

**Award
FINRA Dispute Resolution**

In the Matter of the Arbitration Between:

Claimant/Counter-Respondent
Newport Coast Securities, Inc.

Case Number: 11-03419

vs.

Respondent/Counter-Claimant/Third Party Claimant
Deborah Ann Scott

Hearing Site: Los Angeles, California

vs.

Third Party Respondents
Joseph Mangiapane, Jr.
Kathleen Margaret McPherson
Stephen Paul Washburn

Nature of the Dispute: Member vs. Associated Person
 Associated Person vs. Member
 Associated Person vs. Associated Persons

REPRESENTATION OF PARTIES

For Claimant/Counter-Respondent Newport Coast Securities, Inc. ("Newport Coast") and Third Party Respondents Joseph Mangiapane, Jr. ("Mangiapane"), Kathleen Margaret McPherson ("McPherson"), and Stephen Paul Washburn ("Washburn"), hereinafter collectively referred to as "Newport Coast Respondents": Irving M. Einhorn, Esq., Law Offices of Irving M. Einhorn, Manhattan Beach, California.

For Respondent/Counter-Claimant/Third Party Claimant Deborah Ann Scott, hereinafter referred to as "Scott": Montgomery G. Griffin, Esq., Law Offices of Montgomery G. Griffin, Newport Beach, California.

CASE INFORMATION

Statement of Claim filed on or about: September 1, 2011.

Newport Coast signed the Submission Agreement: August 18, 2011.

Statement of Answer filed by Scott on or about: November 1, 2011.

First Amended Statement of Answer, Counterclaim, and Third Party Claim filed by Scott on or about: December 30, 2011.

Second Amended Statement of Answer filed by Scott on or about: January 4, 2012.

Statement of Answer to Scott's Counterclaim and Third Party Claim filed by Newport Coast Respondents on or about: February 17, 2012.

Scott signed the Submission Agreement: November 2, 2011.

Mangiapane signed the Submission Agreement: February 29, 2012.

McPherson signed the Submission Agreement: February 29, 2012.

Washburn signed the Submission Agreement: February 29, 2012.

CASE SUMMARY

In the Statement of Claim, Newport Coast alleged job performance transgressions, conduct infractions, and policy and procedure violations on the part of Scott. The allegations relate to Scott's employment with Newport Coast as President and Chief Compliance Officer and her subsequent termination therefrom.

Unless specifically admitted in her Statement of Answer, Scott denied the allegations made in the Statement of Claim.

Unless specifically admitted in her First Amended Statement of Answer and Second Amended Statement of Answer, Scott denied the allegations made in the Statement of Claim and asserted various affirmative defenses.

In her Counterclaim and Third Party Claim, Scott asserted the following causes of action: 1) wrongful termination in violation of public policy; 2) fraud; 3) negligent misrepresentation; 4) conspiracy to retaliate and wrongfully terminate; 5) breach of contract; 6) defamation, including libel per se; 7) breach of the implied covenant of good faith and fair dealing; 8) unlawful age discrimination; and 9) negligence. The causes of action relate to Scott's termination of employment from Newport Coast.

Unless specifically admitted in their Statement of Answer to Scott's Counterclaim and Third Party Claim, Newport Coast Respondents denied the allegations made in the Counterclaim and Third Party Claim.

RELIEF REQUESTED

In the Statement of Claim, Newport Coast requested:

1. Monetary recovery from Scott in an amount equivalent to the amount of the monetary sanctions levied and that will likely be levied against the firm by FINRA for conduct that allegedly occurred due to Scott's failure to perform her supervisory and compliance responsibilities during the period Scott was President and/or Chief Compliance Officer of Newport Coast, an amount estimated at this time to be in excess of \$600,000.00; and
2. Punitive damages in the amount of \$250,000.00.

In her Statement of Answer, Scott did not request any specific relief.

