

AWARD
FINRA Dispute Resolution

In the Matter of the Arbitration Between:

Names of Claimants

Louis Bosco, Annette Bosco, The Bosco Family Trust DTD 7/31/96, by its Trustees Louis and Annette Bosco, The Bosco Family Trust DTD 6/25/96, by its Trustees Louis and Annette Bosco, Mary Borowiak, The Mary Borowiak Trust, by its Trustee, Mary Borowiak, Michael Borowiak, Richard Rubel, and Diane Rubel

vs.

Case Number: 10-01778
Hearing Site: Chicago, Illinois

Names of Respondents

Community Bankers Securities, LLC,
Waterford Investor Services, Inc., George J. Gilbert,
AIC, Inc., Nicholas D. Skaltsounis, and
James Marvin Mitchell

NATURE OF THE DISPUTE

Customers vs. Member, Terminated Member, Non-Member, and Associated Persons

REPRESENTATION OF PARTIES

Louis Bosco, Annette Bosco, The Bosco Family Trust DTD 7/31/96, by its Trustees Louis and Annette Bosco, The Bosco Family Trust DTD 6/25/96, by its Trustees Louis and Annette Bosco, Mary Borowiak, The Mary Borowiak Trust, by its Trustee, Mary Borowiak, Michael Borowiak, Richard Rubel, and Diane Rubel, hereinafter collectively referred to as "Claimants," were represented by W. Scott Greco, Esq., Greco & Greco, P.C., McLean, Virginia.

Community Bankers Securities, LLC ("CBS") was represented by Steven S. Biss, Esq., Charlottesville, Virginia.

Waterford Investor Services, Inc. ("Waterford") was represented by Dennis J. Kelly, Esq., and Hsiao C. (Mark) Mao, Esq., Dillingham & Murphy, LLP, San Francisco, California until on or about January 17, 2011. After that date, Waterford was represented by Steven S. Biss, Esq., Charlottesville, Virginia.

AIC, Inc. ("AIC") did not appear.

Nicholas D. Skaltsounis ("Skaltsounis") was represented by Dennis J. Kelly, Esq., and Hsiao C. (Mark) Mao, Esq., Dillingham & Murphy, LLP, San Francisco, California until on or about January 17, 2011. After that date, Skaltsounis appeared pro se.

George J. Gilbert ("Gilbert") initially appeared pro se. At the hearing, Gilbert was represented by Steven S. Biss, Esq., Charlottesville, Virginia.

James Marvin Mitchell did not appear.

CASE INFORMATION

The Statement of Claim was filed on or about April 14, 2010. The Submission Agreement of Claimant, Louis Bosco, was signed on or about March 30, 2010. The Submission Agreement of Claimant, Annette Bosco, was signed on or about March 30, 2010. The Submission Agreement of Claimant, The Bosco Family Trust DTD 7/31/96, was signed on or about March 30, 2010 by Louis Bosco, Trustee and Annette Bosco, Trustee. The Submission Agreement of Claimant, The Bosco Family Trust DTD 6/25/96, was signed on or about March 30, 2010 by Louis Bosco, Trustee and Annette Bosco, Trustee. The Submission Agreement of Claimant, Mary Borowiak, was signed on or about March 31, 2010. The Submission Agreement of Claimant, The Mary Borowiak Trust, was signed on or about March 31, 2010 by Mary Borowiak, Trustee. The Submission Agreement of Claimant, Michael Borowiak, was signed on or about March 31, 2010. The Submission Agreement of Claimant, Richard Rubel, was signed on or about March 31, 2010. The Submission Agreement of Claimant, Diane Rubel, was signed on or about March 31, 2010. On or about April 25, 2011, Claimants filed a Response to CBS's Motion for Sanctions.

The Statement of Answer and Motion for Sanctions was filed by CBS on or about April 4, 2011. The Submission Agreement of CBS was signed on or about November 11, 2010.

The Statement of Answer was filed by Waterford on or about June 15, 2010. Waterford is the successor in interest to CBS. Waterford Investor Services, Inc. changed its name to Allied Beacon Partners, Inc. The Submission Agreement of Allied Beacon Partners, Inc. f/k/a Waterford Investor Services, Inc. was signed on or about May 15, 2013.

