

**AWARD**  
**NASD Dispute Resolution**

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In the Matter of the Arbitration Between

Claimants

Joe L. Cates, Individually and as Trustee on behalf of the  
Joe L. Cates Trust and S. Pauline Cates, Individually and as  
Trustee on behalf of the S. P. Cates Trust

v.

04-01051  
Oklahoma City, Oklahoma

Respondents

Centaurus Financial, Inc., and Robert D. Jamison

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**NATURE OF THE DISPUTE**

Customers vs. Member Firm and Associated Person

**REPRESENTATION OF PARTIES**

Joe L. Cates, Individually and as Trustee on behalf of the Joe L. Cates Trust and S. Pauline Cates, Individually and as Trustee on behalf of the S. P. Cates Trust ("Claimants") were represented by Andrew J. Waldron, Esq. and A. Daniel Woska, Esq., of Woska & Hayes, L.L.P. and James R. Tourtellotte, Esq., Oklahoma City, Oklahoma.

Centaurus Financial, Inc., ("Centaurus") and Robert D. Jamison ("Jamison") hereinafter referred to as ("Respondents") were represented by Robert A. Baugh, Esq., of Mora, Baugh, Waitzman & Unger, Chicago, Illinois.

**CASE INFORMATION**

The Statement of Claim was filed on or about February 18, 2004. The Submission Agreements of Claimants, Joe L. Cates, Individually and as Trustee on behalf of the Joe L. Cates Trust and S. Pauline Cates, Individually and as Trustee on behalf of the S. P. Cates Trust, were signed on or about February 9, 2004. Claimants' Response to Respondents' Emergency Motion for Sanctions was filed on or about December 31, 2004.

The Joint Statement of Answer was filed by Respondents, Centaurus Financial, Inc. and Robert D. Jamison, on or about May 19, 2004. The Submission Agreement of Respondent, Centaurus Financial, Inc., was signed on or about April 7, 2004. Respondent, Robert D. Jamison, did not file a Submission Agreement. Respondents' Emergency Motion for Sanctions was filed on or about December 14, 2004.

### **CASE SUMMARY**

Claimants asserted the following causes of action: breach of fiduciary duty; unsuitability; over concentration; failure to supervise breach of contract; violation of the State Securities Act; failure to hedge; negligence; and reservation of right to amend. The causes of action relate to the recommendation and order execution of American Skandia annuities. Claimants alleged that Respondents placed Claimants into risky, inappropriate and commission heavy investments, and failed to disclose the risks and costs associated with the annuities.

Unless specifically admitted in their Joint Statement of Answer, Respondents, Centaurus Financial, Inc. and Robert D. Jamison, denied the allegations made in the Statement of Claim and asserted affirmative defenses including the following: the claim failed to state a claim upon which relief can be granted; Respondents deny engaging in any conduct whatsoever in violation of applicable state or federal law, in violation of principles of common law, or in violation of the rules of the NASD; Respondents deny they owed Claimants a fiduciary duty or a duty to manage their accounts; and Respondents deny that they breached any contractual duties owed to Claimants.

### **RELIEF REQUESTED**

Claimants requested an award of \$3,000,000.00 in compensatory damages, plus punitive damages, interest, attorneys' fees, costs, and all other relief the arbitrators deemed appropriate. Claimants also requested that the panel submit a report of its findings to the NYSE and the NASD.

Respondents requested that the claims asserted against them be denied in their entirety and that they be awarded their costs, attorneys' fees, expunge from the CRD record of Respondents, and for any relief the panel deemed appropriate.

### **OTHER ISSUES CONSIDERED & DECIDED**

Respondent, Robert D. Jamison, did not appear at the hearing.

Claimants dismissed all claims arising from sales of securities prior to 2000.

