

**Award**  
**NASD Dispute Resolution**

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In the Matter of the Arbitration Between:

Sophie Geraghty, (Claimant) vs. Copeland Equities, LLC, Sentra Securities Corporation, and Jeffrey Scott Sloan, (Respondents) vs. First Matrix Financial Services Corp. (Third-Party Respondent)

Case Number: 01-01400

Hearing Site: New York, New York

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**REPRESENTATION OF PARTIES**

Claimant, Sophie Geraghty, hereinafter referred to as "Claimant": Mitchell H. Cobert, Esq., a sole practitioner, Morristown, NJ.

Respondent, Copeland Equities, LLC ("Copeland"): William E. Mahoney, Jr., Esq., Stradley, Ronon, Stevens & Young, LLP, Philadelphia, PA.

Respondent, Sentra Securities Corporation ("Sentra"): Jonathan C. Thau, Esq., Luboja & Thau, LLP, New York, NY.

Respondent, Jeffrey Scott Sloan ("Sloan"): Bruce E. Baldinger, Esq., Baldinger & Levine, LLC, Somerville, NJ.

Third-Party Respondent, First Matrix Financial Services Corp. ("Matrix"), did not appear at the hearings in this matter. Previously represented by: Michael Thompson, Esq., Blackwell Sanders Peper Martin LLP, Kansas City, MO.

**CASE INFORMATION**

Statement of Claim filed on or about: March 15, 2001.

Claimant signed the Uniform Submission Agreement: April 4, 2001.

Statement of Answer and Crossclaim filed by Copeland on or about: June 25, 2001.

Copeland signed the Uniform Submission Agreement: May 25, 2001.

Statement of answer filed by Sentra on or about: July 10, 2001.

Sentra signed the Uniform Submission Agreement: July 20, 2001.

Statement of Answer and Third-Party Claim filed by Sloan on or about: July 25, 2001.  
Sloan signed the Uniform Submission Agreement: July 25, 2001.

Matrix did not file a Statement of Answer or sign a Uniform Agreement.  
Motion to Dismiss filed by Matrix on or about: February 7, 2002.

### CASE SUMMARY

Claimant asserted the following causes of action: negligence; breach of contract; breach of fiduciary responsibilities; violation of securities laws; fraudulent misrepresentations; and respondeat superior. Claimant's claim involved an investment in the Taormina Omne SRL Corporate Note program.

Unless specifically admitted in its Answer, Copeland denied the allegations made in the Statement of Claim and asserted the following defenses: Claimant's losses, if any, were the result of decisions that Claimant made regarding the liquidation of her accounts and the subsequent purchase of the Note in question, none of which was recommended or approved by Copeland and all of which took place after Sloan's employment with Copeland had terminated; Claimant's Statement of Claim fails to state a claim upon which relief can be granted as against Copeland; Claimant is estopped from making any claim against Copeland because the conduct about which Claimant complains was done at her direction and with her full authority and permission; Claimant did not reasonably rely to her detriment on any action or inaction of Copeland or any action or inaction legally attributable to Copeland; Claimant failed to take the appropriate steps to mitigate her alleged damages, if any; Copeland owed no fiduciary duty or other duty to Claimant under the circumstances alleged, or in the alternative, there was no breach of any such duty; Copeland's supervision of Sloan during the time that Sloan was a Copeland employee was reasonable and adequate at all times; there was no contract or agreement between Claimant and Copeland, or in the alternative, no agreement or understanding between Claimant and Copeland that was breached; Copeland was not negligent and at all times exercised due care and diligence; Claimant's claims are barred in whole or in part by the doctrines of contributory and comparative negligence; and Claimant's claims are barred by the applicable statutes of limitations.

In its Crossclaim against Sloan, Copeland asserted the following causes of action: breach of employment agreement; sale of unauthorized investment products; and indemnification.

Unless specifically in his Answer, Sloan denied the allegations made in the Crossclaim and asserted the following defense: the sales of outside products were known and authorized by Copeland.

Unless specifically admitted in its Answer, Sentra denied the allegations made in the Statement of Claim and asserted the following defenses: as a matter of both common sense and law, Sentra cannot possibly be held responsible for any of the matters about which Claimant complains in her Statement of Claim; Claimant never had an account with Sentra; the investment in question took place before Sloan became an associated person with Sentra; and Sentra was not compensated in any way as to the investment in question.