CASE SUMMARY

Claimants asserted the following causes of action: securities fraud and common law fraud; securities recommended and purchased were unsuitable under Illinois law, Federal law, and FINRA conduct rules; failure to conduct proper due diligence on recommended product; negligence; breach of fiduciary duty; violation of the Illinois Consumer Fraud and Deceptive Practices Act; breach of contract; and firm and controlling person liability. The

causes of action related to the recommendation, purchase and investment in private placements in Medical Capital, LLC and Shale Royalties. Claimants alleged that the investments were fraudulent Ponzi schemes and that Respondents failed to conduct proper due diligence, which would have uncovered facts about the true nature of the investments.

Unless specifically admitted in its Answer, CBS denied the allegations made in the Statement of Claim and asserted affirmative defenses.

Unless specifically admitted in its Answer, Waterford denied the allegations made in the Statement of Claim and asserted affirmative defenses.

RELIEF REQUESTED

Claimants requested an award in the amount of:

Actual/Compensatory Damages	\$1,107,000.00
Exemplary/Punitive Damages	Unspecified
Interest	Unspecified
Attorneys' Fees	Unspecified
Other Costs	Unspecified
Other Monetary Relief	Unspecified

At the close of the hearing, Claimants requested:

Compensatory Damages	\$1,227,638.22
Exemplary/Punitive Damages	Unspecified
Interest	Unspecified
Attorneys' Fees	Unspecified
Other Costs	Unspecified
Other Monetary Relief	Unspecified

CBS requested that the claims asserted against it be dismissed in their entirety and that it be awarded its costs and attorneys' fees.

Waterford requested that the claims asserted against it be denied in their entirety and that it be awarded its costs and attorneys' fees.

OTHER ISSUES CONSIDERED & DECIDED

The Arbitrators acknowledge that they have each read the pleadings and other materials filed by the parties.

On or about September 2, 2010, Respondent, Nicholas D. Skaltsounis, filed for bankruptcy under the United States Bankruptcy Code. In accordance with these filings, all claims against Respondent, Nicholas D. Skaltsounis, are indefinitely stayed. Therefore, the Panel made no determination with respect to the claims against Respondent Nicholas D. Skaltsounis.

Respondents, George J. Gilbert and James Marvin Mitchell, did not file with FINRA Dispute Resolution properly executed Submission Agreements but are required to submit to arbitration pursuant to the Code and, having appeared and testified at the hearing are bound by the determination of the Panel on all issues submitted.

Respondent AIC, Inc., is not a member or associated person of FINRA and did not voluntarily submit to arbitration. Therefore, the Panel made no determination with respect to Claimants' claims against Respondent, AIC, Inc.

On or about November 30, 2010, Waterford filed a Motion to Dismiss. On or about December 22, 2010, Claimants filed a Response in Opposition to Waterford's Motion to Dismiss.

On or about January 24, 2011, the Panel conducted a pre-hearing telephone conference regarding Waterford's Motion to Dismiss. During the pre-hearing, Waterford made an oral Motion to Withdraw its Motion to Dismiss. In its Order dated January 24, 2011, the Panel granted Waterford's oral Motion to Withdraw its Motion to Dismiss.

On or about February 5, 2013, Claimant filed a Motion to Amend the Pleadings to Reflect Waterford's Name Change to Allied Beacon Partners, Inc. No responses were filed.

In its Order dated February 27, 2013, the Panel granted Claimants' Motion to Amend the Pleadings to Reflect Waterford's Name Change to Allied Beacon Partners, Inc.

Upon review of the file and the representations made by/on behalf of the Claimants, the undersigned Panel determined that Respondent, James Marvin Mitchell, has been properly served with the Statement of Claim and received due notice of the hearing, and that arbitration of the matter would proceed without said Respondent, James Marvin Mitchell, present, in accordance with the Code of Arbitration Procedure (the "Code").

At the hearing, Service for Default was proven against James Marvin Mitchell who testified via telephone pursuant to subpoena and indicated his knowledge of the proceedings and hearing and waived participation in the hearing other than to testify.

The parties have agreed that the Award in this matter may be executed in counterpart copies or that a handwritten, signed Award may be entered.