At the hearing, the Claimants made an oral Motion to Amend. The Panel granted the Claimants' Motion to Amend to permit Joe L. Cates as representative of S. Pauline Cates, deceased; and denied as to other changes to Statement of Claim. The new heading for the case based on the Panel granting the Motion to Amend is:

Claimants, Joe L. Cates, Individually and as Trustee on behalf of the Joe L. Cates Trust U/D/T 8/15/1996; and as Trustee on behalf of the S. P. Cates Trust U/D/T 3/27/96, and as the representative of S.P. Cates, deceased.

At the hearing, the Respondents made an oral Motion for Summary Adjudication and a Motion in Limine. The Panel denied Respondents' Motion for Summary Adjudication. The Panel granted the Respondents' Motion in Limine to exclude video statement of Claimant, Joe Cates, and denied in all other respects.

On or about January 3, 2005, the Panel denied without prejudice Respondents' Emergency Motion for Sanctions, which included a Motion to Dismiss, a Motion for Summary Judgment and a Motion for Continuance.

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. 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**

After considering the pleadings, the testimony, and the evidence presented at the hearing submissions, and the post-hearing submissions, the undersigned arbitrators have decided in full and final resolution of the issues submitted for determination as follows:

1. Respondent, Centaurus Financial, Inc., is liable for and shall pay to Claimants, Joe L. Cates, Individually and as Trustee on behalf of the Joe L. Cates Trust U/D/T 8/15/1996; and as Trustee on behalf of the S. P. Cates Trust U/D/T 3/27/96, and as the representative of S.P. Cates, deceased, the sum of \$330,278.00 as compensatory damages;
2. Respondent, Centaurus Financial, Inc., is liable for and shall pay to Claimants, Joe L. Cates, Individually and as Trustee on behalf of the Joe L. Cates Trust U/D/T 8/15/1996; and as Trustee on behalf of the S. P. Cates Trust U/D/T 3/27/96, and as the representative of S.P. Cates, deceased, post-award interest on sum stated herein commencing 30 (thirty) days after the service of this award and until it is paid in full at the rate of 10% per annum pursuant to Oklahoma Law;
3. Respondent, Centaurus Financial, Inc., is liable for and shall pay to Claimants, Joe L. Cates, Individually and as Trustee on behalf of the Joe L. Cates Trust U/D/T 8/15/1996; and as Trustee on behalf of the S. P. Cates Trust U/D/T 3/27/96, and as the representative of S.P. Cates, deceased, the sum of \$250,000.00 in punitive damages pursuant to Tit. 23 Ok. St. Sec. 9.1;
4. Respondent, Centaurus Financial, Inc., is liable for and shall pay to Claimants, Joe L. Cates, Individually and as Trustee on behalf of the Joe L. Cates Trust U/D/T 8/15/1996; and as Trustee on behalf of the S. P. Cates Trust U/D/T 3/27/96, and as the representative of S.P. Cates, deceased, the sum of \$90,000.00 as attorneys' fees pursuant to 71 Ok. St. 408;

5. Respondent, Centaurus Financial, Inc., is liable for and shall pay to Claimants, Joe L. Cates, Individually and as Trustee on behalf of the Joe L. Cates Trust U/D/T 8/15/1996; and as Trustee on behalf of the S. P. Cates Trust U/D/T 3/27/96, and as the representative of S.P. Cates, deceased, the sum of \$14,001.31 for costs pursuant to Oklahoma Law;
6. Respondent, Centaurus Financial, Inc., is liable for and shall pay to Claimants, Joe L. Cates, Individually and as Trustee on behalf of the Joe L. Cates Trust U/D/T 8/15/1996; and as Trustee on behalf of the S. P. Cates Trust U/D/T 3/27/96, and as the representative of S.P. Cates, deceased, the sum of \$35,000.00 for expert witness fees pursuant to Oklahoma Law;
7. Claimants' claims, each and all, against Respondent, Robert D. Jamison, are dismissed with prejudice;
8. 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; and
9. 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.