Unless specifically admitted in his Answer, Sloan denied the allegations made in the Statement of Claim and asserted the following defenses: Claimant's Statement of Claim fails to state a cause of action; Claimant is estopped from making claims against Sloan as the investments in question were made at her request with complete disclosure, authority, and permission; Claimant has failed to mitigate her damages; Claimant is not owed a fiduciary duty by Sloan; Claimant's claims are barred by the statute of limitations; Claimant's claims are barred in whole or in part by the doctrines of contributory and comparative negligence; and Sloan is entitled to indemnification from co-Respondents.

In his Third-Party Claim, Sloan asserted the following causes of action: misrepresentations and omissions of relevant facts; violations of securities laws and state laws; and indemnification.

### **RELIEF REQUESTED**

Claimant requested compensatory damages in the amount of \$117,721.84 together with interest (less distributions received from Taormina in the approximate amount of \$12,524.47), costs, fees incurred when Claimant's annuities were terminated, reasonable attorneys' fees, punitive damages, and such other relief as the Panel may consider appropriate.

In its Answer, Copeland requested that Claimant's claim for damages as against it be denied in all respects, and that the cost of this proceeding, including attorneys' fees, be assessed against Claimant.

In its Crossclaim, Copeland requested that to the extent Copeland is held liable to Claimant, that Respondent Sloan be ordered to indemnify Copeland for any such amount.

In his Answer to the Counterclaim, Sloan requested that the Counterclaim be dismissed in its entirety.

Sentra requested that all claims against it be dismissed.

In his Answer, Sloan requested that Claimant's claims be denied and that Sloan be awarded the costs of this proceeding along with counsel fees, costs of suit, and such further relief as the Panel deems appropriate.

In his Third-Party Claim, Sloan requested that the Third-Party Respondents be compelled to indemnify him, which indemnification is to include the costs of this proceeding along with counsel fees and such further remedies as the Panel deems appropriate.

### **OTHER ISSUES CONSIDERED AND DECIDED**

Prior to the hearings in this matter, the Panel granted the Motion to Dismiss made by Third-Party Respondent Matrix.

Sentra made a Motion to Dismiss following completion of Claimant's case at hearing. After due consideration, the Panel granted said Motion, thereby dismissing Sentra as a Respondent in this matter.

In his Third-Party Claim, Sloan also named Sterling Trust Company and Matrix Bank Corporation as Third-Party Respondents. These entities were not members of the NASD or associated persons during the period of time in dispute, and did not voluntarily submit to the jurisdiction of NASD Dispute Resolution in this matter.

Matrix did not file with NASD Dispute Resolution a properly executed submission to arbitration but is required to submit to arbitration pursuant to the NASD Code of Arbitration Procedure and, having answered the claim, is bound by the determination of the Panel on all issues submitted.

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 evidence presented at the hearing, and the post-hearing submissions, the Panel has decided in full and final resolution of the issues submitted for determination as follows:

1. Copeland is solely liable for and shall pay to Claimant the sum of \$72,870.00 as compensatory damages, plus interest at the rate of 6% accruing from May 4, 1999 until date of payment.

2. Sloan is solely liable for and shall pay to Claimant the sum of \$31,230.00 as compensatory damages, plus interest at the rate of 6% accruing from May 4, 1999 until date of payment.
3. The panel finds that Claimant may retain ownership of the Omne Srl Note dated May 31, 1999 and recover any payments that may be forthcoming on the Note in fulfillment of the liabilities associated with said Note to the extent that Claimant has not fully recovered the amount of the Award, interest and legal fees granted by the Panel in this arbitration. To the extent that Claimant has been fully paid the amount of the Award, interest and legal fees, she shall assign all of her rights pursuant to the Promissory Note to Respondents Copeland and Sloan in such percentage as represents the amount that each of said Respondents has paid to Claimant in fulfillment of the amount of the underlying Award, interest and legal fees granted pursuant hereto.
4. Copeland is solely liable for and shall pay to Claimant the sum of \$14,000.00 as attorneys' fees.
5. Sloan is solely liable for and shall pay to Claimant the sum of \$6,000.00 as attorneys' fees.
6. Copeland's Crossclaim against Sloan is hereby dismissed.
7. All other requests for relief are hereby 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
Crossclaim filing fee	= \$1,000.00
Third-Party 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 firms that employed the associated person at the time of the events giving rise to the dispute. In this matter, Copeland Equities, LLC, Sentra Securities Corporation, and First Matrix Financial Services Corp. are parties.