AWARD

After considering the pleadings, the testimony, and the evidence presented at the hearing the Panel has decided in full and final resolution of the issues submitted for determination as follows:

- 1.) Respondents, Allied Beacon Partners, Inc. f/k/a Waterford Investor Services, Inc., Community Bankers Securities, LLC, George J. Gilbert, and James Marvin Mitchell, are jointly and severally liable for and shall pay to Claimant, The Bosco Family Trust DTD 6/25/96, the sum of \$600,000.00 in compensatory damages;
- 2.) Respondents, Allied Beacon Partners, Inc. f/k/a Waterford Investor Services, Inc., Community Bankers Securities, LLC, George J. Gilbert, and James Marvin Mitchell, are jointly and severally liable for and shall pay to Claimant, The Bosco Family Trust DTD 6/25/96, interest on the above-stated sum at the rate of 10% per annum from and including April 14, 2010 through and including the date this Award is paid in full;
- 3.) Respondents, Allied Beacon Partners, Inc. f/k/a Waterford Investor Services, Inc., Community Bankers Securities, LLC, George J. Gilbert, and James Marvin Mitchell, are jointly and severally liable for and shall pay to Claimant, Michael Borowiak, the sum of \$28,000.00 in compensatory damages;
- 4.) Respondents, Allied Beacon Partners, Inc. f/k/a Waterford Investor Services, Inc., Community Bankers Securities, LLC, George J. Gilbert, and James Marvin Mitchell, are jointly and severally liable for and shall pay to Claimant, Michael Borowiak, interest on the above-stated sum at the rate of 10% per annum from and including April 14, 2010 through and including the date this Award is paid in full;
- 5.) Respondents, Allied Beacon Partners, Inc. f/k/a Waterford Investor Services, Inc., Community Bankers Securities, LLC, George J. Gilbert, and James Marvin Mitchell, are jointly and severally liable for and shall pay to Claimant, Mary Borowiak, the sum of \$376,000.00 in compensatory damages;

- 6.) Respondents, Allied Beacon Partners, Inc. f/k/a Waterford Investor Services, Inc., Community Bankers Securities, LLC, George J. Gilbert, and James Marvin Mitchell, are jointly and severally liable for and shall pay to Claimant, Mary Borowiak, interest on the above-stated sum at the rate of 10% per annum from and including April 14, 2010 through and including the date this Award is paid in full;
- 7.) Respondents, Allied Beacon Partners, Inc. f/k/a Waterford Investor Services, Inc., Community Bankers Securities, LLC, George J. Gilbert, and James Marvin Mitchell, are jointly and severally liable for and shall pay to Claimants, Richard Rubel and Diane Rubel, the sum of \$196,000.00 in compensatory damages;
- 8.) Respondents, Allied Beacon Partners, Inc. f/k/a Waterford Investor Services, Inc., Community Bankers Securities, LLC, George J. Gilbert, and James Marvin Mitchell, are jointly and severally liable for and shall pay to Claimants, Richard Rubel and Diane Rubel, interest on the above-stated sum at the rate of 10% per annum from and including April 14, 2010 through and including the date this Award is paid in full;
- 9.) Respondents, Allied Beacon Partners, Inc. f/k/a Waterford Investor Services, Inc., Community Bankers Securities, LLC, George J. Gilbert, and James Marvin Mitchell, are jointly and severally liable for and shall pay to Claimants, The Bosco Family Trust DTD 6/25/96, Michael Borowiak, Mary Borowiak, Richard Rubel, and Diane Rubel, the sum of \$7,500.00 in costs;
- 10.) Respondents, Allied Beacon Partners, Inc. f/k/a Waterford Investor Services, Inc., Community Bankers Securities, LLC, George J. Gilbert, and James Marvin Mitchell, are jointly and severally liable for and shall pay to Claimants, The Bosco Family Trust DTD 6/25/96, Michael Borowiak, Mary Borowiak, Richard Rubel, and Diane Rubel, the sum of \$400,000.00 in attorneys' fees pursuant to the Illinois Securities Act; and
- 11.) Any relief not specifically enumerated, including punitive damages and sanctions, is hereby denied with prejudice.

