartland Gallogly Agency ("**Respondent Gallogly**") was represented by Luigi Spadafora, Esq., Winget Spadafora & Schwartzberg, LLP., New York, New York.

Stephen Dewey Godfrey, III ("**Respondent Godfrey**") was represented by Mark A. Olthoff, Esq., Shughart Thomson & Kilroy, Kansas City, Missouri.

CASE INFORMATION

The Statement of Claim was filed on or about May 14, 2004. Submission Agreement of Claimant Philip R. Kraus was signed on April 27, 2004.

Statement of Answer was filed by Respondent Signator Investors, Inc. on or about August 3, 2004. Submission Agreement of Signator Investors, Inc. was signed on August 10, 2004.

Statement of Answer and Motion to Dismiss was filed by Respondent James Arthur Gallogly, d/b/a The Heartland Gallogly Agency on or about August 2, 2004.

Statement of Answer was filed by Respondent Stephen Dewey Godfrey, III on or about July 27, 2004. Submission Agreement of Respondent Stephen Dewey Godfrey, III was signed on June 25, 2004.

CASE SUMMARY

Claimant asserted the following causes of action: (1) Violations of Kansas Securities Act; (2) Misrepresentation and Omission; (3) Negligence; and (4) Breach of Fiduciary Duty. The causes of action relate to stocks and stock mutual funds.

Unless specifically admitted in his Answer, Respondent Gallogly denied the allegations of wrongdoing set forth in the Statement of Claim and Respondent Gallogly asserted various affirmative defenses, including: (1) Mr. Gallogly did not guarantee the Claimant's return on any investments; (2) the Claimant contributed to and/or assumed the risk of any and all alleged losses; (3) any losses sustained by the Claimant resulted solely from the vagaries and volatilities of the securities markets, and not from any purported wrongdoing by Mr. Gallogly; (4) Mr. Gallogly fully complied with all applicable rules and regulations regarding supervision; (5) the Claimant's investment portfolios must be considered in their entirety, and not just with respect to selected investments with which they might be unhappy; (6) Claimant approved, authorized and/or ratified the acts complained of and, accordingly, are precluded from asserting claims based on those decisions as a basis for recovery; (7) the Claimant's claims are barred by the doctrines of estoppel, waiver, ratification and laches; (8) Claimant failed to mitigate the alleged damages; (9) Claimant's claims are time-barred by virtue of the expiration of the applicable statutes of limitation; (10) all risks concerning the Claimant's investments were properly disclosed to the Claimant; (11) Claimant cannot assert claims based upon alleged violations of the Rules of the National Association of Securities Dealers, Inc. the New York Stock Exchange, Inc. or any other self-regulatory organization because there is no private right of action for such alleged violations as a matter of law; (12) Claimant has failed to assert a cause of action against Mr. Gallogly upon which relief can be granted; and (13) Claimant is not entitled to punitive damages because no wrongdoing has occurred, and because they are not available as a matter of law.

Respondent Signator asserted the following affirmative defenses: (1) Claimant fails to state a cause of action against Respondents; (2) Claimant fails to plead fraud with particularity; (3) Signator acted properly and diligently, and Signator adequately supervised its agents, employees, and representatives with respect to Claimant's accounts and complied with all relevant laws, rules, regulations, and policies regarding the duty of supervision; (4) Signator acted in good faith at all times and did not induce the acts alleged to constitute violations of law; (5) the damages allegedly suffered by Claimant have no causal relationship to any act committed by Signator or legally attributable to Signator; (6) Claimant is estopped by his conduct from maintaining this action against Signator; (7) the Statement of Claim is barred by the doctrines of ratification and affirmation; (8) the damages, if any, alleged to have been sustained by Claimant were caused, in whole or in part, by Claimant; (9) Claimant did not reasonably rely to his detriment upon any representation or action

made by Signator or any of its agents, representatives, or employees; (10) the transaction complained of in the Statement of Claim were duly authorized by Claimant; (11) Claimant failed to allege any basis for punitive damages; (12) Claimant failed to mitigate his damages; (13) Claimant's relationship with Respondents is of a contractual nature; therefore, any tort for economic losses barred as a matter of law; (14) the Statement of Claim is barred by waiver; (15) the Statement of Claim is barred by assumption of risk; (16) the Statement of Claims is barred by contributory fault/negligence; (17) The decline in value of the Claimant's accounts represents, in part, the declination of the market generally, with respect to which Claimant assumed all the risk and which does not represent a loss; (18) if the conduct of registered representative Godfrey and/or general agent Gallogly was inappropriate in any manner, the alleged actions or omissions were outside the scope of their authority, and Signator is not responsible for said actions; and (19) Signator reserves the right to amend its Answer and to assert additional affirmative defenses as its investigation and discovery proceeds, as permitted by the NASD Code of Arbitration Procedure.