In her First Amended Statement of Answer, Counterclaim, and Third Party Claim, Scott requested:

1. Compensatory damages, including, but not limited to, Scott's lost income since her wrongful termination, subject to proof at the hearing;
2. Interest at the legal rate of 10% on all such lost income;
3. Consequential damages, subject to proof at the hearing;
4. Expungement of the sentence on Scott's Form U5 which presently reads "Ms. Scott failed to adequately perform her compliance monitoring responsibilities thereby exposing the firm to significant risk;"
5. Punitive damages of at least \$1,000,000.00;
6. Reasonable attorneys' fees and costs, including expert witness costs pursuant to Scott's employment contract;
7. Assessment of all FINRA forum fees against Newport Coast in accordance with Armendariz v. Foundation Health Psychcare Services, Inc., 24 Cal. 4th 83 (2000); and
8. Such other and further relief as the Panel deems just and equitable.

In her Second Amended Statement of Answer, Scott added the following to her requested relief:

1. Newport Coast take nothing by its claims; and
2. Dismissal of Newport Coast's claims against Scott in their entirety.

In their Statement of Answer to Scott's Counterclaim and Third Party Claim, Newport Coast Respondents requested the Panel render an award in favor of Newport Coast Respondents and denying all claims set forth by Scott against them.

OTHER ISSUES CONSIDERED AND DECIDED

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

On May 23, 2012, Newport Coast dismissed its claims against Scott.

Prior to the January 14, 2013 evidentiary hearing, Mr. Einhorn moved on behalf of Newport Coast Respondents to continue the trial due to Washburn's inability to attend the hearing for health reasons. Mr. Einhorn also indicated that Washburn wanted to testify in person and attend the whole hearing. During the January 14, 2013 evidentiary hearing, Mr. Einhorn informed the Panel as to Washburn's health condition. Eventually, Mr. Einhorn said that Washburn chose not to testify. Mr. Griffin, on behalf of his client, Scott, responded with some doubt as to what was claimed by Mr. Einhorn. Mr. Griffin also argued that allowing Washburn to participate on the phone, taking the following day of hearings off calendar, and allowing Washburn to review the recording before the hearings started up again, would not cause any prejudice to Mr. Einhorn's clients, and would cause less added expense to his client, Scott, because of delay. The Panel granted in part and denied in part the request to continue the trial ruling as follows: 1) the hearings scheduled on January 15, 2013 shall be taken off calendar and resume on

January 16, 2013; and 2) Washburn shall be allowed to participate by phone, if he wished.

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, the Panel has decided in full and final resolution of the issues submitted for determination as follows:

1. Newport Coast, Mangiapane, McPherson, and Washburn are jointly and severally liable for and shall pay to Scott the amount of \$300,000.00 in compensatory damages.
2. Newport Coast, Mangiapane, McPherson, and Washburn are jointly and severally liable for and shall pay to Scott the amount of \$125,863.06 in attorneys' fees, pursuant to contract.
3. Newport Coast, Mangiapane, McPherson, and Washburn are jointly and severally liable for and shall pay to Scott interest on the sum of \$425,863.06 at the rate of 10% per annum from the date of service of this Award until the sum of \$425,863.06 is paid in full.
4. The Panel recommends the expungement of the Termination Explanation in Section 3 of Deborah Ann Scott's Form U5 (CRD #2065971), filed by Newport Coast Securities, Inc. on August 26, 2011 and maintained by the Central Registration Depository due to the defamatory nature of the information. The current Termination Explanation shall be expunged in its entirety and left blank. The Reason for Termination shall remain "voluntary."

The Form U5 is not automatically amended to include the changes indicated above. Deborah Ann Scott must forward a copy of this Award to FINRA's Registration and Disclosure Department for the amendments to be incorporated into the Form U5.

5. Regarding Scott's statutory claims of wrongful termination and constructive termination, the Panel finds liability on the part of Newport Coast Respondents. This Award disposes of all claims raised by Scott and the amounts awarded herein take into account Scott's failure to mitigate her damages.
6. Any and all relief not specifically addressed herein, including punitive damages, is denied.