FEES

Pursuant to the Code, the following fees are assessed:

Filing Fees

FINRA Dispute Resolution will retain the non-refundable filing fee* for each claim:

Initial Claim filing fee = \$ 1,800.00

**The filing fee is made up of a non-refundable and a refundable portion.*

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 persons at the time of the events giving rise to the dispute. Accordingly, as parties, Community Bankers Securities, LLC and Allied Beacon Partners, Inc. f/k/a Waterford Investor Services, Inc. are assessed the following:

Member surcharge	= \$ 2,800.00
Pre-hearing process fee	= \$ 750.00
Hearing process fee	= \$ 5,000.00

Adjournment Fees

Adjournments granted during these proceedings:

June 20-24, 2011, adjournment by agreement of the parties	= \$ 1,200.00
<u>Total Adjournment Fees</u>	<u>= \$ 1,200.00</u>

The Panel has assessed \$1,200.00 of the adjournment fees jointly and severally to Allied Beacon Partners, Inc. f/k/a Waterford Investor Services, Inc., Community Bankers Securities, LLC, George J. Gilbert, and James Marvin Mitchell.

Hearing Session Fees and Assessments

The Panel has assessed hearing session fees for each hearing 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:

Three (3) Pre-hearing sessions with a single arbitrator x \$450.00		= \$ 1,350.00
Pre-hearing conferences:		
September 2, 2010	1 session	
April 29, 2011	1 session	
May 4, 2011	1 session	
Five (5) Pre-hearing sessions with Panel x \$1,200.00		= \$ 6,000.00
Pre-hearing conferences:		
January 24, 2011	1 session	
July 6, 2011	1 session	
August 29, 2011	1 session	
June 6, 2012	1 session	
November 14, 2012	1 session	
Seven (7) Hearing sessions x \$1,200.00		= \$ 8,400.00
Hearing Dates:		
May 13, 2013	2 sessions	
May 14, 2013	2 sessions	
May 15, 2013	2 sessions	
May 16, 2013	1 session	
Total Hearing Session Fees		= \$ 15,750.00

The Panel has assessed \$15,750.00 of the hearing session fees jointly and severally to Allied Beacon Partners, Inc. f/k/a Waterford Investor Services, Inc., Community Bankers Securities, LLC, George J. Gilbert, and James Marvin Mitchell.

All balances are payable to FINRA Dispute Resolution and are due upon receipt.

ARBITRATION PANEL

Michael S. Jordan - Public Arbitrator, Presiding Chair
James F. Carlson - Public Arbitrator
Steven P. Gomberg - Non-Public Arbitrator

I, the undersigned Arbitrator, do hereby affirm that I am the individual described herein and who executed this instrument which is my award.

Concurring Arbitrators' Signatures:

/s/ Michael S. Jordan
Michael S. Jordan
Public Arbitrator, Presiding Chair

May 20, 2013
Signature Date

/s/ James F. Carlson
James F. Carlson
Public Arbitrator

May 20, 2013
Signature Date

/s/ Steven P. Gomberg
Steven P. Gomberg
Non-Public Arbitrator

May 20, 2013
Signature Date

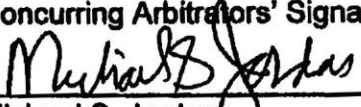
May 21, 2013
Date of Service (For FINRA office use only)

ARBITRATION PANEL

Michael S. Jordan - Public Arbitrator, Presiding Chair
James F. Carlson - Public Arbitrator
Steven P. Gomberg - Non-Public Arbitrator

I, the undersigned Arbitrator, do hereby affirm that I am the individual described herein and who executed this instrument which is my award.

Concurring Arbitrators' Signatures:



Michael S. Jordan
Public Arbitrator, Presiding Chair

5/20/13
Signature Date

James F. Carlson
Public Arbitrator

Signature Date

Steven P. Gomberg
Non-Public Arbitrator

Signature Date

Date of Service (For FINRA office use only)

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Michael S. Jordan - Public Arbitrator, Presiding Chair
James F. Carlson - Public Arbitrator
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Concurring Arbitrators' Signatures:

Michael S. Jordan
Public Arbitrator, Presiding Chair

James F. Carlson, Esq.

James F. Carlson
Public Arbitrator

Signature Date

MAY 20, 2013

Signature Date

Steven P. Gomberg
Non-Public Arbitrator

Signature Date

Date of Service (For FINRA office use only)

ARBITRATION PANEL

Michael S. Jordan - Public Arbitrator, Presiding Chair
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Michael S. Jordan
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Signature Date

James F. Carlson
Public Arbitrator

Signature Date



Steven P. Gomberg
Non-Public Arbitrator

May 20, 2013

Signature Date

Date of Service (For FINRA office use only)