

**STIPULATED AWARD
NASD Dispute Resolution**

In the Matter of the Arbitration Between

Name of Claimant

Larry Kraus and Sharon Kraus

and

04-06045
Kansas City, Missouri

Name of Respondents

Signator Investors, Inc.
James Arthur Gallogly, d/b/a The Heartland Gallogly Agency
Stephen Dewey Godfrey, III
[R4]

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

REPRESENTATION OF PARTIES

Larry Kraus and Sharon Kraus ("Claimants") were represented by John J. Miller, Esq., Kansas City, Missouri.

Signator Investors, Inc. ("Respondent Signator") was represented by W. Perry Brandt, Esq., Bryan Cave, 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 Olthoff, Esq., Shughart Thomson & Kilroy, PC., Kansas City, Missouri.

CASE INFORMATION

The Statement of Claim was filed on or about August 24, 2004. Submission Agreement of Larry Kraus was signed on August 24, 2004. Submission Agreement of Sharon Kraus was signed on August 24, 2004.

Statement of Answer was filed by Respondent Signator Investors, Inc. on or about November 8, 2004. Submission Agreement of Respondent Signator Investors, Inc. was signed on August 18, 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 November 1, 2004.

Statement of Answer was filed by Respondent Stephen Dewey Godfrey, III on or about October 18, 2004. Submission Agreement of Respondent Stephen Dewey Godfrey, III was signed on October 8, 2004.

CASE SUMMARY

Claimants 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 asserted various affirmative defenses, including: (1) Mr. Gallogly did not guarantee the Claimants' return on any investments; (2) the Claimants contributed to and/or assumed the risk of any and all alleged losses; (3) any losses sustained by the Claimants 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 Claimants' investment portfolios must be considered in their entirety, and not just with respect to selected investments with which they might be unhappy; (6) the Claimants 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 Claimants' claims are barred by the doctrines of estoppel, waiver, ratification and laches; (8) the Claimants failed to mitigate the alleged damages; (9) the Claimants' claims are time-barred by virtue of the expiration of the applicable statutes of limitation; (10) all risks concerning the Claimants' investments were properly disclosed to the Claimants; (11) the Claimants 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) the Claimants have failed to assert a cause of action against Mr. Gallogly upon which relief can be granted; (13) the Claimants are not entitled to punitive damages because no wrongdoing has occurred, and because they are not available as a matter of law.

Additionally, Respondent Gallogly submitted a Motion to Dismiss, which was denied.

Respondent Signator asserted the following affirmative defenses: (1) Claimants fail to state a cause of action against Signator; (2) Claimants fail to plead fraud with particularity; (3) Signator acted properly and diligently, and Signator adequately supervised its agents, employees, and representatives with respect to Claimants' 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 Claimants have no causal relationship to any act committed by Signator or legally attributable to Signator; (6) Claimants are estopped by their 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 Claimants were caused, in whole or in part, by Claimants; (9) Claimants did not reasonably rely to their 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 Claimants; (11) Claimants failed to allege any basis for punitive damages; (12) Claimants failed to mitigate their damages; (13) Claimants' relationship with Signator 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 Claims is barred by assumption of risk; (16) the Statement of Claims is barred by contributory fault/negligence; (17) the decline in value of the Claimants' accounts represents, in part, the declination of the market generally, with respect to which Claimants 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; (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) Claimants failed to state a claim upon which relief can be granted; (3) Claimants failed to mitigate some or all of their damages; (4) Godfrey acted reasonably, in good faith, and in accordance with any applicable rules or standards; (5) Claimants' claims are barred in whole or in part by the applicable statutes of limitation; (6) Claimants' claims are barred in whole or in part by the doctrines of ratification, waiver, estoppel, laches and/or consent; (7) Claimants' 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) Claimants' claims are barred by reason of his failure to perform all conditions precedent; (9) Claimants were 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) Claimants' request for punitive damages is barred or limited by applicable state and federal statutes and constitutional provisions; (11) Claimants have not suffered any damages as a direct result of an act by defendant Godfrey; (12) Claimants' claims are barred, in whole or in part, because the acts or omissions of persons other than defendant Godfrey – including but not limited to Claimants – are the sole, intervening or superseding cause of any damages Claimants claims he has suffered; (13) Claimants' claim for punitive damages must be proven with clear and convincing evidence which does not exist; (14) Claimants' claims are barred for the reason that defendant Godfrey at all times acted with good faith; (15) Claimants' 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) Claimants' claims of misrepresentation are barred for the reason that Claimants' 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 \$250,000.00 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 did not file with the 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 arbitration 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 James 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	\$	5,200.00

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:

1 Pre-hearing session(s) with Panel	x	1,125.00	\$	1,125.00
January 6, 2005	1	session		
Total Forum Fees			\$	1,125.00

The Arbitration Panel has assessed \$281.25 of the forum fees to Larry Kraus and Sharon Kraus.
The Arbitration Panel has assessed \$281.25 of the forum fees to Signator Investors, Inc.
The Arbitration Panel has assessed \$281.25 of the forum fees to James Arthur Gallogly, d/b/a The Heartland Gallogly Agency.
The Arbitration Panel has assessed \$281.25 of the forum fees to Stephen Dewey Godfrey, III.