FEES

Pursuant to the Code, the following fees are assessed:

Filing Fees

FINRA Dispute Resolution assessed a filing fee* for each claim:

Initial Claim filing fee	= \$ 2,450.00
Counterclaim/Third Party Claim filing fee	= \$ 1,575.00

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

Pursuant to Armendariz v. Foundation Health Psychcare Services, Inc., 24 Cal. 4th 83 (2000), Deborah Ann Scott is assessed a \$200.00 Counterclaim/Third Party Claim filing fee. The balance of the non-refundable portion of the Counterclaim/Third Party Claim filing fee, in the amount of \$175.00, is assessed to Newport Coast Securities, Inc.

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. Accordingly, as a party, Newport Coast Securities, Inc. is assessed the following:

Member Surcharge	= \$ 2,250.00
Pre-Hearing Processing Fee	= \$ 750.00
Hearing Processing Fee	= \$ 4,000.00

Adjournment Fees

Adjournments granted during these proceedings for which fees were assessed:

January 15, 2013, adjournment by Newport Coast Respondents = \$ 1,200.00

Pursuant to Armendariz v. Foundation Health Psychcare Services, Inc., 24 Cal. 4th 83 (2000), the Panel has assessed \$1,200.00 of the adjournment fees to Newport Coast Securities, Inc.

Three-Day Cancellation Fees

Fees apply when a hearing on the merits is postponed or settled within three business days before the start of a scheduled hearing session:

January 15, 2013, adjournment by Newport Coast Respondents = \$ 300.00

Pursuant to Armendariz v. Foundation Health Psychcare Services, Inc., 24 Cal. 4th 83 (2000), the Panel has assessed \$300.00 of the three-day cancellation fees to Newport Coast Securities, Inc.

Hearing Session Fees and Assessments

The Panel has assessed hearing session fees for each session conducted. A 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:

One (1) Pre-hearing session with a single arbitrator @ \$450.00/session = \$ 450.00
Pre-hearing conference: August 10, 2012 1 session

One (1) Pre-hearing session with the Panel @ \$1,200.00/session = \$ 1,200.00
Pre-hearing conference: April 30, 2012 1 session

Fifteen (15) Hearing sessions @ \$1,200.00/session = \$18,000.00

Hearing Dates: September 10, 2012 2 sessions
September 11, 2012 2 sessions
September 12, 2012 2 sessions
September 13, 2012 2 sessions
September 14, 2012 2 sessions
January 14, 2013 3 sessions
January 16, 2013 2 sessions

Total Hearing Session Fees = \$19,650.00

Pursuant to Armendariz v. Foundation Health Psychcare Services, Inc., 24 Cal. 4th 83 (2000), the Panel has assessed \$19,650.00 of the hearing session fees to Newport Coast Securities, Inc.

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

ARBITRATION PANEL

Keith Alan Schulner	-	Public Arbitrator, Presiding Chairperson
Edward J. Costello, Jr.	-	Public Arbitrator
Michael John Florio	-	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



Keith Alan Schulner
Public Arbitrator, Presiding Chairperson

2/20/2013

Signature Date

Edward J. Costello, Jr.
Public Arbitrator

Signature Date

Michael John Florio
Public Arbitrator

Signature Date

FEBRUARY 22, 2013.

Date of Service (For FINRA Dispute Resolution office use only)

ARBITRATION PANEL


Keith Alan Schulner	-	Public Arbitrator, Presiding Chairperson
Edward J. Costello, Jr.	-	Public Arbitrator
Michael John Florio	-	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

Keith Alan Schulner
Public Arbitrator, Presiding Chairperson

Signature Date



Edward J. Costello, Jr.
Public Arbitrator



Signature Date

Michael John Florio
Public Arbitrator

Signature Date

FEBRUARY 22, 2013
Date of Service (For FINRA Dispute Resolution office use only)

ARBITRATION PANEL

Keith Alan Schulner - Public Arbitrator, Presiding Chairperson
Edward J. Costello, Jr. - Public Arbitrator
Michael John Florio - 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

Keith Alan Schulner
Public Arbitrator, Presiding Chairperson

Signature Date

Edward J. Costello, Jr.
Public Arbitrator

Signature Date



Michael John Florio
Public Arbitrator

2-20-13

Signature Date

February 22, 2013

Date of Service (For FINRA Dispute Resolution office use only)