

Award
NASD Dispute Resolution

In the Matter of the Arbitration Between:

Roni Cohen, Claimant v. Redwood Trading, LLC, Cody Starrett, Richard Kenny, and John Stookey, Respondents

Case Number: 04-02875

Hearing Site: Las Vegas, Nevada

Nature of the Dispute: Customer v. Member and Associated Persons

REPRESENTATION OF PARTIES

For Claimant:

Neil J. Beller, Esq.
Las Vegas, Nevada

For Respondents:

Brian Dennen, CCO
Redwood Trading, LLC
San Francisco, California

CASE INFORMATION

Statement of Claim filed: April 16, 2004

Claimant Roni Cohen's Uniform Submission Agreement signed but not dated

Joint Statement of Answer filed by Respondents Redwood Trading, LLC, Cody Starrett, Richard Kenny, and John Stookey: June 10, 2004

Amended Joint Statement of Answer filed by Respondents Redwood Trading, LLC, Cody Starrett, Richard Kenney, and John Stookey: June 21, 2004

Respondent Redwood Trading, LLC's Uniform Submission Agreement signed: June 10, 2004

Respondent Cody Starrett's Uniform Submission Agreement signed: June 16, 2004

Respondent Richard Kenney's Uniform Submission Agreement signed: June 16, 2004

Respondent John Stookey's Uniform Submission Agreement signed: June 16, 2004

CASE SUMMARY

Claimant alleged violation of NASD standards of conduct, fraudulent inducement, breach of common law duties of good faith and fair dealing, and vicarious liability. Claimant was a trader registered with Redwood Trading, LLC. Claimant's allegations concern the functionality of a computer program used by Redwood Trading, LLC to provide profit and loss statements and Claimant's losses in his personal trading account.

Respondents, in their initial and amended Statements of Answer, denied the allegations of wrongdoing set forth in Claimant's Statement of Claim.

RELIEF REQUESTED

Claimant requested \$29,500.00 in compensatory damages, pre- and post-judgment interest, and costs, including attorney's fees.

Respondents, in their initial and amended Statements of Answer, requested dismissal of Claimant's Statement of Claim in its entirety and assessment of all forum fees to Claimant.

OTHER ISSUES CONSIDERED AND DECIDED

On June 21, 2004, Respondents filed an Amended Statement of Answer pursuant to NASD's Code of Arbitration Procedure Rule 10328(c).

On April 21, 2004, NASD mailed Respondents copies of the Statement of Claim in this matter together with a service letter notifying them of their June 10, 2004 deadline to submit an Answer to the Statement of Claim. Respondent Redwood Trading, LLC's copy of the Statement of Claim and accompanying service letter, which were mailed to its CRD address, were not returned to NASD by the U.S. postal service. The Statement of Claim and service letter that were mailed to John Stookey at his home address were similarly not returned. Respondent Cody Starrett's Statement of Claim and service letter were mailed to his home address and were returned to NASD by the U.S. postal service with the notation "forwarding order expired." The Statement of Claim and service letter were then sent to Respondent Cody Starrett's business address via certified mail, return receipt requested and were returned to NASD by the U.S. postal service with the notation that they were "unclaimed." Respondent Richard Kenny's Statement of Claim and service letter were mailed to his home address and were returned to NASD by the U.S. postal service with the notation "wrong address." Respondent Richard Kenny's Statement of Claim and service letter were then sent to Respondent Richard Kenny's business address via certified mail, return receipt requested and were returned to NASD by the U.S. postal service with the notation that they were "unclaimed." However, all of the Respondents signed Uniform Submission Agreements and submitted a Joint Statement of Answer and an Amended Joint Statement of Answer.

On September 10, 2004, Claimant and Respondents were sent, via certified mail, return receipt requested, a letter notifying them that Mary Alice Cox would serve as their arbitrator and advising them of the date and time of the initial pre-hearing conference in this matter. On September 20, 2004, NASD received a return receipt card from Respondents, which had been signed on September 15, 2004. The initial pre-hearing conference was scheduled to take place on October 5, 2004. Representatives for Claimant and Respondents participated in the pre-hearing conference call with the arbitrator. During the call, Respondents' representative advised the participants that Respondent Redwood Trading, LLC was "going out of business." In light of this disclosure, the conference call was rescheduled to take place on February 11, 2005. The parties were notified of the rescheduled pre-hearing conference call by letter dated February 1, 2005. The letter was sent to Claimant and Respondents via U.S. mail and was not returned to NASD. On February 11, 2005, Claimant and Respondents' representatives and the arbitrator participated in the pre-hearing conference and set September 7-9, 2005 as the evidentiary hearing dates in this matter. On February 17, 2005, Claimant and Respondents were sent an initial pre-hearing conference scheduling order confirming the agreed upon hearing dates. This letter was sent to Claimant and Respondents via U.S. mail and was not returned to NASD. On August 9, 2005, Claimant and Respondents were sent a letter notifying them of the date, time, and location of the evidentiary hearing. This letter was sent to Claimant and Respondents via U.S. mail and was not returned to NASD.