Fee Summary

Claimants, Larry Kraus and Sharon Kraus are jointly and severally liable for:

Initial Filing Fee	= \$	300.00
<u>Forum Fees</u>	= \$	281.25
Total Fees	= \$	581.25
<u>Less payments</u>	= \$	-1,425.00
Balance to be refunded by NASD Dispute Resolution	= \$	- 843.75

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

Member Fees	= \$	5,200.00
<u>Forum Fees</u>	= \$	281.25
Total Fees	= \$	5,481.25
<u>Less payments</u>	= \$	-5,200.00
Balance Due NASD Dispute Resolution	= \$	281.25

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

<u>Forum Fees</u>	= \$	281.25
Total Fees	= \$	281.25
<u>Less payments</u>	= \$	-0.00
Balance Due NASD Dispute Resolution	= \$	281.25

Respondent, Stephen Dewey Godfrey, III is liable for:

<u>Forum Fees</u>	= \$	281.25
Total Fees	= \$	281.25
<u>Less payments</u>	= \$	-0.00
Balance Due NASD Dispute Resolution	= \$	281.25

All balances are due to NASD Dispute Resolution

ARBITRATION PANEL

Frank D. Connett, Jr., Esq. - Public Arbitrator, Presiding Chair
W. Richard Keene - Public Arbitrator
Frank A. Toplikar - Non-Public Arbitrator

Concurring Arbitrators:

/s/ Frank D. Connett, Jr.
Frank D. Connett, Jr., Esq.
Public Arbitrator, Presiding Chair

04/05/06
Signature Date

/s/ W. Richard Keene
W. Richard Keene
Public Arbitrator

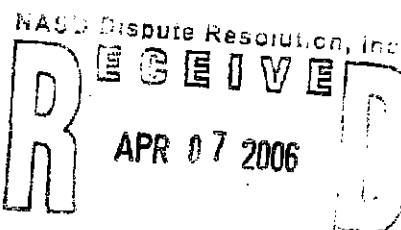
04/05/06
Signature Date

/s/ Frank A. Toplikar
Frank A. Toplikar
Non-Public Arbitrator

04/03/06
Signature Date

4/11/06
Date of Service (For NASD office use only)

NASD Dispute Resolution
Arbitration No. 04-06045
Stipulated Award Page 7 of 7



ARBITRATION PANEL

Frank D. Connett, Jr., Esq. - Public Arbitrator, Presiding Chair
W. Richard Keene - Public Arbitrator
Frank A. Toplikar - Non-Public Arbitrator

Concurring Arbitrators:

Frank D. Connett, Jr.
Frank D. Connett, Jr., Esq.
Public Arbitrator, Presiding Chair

4/5/06
Signature Date

W. Richard Keene
W. Richard Keene
Public Arbitrator

Signature Date

Frank A. Toplikar
Frank A. Toplikar
Non-Public Arbitrator

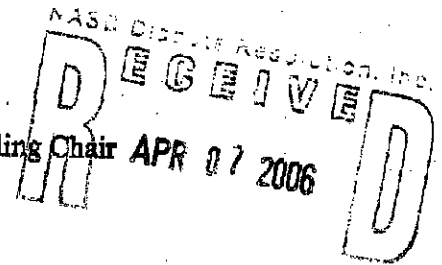
Signature Date

Date of Service (For NASD office use only)

NASD Dispute Resolution
Arbitration No. 04-06045
Stipulated Award Page 7 of 7

ARBITRATION PANEL

Frank D. Connett, Jr., Esq. - Public Arbitrator, Presiding Chair
W. Richard Keene - Public Arbitrator
Frank A. Toplikar - Non-Public Arbitrator



Concurring Arbitrators:

Frank D. Connett, Jr., Esq.
Public Arbitrator, Presiding Chair

W. Richard Keene

W. Richard Keene
Public Arbitrator

Signature Date

4/05/06

Signature Date

Frank A. Toplikar
Non-Public Arbitrator

Signature Date

Date of Service (For NASD office use only)

ARBITRATION PANEL

Frank D. Connett, Jr., Esq. - Public Arbitrator, Presiding Chair
W. Richard Keene - Public Arbitrator
Frank A. Toplikar - Non-Public Arbitrator

Concurring Arbitrators:

Frank D. Connett, Jr., Esq.
Public Arbitrator, Presiding Chair

Signature Date

W. Richard Keene
Public Arbitrator

Signature Date



Frank A. Toplikar
Non-Public Arbitrator

4/3/06

Signature Date

Date of Service (For NASD office use only)

NASD Dispute Resolution, Inc.

R **RECEIVED** **D**
APR 10 2006