#### **Copeland Equities, LLC**

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

#### **Sentra Securities Corporation**

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

#### **First Matrix Financial Services Corp.**

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

### **Forum Fees and Assessments**

The Panel assesses forum fees for each hearing session conducted. A hearing 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:

One (1) Pre-hearing session with Panel x \$1,125.00	= \$1,125.00
Pre-hearing conference: March 18, 2002	1 session

Seven (7) Hearing sessions x \$1,125.00	= \$7,875.00
Hearing Dates: October 23, 2002	2 sessions
October 24, 2002	2 sessions
October 25, 2002	2 sessions
November 1, 2002	1 session

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Total Forum Fees	= \$9,000.00
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1. The Panel has assessed \$6,300.00 of the forum fees against Copeland.
2. The Panel has assessed \$2,700.00 of the forum fees against Sloan.

**Fee Summary**

1. Claimant is solely liable for:

<u>Initial Filing Fee</u>	= \$ 300.00
<u>Total Fees</u>	= \$ 300.00
<u>Less payments</u>	= \$ 1,425.00
Refund Due Claimant	= \$ 1,125.00

2. Copeland is solely liable for:

<u>Crossclaim Filing Fee</u>	= \$ 1,000.00
<u>Member Fees</u>	= \$ 4,600.00
<u>Forum Fees</u>	= \$ 6,300.00
<u>Total Fees</u>	= \$11,900.00
<u>Less payments</u>	= \$ 6,125.00
Balance Due NASD Dispute Resolution	= \$ 5,775.00

3. Sentra is solely liable for:

<u>Member Fees</u>	= \$ 4,600.00
<u>Total Fees</u>	= \$ 4,600.00
<u>Less payments</u>	= \$ 4,600.00
Balance Due NASD Dispute Resolution	= \$ 0.00

4. Sloan is solely liable for:

<u>Third-Party Claim Filing Fee</u>	= \$ 300.00
<u>Forum Fees</u>	= \$ 2,700.00
<u>Total Fees</u>	= \$ 3,000.00
<u>Less payments</u>	= \$ 1,250.00
Balance Due NASD Dispute Resolution	= \$ 1,750.00

5. Matrix is solely liable for:

<u>Member Fees</u>	= \$ 4,600.00
<u>Total Fees</u>	= \$ 4,600.00
<u>Less payments</u>	= \$ 4,600.00
Balance Due NASD Dispute Resolution	= \$ 0.00

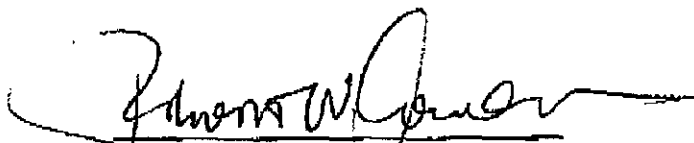
All balances are payable to NASD Dispute Resolution, and are due upon receipt pursuant to Rule 10330(g) of the Code.

**ARBITRATION PANEL**

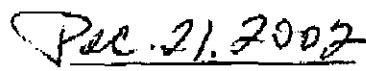
Robert W. Cockren, Esq.	-	Public Arbitrator, Presiding Chair
Judith Fields Journey, Esq.	-	Public Arbitrator
Farrell C. Glasser, Esq.	-	Non-Public Arbitrator

**Concurring Arbitrators' Signatures**

I, the undersigned arbitrator, do hereby affirm, pursuant to Article 7507 of the Civil Practice Law and Rules, that I am the individual described herein and who executed this instrument which is my award.



Robert W. Cockren, Esq.  
Public Arbitrator, Presiding Chair



Signature Date

Judith Fields Journey, Esq.  
Public Arbitrator

Signature Date

Farrell C. Glasser, Esq.  
Non-Public Arbitrator

Signature Date

December 23, 2002

Date of Service (For NASD Dispute Resolution use only)



**ARBITRATION PANEL**

Robert W. Cockren, Esq.	-	Public Arbitrator, Presiding Chair
Judith Fields Journey, Esq.	-	Public Arbitrator
Farrell C. Glasser, Esq.	-	Non-Public Arbitrator

**Concurring Arbitrators' Signatures**

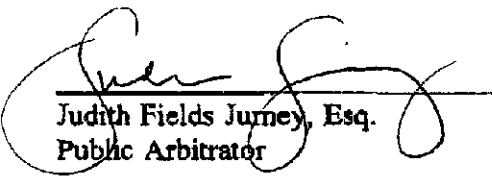
I, the undersigned arbitrator, do hereby affirm, pursuant to Article 7507 of the Civil Practice Law and Rules, that I am the individual described herein and who executed this instrument which is my award.

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Robert W. Cockren, Esq.  
Public Arbitrator, Presiding Chair

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Signature Date



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Judith Fields Journey, Esq.  
Public Arbitrator

12/16/02

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Signature Date

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Farrell C. Glasser, Esq.  
Non-Public Arbitrator

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Signature Date

December 23, 2002

Date of Service (For NASD Dispute Resolution use only)