### **FEES**

Pursuant to the Code, the following fees are assessed:

#### **Filing Fees**

NASD Dispute Resolution will retain the non-refundable filing fees for each claim:

Initial claim filing fee = \$600.00

#### **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. In this matter, the member firm is Centaurus Financial, Inc.

Member surcharge	\$ 2,800.00
Pre-hearing process fee	\$ 750.00
<u>Hearing process fee</u>	<u>\$ 5,000.00</u>
Total Member Fees	\$ 8,550.00

### **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 arbitrators, including a pre-hearing conference with the arbitrators, that lasts four (4) hours or less. Fees associated with these proceedings are:

1	Pre-hearing session with Panel	x	1,200.00	\$	1,200.00
	September 9, 2004	1	session		
1	Pre-hearing session with one Arbitrator	x	450.00	\$	450.00
	December 14, 2004	1	session		
10	Hearing sessions	x	1,200.00	\$	12,000.00
	January 17, 2005	2	sessions		
	January 18, 2005	2	sessions		
	January 19, 2005	2	sessions		
	January 20, 2005	2	sessions		
	January 21, 2005	2	sessions		
	Total Forum Fees			\$	13,650.00

The Arbitration Panel has assessed \$13,650.00 of the forum fees to Centaurus Financial, Inc.

### **Fee Summary**

Claimants, Joe L. Cates, Individually and as Trustee on behalf of the Joe L. Cates Trust U/D/T 8/15/1996; and as Trustee on behalf of the S.P. Cates Trust U/D/T 3/27/96, and as the representative of S.P. Cates, deceased, are liable for:

<u>Initial Filing Fee</u>	= \$	600.00
Total Fees	= \$	600.00
<u>Less payments</u>	= \$	-1,800.00
Balance due to Claimants	= \$	1,200.00

Respondent, Centaurus Financial, Inc., is liable for:

Member Fees	= \$	8,550.00
<u>Forum Fees</u>	= \$	13,650.00
Total Fees	= \$	22,220.00
<u>Less payments</u>	= \$	-9,100.00
Balance Due NASD Dispute Resolution	= \$	13,100.00

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

**ARBITRATION PANEL**

Peter B. Bradford, JD - Public Arbitrator, Presiding Chair  
Edwin E. O'Brien - Public Arbitrator  
Gerald J. Linehan - Non-Public Arbitrator

Concurring Arbitrators:

/s/ Peter B. Bradford, JD  
Peter B. Bradford, JD  
Public Arbitrator, Presiding Chair

02/11/05  
Signature Date

/s/ Edwin E. O'Brien  
Edwin E. O'Brien  
Public Arbitrator

02/11/05  
Signature Date

/s/ Gerald J. Linehan  
Gerald J. Linehan  
Non-Public Arbitrator


02/11/05  
Signature Date

02/11/05  
Date of service

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Edwin E. O'Brien - Public Arbitrator  
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Concurring Arbitrators:

  
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Peter B. Bradford, JD  
Public Arbitrator, Presiding Chair

2-11-2005  
\_\_\_\_\_  
Signature Date

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Edwin E. O'Brien  
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Edwin E. O'Brien - Public Arbitrator  
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**Concurring Arbitrators:**

Peter B. Bradford, JD  
Public Arbitrator, Presiding Chair  
Edwin E. O'Brien  
Edwin E. O'Brien  
Public Arbitrator

Signature Date

February 11, 2005  
Signature Date

Gerald J. Linehan  
Non-Public Arbitrator

Signature Date

Date of service



**ARBITRATION PANEL**

Peter B. Bradford, JD - Public Arbitrator, Presiding Chair  
Edwin E. O'Brien - Public Arbitrator  
Gerald J. Linehan - Non-Public Arbitrator

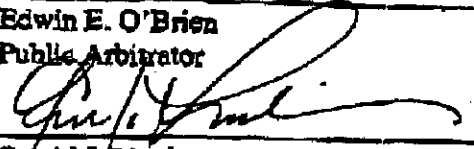
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