Respondent Godfrey asserted the following affirmative defenses: (1) Godfrey denies each and every allegation not specifically admitted; (2) Claimant failed to state a claim upon which relief can be granted; (3) Claimant failed to mitigate some or all of his damages; (4) Godfrey acted reasonably, in good faith, and in accordance with any applicable rules or standards; (5) Claimant's claims are barred in whole or in part by the applicable statutes of limitation; (6) Claimant's claims are barred in whole or in part by the doctrines of ratification, waiver, estoppel, laches and/or consent; (7) Claimant's claims are barred in whole or in part by the express or implied terms, limitations and disclaimer set forth in agreements between the parties, including but not limited to the Financial Planning Agreement; (8) Claimant's claims are barred by reason of his failure to perform all conditions precedent; (9) Claimant was knowledgeable of market risks, knowingly invested funds and made investment decisions which necessarily included some risks attendant thereto, including, but not limited to, periodic declines in returns on investments and/or losses of funds; (10) Claimant's request for punitive damages is barred or limited by applicable state and federal statutes and constitutional provisions; (11) Claimant has not suffered any damages as a direct result of an act by defendant Godfrey; (12) Claimant's claims are barred, in whole or in part, because the acts or omissions of persons other than defendant Godfrey – including but not limited to Claimant – are the sole, intervening or superseding cause of any damages Claimant claims he has suffered; (13) Claimant's claim for punitive damages must be proven with clear and convincing evidence which does not exist; (14) Claimant's claims are barred for the reason that defendant Godfrey at all times acted with good faith; (15) Claimant's claims are barred by reason of an intervening cause beyond the control of any defendant, namely a general, unforeseen and precipitous decline in the markets affecting all investors; (16) Claimant's claims of misrepresentation are barred for the reason that Claimant's claims cannot be predicated on the occurrence of future, unknown events and/or do not rise to the level of fraud; (17) Godfrey incorporates all other defenses otherwise applicable in the underlying action and/or asserted by other Respondents to the underlying action; and (18) Godfrey reserves the right to amend his Answering Statement and to assert other affirmative defenses as may be supported by facts revealed in discovery and as permitted by the NASD Code of Arbitration Procedure.

RELIEF REQUESTED

Claimants requested \$200,000.00 in compensatory damages, disgorgement, interest, punitive damages and fees.

Respondents requested dismissal of the Statement of Claim in its entirety and expungement of this action from Mr. Gallogly's CRD record, costs, expenses and forum fees.

OTHER ISSUES CONSIDERED & DECIDED

Respondent James Arthur Gallogly, d/b/a The Heartland Gallogly Agency did not file with NASD Dispute Resolution a properly executed submission to arbitration but is required to submit to arbitration pursuant to Rule 10301 of the NASD Code of Arbitration Procedure (the "Code") and having answered the claim is bound by the determination of the Panel on all issues submitted.

Respondent Gallogly filed a Motion to Dismiss, which was denied.

The parties have agreed that the Stipulated Award in this matter may be executed in counterpart copies or that a handwritten, signed Stipulated 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 (the "NASD").

AWARD

The parties entered into an agreement to present to the Panel a Stipulated Award. Now, in lieu of a hearing and upon motion of both parties for an entry of an award, the written stipulation thereto, the Panel grants the motion and enters this award granting the following relief:

1. The Panel recommends the expungement of all reference to the above captioned arbitration from Respondent Gallogly's registration records maintained by the Central Registration Depository ("CRD"), with the understanding that pursuant to NASD Notices to Members 04-16, Respondent Gallogly must obtain confirmation from a court of competent jurisdiction before the CRD will execute the expungement directive.
2. Unless specifically waived in writing by the NASD, parties seeking judicial confirmation of an arbitration award containing expungement relief must name NASD as an additional party and serve NASD with all appropriate documents.
3. 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.