Upon review of the file and the representations made on behalf of Claimant, the undersigned arbitrator determined that Respondents Redwood Trading, LLC, Cody Starrett, Richard Kenny, and John Stookey were properly served with the Statement of Claim and received due notice of the hearing, and that arbitration of the matter would proceed without said Respondents present, in accordance with NASD's Code of Arbitration Procedure (the "Code").

The parties 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, testimony, and evidence presented at the hearing, the arbitrator decided in full and final resolution of the issues submitted for determination as follows:

- 1) Respondents Redwood Trading, LLC, Cody Starrett, Richard Kenny, and John Stookey are jointly and severally liable to and shall pay Claimant Roni Cohen the sum of \$29,500.00 in compensatory damages.
- 2) The parties shall bear their respective costs, including attorney's fees.
- 3) This Award shall bear interest at the Nevada statutory rate on any balance that remains unpaid thirty (30) days after receipt hereof, unless a motion to vacate has been filed with a court of competent jurisdiction. If this award is the subject of a motion to vacate that is

subsequently denied, this award shall bear interest at the statutory rate on any balance that remains unpaid from the date of the court's order denying said motion to vacate.

- 4) All other relief requested and not expressly granted is denied.

FEES

Pursuant to the Code, the following fees are assessed:

Filing Fees

NASD Dispute Resolution received or will collect the non-refundable filing fees for each claim as follows:

Initial claim filing fee	= \$ 150.00
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Member Fees

Member fees are assessed to each member firm that is either a party in the matter or an employer of a respondent associated person at the time of the events that gave rise to the dispute, claim, or controversy. Accordingly, the member firm Redwood Trading, LLC is a party, and the following fees are assessed:

Member Surcharge	= \$ 600.00
Pre-Hearing Process Fee	= \$ 750.00
Hearing Process Fee	= \$1,000.00
Total Member Fees	= \$2,350.00

Forum Fees and Assessments

The arbitrator assessed a forum fee for each pre-hearing conference or hearing session conducted. A pre-hearing conference and hearing session is any meeting between the parties and the arbitrator. The following fees are assessed:

Two (2) pre-hearing conference sessions with a single arbitrator @ \$450.00/session = \$ 900.00

Pre-hearing conferences:	October 5, 2004	1 session
	February 11, 2005	1 session

One (1) hearing session @ \$450.00/session	= \$ 450.00
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Hearing:	September 7, 2005	1 session
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Total Forum Fees	= \$1,350.00
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The arbitrator assessed \$1,350.00 of the forum fees jointly and severally to Respondents Redwood Trading, LLC, Cody Starrett, Richard Kenny, and John Stookey.

Fee Summary

1. Claimant Roni Cohen is charged with the following fees and costs:

Initial Filing Fee	= \$ 150.00
Less Funds Applied to Mediation Fees	= \$ 100.00
<u>Less payments</u>	<u>= \$(1,450.00)</u>
Refund Due Claimant	= \$(1,200.00)
2. Respondent Redwood Trading, LLC is charged with the following fees and costs:

Member Fees	= \$ 2,350.00
<u>Less payments</u>	<u>= \$(1,350.00)</u>
Balance Due NASD Dispute Resolution	= \$ 1,000.00
3. Respondents Redwood Trading, LLC, Cody Starrett, Richard Kenney, and John Stookey are charged jointly and severally with the following fees and costs:

<u>Forum Fees</u>	<u>= \$1,350.00</u>
Balance Due NASD Dispute Resolution	= \$1,350.00

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

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ARBITRATOR

Mary Alice Cox, CPA

Public Arbitrator

Arbitrator's Signature

Mary Alice Cox
Mary Alice Cox, CPA
Public Arbitrator

9/9/05
Signature Date

9/9/05
Date of Service