4. 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 or otherwise provided for above.

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(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(s) is Signator Investors, Inc.

Member surcharge	\$	1,700.00
Pre-hearing process fee	\$	750.00
Hearing process fee	\$	2,750.00
Total Member Fees	\$	<u>5,200.00</u>

Adjournment Fees

Adjournments requested during these proceedings:

July 19-22, 2005, mediation adjournment requested by Kraus and Signator Investors = \$1,125.00

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:

3 Pre-hearing session(s) with Panel	x	1,125.00	\$	3,375.00
October 20, 2004	1	session		
November 29, 2004	1	session		
December 1, 2004	1	session		
Total Forum Fees			\$	<u>3,375.00</u>

The Arbitration Panel has assessed \$843.50 of the forum fees to Philip R. Kraus.
The Arbitration Panel has assessed \$843.50 of the forum fees to Signator Investors, Inc.
The Arbitration Panel has assessed \$843.50 of the forum fees to James Arthur Gallogly, d/b/a The Heartland Gallogly Agency.
The Arbitration Panel has assessed \$843.50 of the forum fees to Stephen Dewey Godfrey.

Fee Summary

Claimant, Philip R. Kraus, is liable for:

Initial Filing Fee	= \$	300.00
Mediation Adjournment Fee	= \$	562.50
<u>Forum Fees</u>	= \$	<u>843.50</u>
Total Fees	= \$	1,706.00
<u>Less payments</u>	= \$	<u>-1,425.00</u>
Balance Due NASD Dispute Resolution	= \$	281.00

Respondent, Signator Investors, Inc., is liable for:

Member Fees	= \$	5,200.00
Adjournment Fee	= \$	562.50
<u>Forum Fees</u>	= \$	<u>843.50</u>
Total Fees	= \$	6,606.00
<u>Less payments</u>	= \$	<u>-5,200.00</u>
Balance Due NASD Dispute Resolution	= \$	1,406.00

Respondent, James Arthur Gallogly, d/b/a The Heartland Gallogly Agency is liable for:

<u>Forum Fees</u>	= \$	<u>843.50</u>
Total Fees	= \$	843.50
<u>Less payments</u>	= \$	<u>-0.00</u>
Balance Due NASD Dispute Resolution	= \$	843.50

Respondent, Stephen Dewey Godfrey is liable for:

<u>Forum Fees</u>	= \$	843.50
Total Fees	= \$	843.50
<u>Less payments</u>	= \$	-843.50
Balance Due NASD Dispute Resolution	= \$	0.00

All balances are due to NASD Dispute Resolution

ARBITRATION PANEL

Roger M. Philips, Esq. - Public Arbitrator, Presiding Chair
M.W. Gear - Public Arbitrator
John R. Lepley, CFP, Esq. - Non-Public Arbitrator

Concurring Arbitrators:

/s/ Roger M. Phillips
Roger M. Philips, Esq.
Public Arbitrator, Presiding Chair

04/13/06
Signature Date

/s/ M. W. Gear
M.W. Gear
Public Arbitrator

04/13/06
Signature Date

/s/ John R. Lepley
John R. Lepley, CFP, Esq.
Non-Public Arbitrator

04/13/06
Signature Date

4/21/06
Date of Service (For NASD office use only)

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Respondent, Stephen Dewey Godfrey is liable for:

<u>Forum Fees</u>	= \$	843.50
<u>Total Fees</u>	= \$	843.50
<u>Less payments</u>	= \$	-843.50
Balance Due NASD Dispute Resolution	= \$	0.00

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Roger M. Philips, Esq.
Public Arbitrator, Presiding Chair

Signature Date



M.W. Gear

4/13/06

Signature Date

M.W. Gear
Public Arbitrator

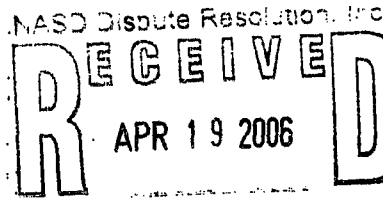
Signature Date

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NASD Dispute Resolution
Arbitration No. 04-03373
Stipulated Award Page 7 of 7



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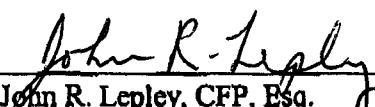
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Non-Public Arbitrator

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