

Award
NASD Dispute Resolution

In the Matter of the Arbitration Between:
Narramore Christian Foundation, Claimant v. Wedbush Morgan Securities Inc. and
Michael P. Farah, Respondents

Wedbush Morgan Securities Inc., Cross-Claimant v. Michael P. Farah, Cross-
Respondent

Case Number: 04-05032

Hearing Site: Los Angeles, California

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

REPRESENTATION OF PARTIES

For Claimant:

Brian L. Zagon, Esq.
Resolution Law Group, P.C.
Lafayette, California

For Respondent / Cross-Claimant
Wedbush Morgan Securities Inc.
("Wedbush Morgan"):

Jerry S. Phillips, Esq.
Kenneth S. Ingber, Esq.
Loeb & Loeb LLP
Los Angeles, California

For Respondent / Cross-Respondent
Michael P. Farah ("Michael P. Farah"):

David Harrison, Esq.
Spivak & Harrison
Los Angeles, California

CASE INFORMATION

Claimant's Statement of Claim filed: July 13, 2004

Claimant's Amended Statement of Claim filed: December 6, 2004

Claimant's Uniform Submission Agreement signed: May 5, 2004

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Wedbush Morgan's Answer to Statement of Claim filed: October 28, 2004

Wedbush Morgan's Cross-Claim filed: July 5, 2005

Wedbush Morgan's Uniform Submission Agreement signed: September 13, 2004

Michael P. Farah's Answer to Statement of Claim filed: October 28, 2004

Michael P. Farah's Answer to Cross-Claim filed: August 23, 2005

Michael P. Farah's Uniform Submission Agreement signed: September 13, 2004

CASE SUMMARY

In the Statements of Claim, Claimant alleged breach of fiduciary duty, fraud, negligent misrepresentation, negligence, unsuitability, failure to supervise, breach of contract, and violation of Cal. Corps. Code sections 25401, 25501, and 25504. Claimant's claims involved investments in collateralized mortgage obligations.

Unless specifically admitted in its Answer to the Statement of Claim, Wedbush Morgan denied the allegations set forth in Claimant's Statements of Claim and asserted various affirmative defenses.

In the Cross-Claim, Wedbush Morgan alleged express indemnification, implied equitable indemnification, interference with contractual relations, interference with prospective economic advantage, intentional misrepresentation, negligent misrepresentation, and breach of contract.

Unless specifically admitted in his Answer to the Statement of Claim, Michael P. Farah denied the allegations set forth in Claimant's Statements of Claim and asserted various affirmative defenses.

Unless specifically admitted in his Answer to the Cross-Claim, Michael P. Farah denied the allegations set forth in the Cross-Claim and asserted various affirmative defenses.

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RELIEF REQUESTED

In the Statement of Claim, Claimant requested \$1,033,028.54 in compensatory damages, unspecified punitive damages, pre- and post-judgment interest, and costs, including attorney's fees. In the Amended Statement of Claim, Claimant increased the request for compensatory damages to \$1,350,245.83, or in the alternative, rescission damages in the amount of \$1,430,425.96.

In its Answer to the Statement of Claim, Wedbush Morgan requested dismissal of Claimant's Statement of Claim in its entirety and costs, including attorney's fees.

In its Cross-Claim, Wedbush Morgan requested express and equitable indemnification for all losses and liabilities sustained in connection with named arbitrations, unspecified compensatory damages, unspecified punitive damages, and costs, including attorney's fees.

In his Answer to the Statement of Claim, Michael P. Farah requested dismissal of Claimant's Statement of Claim in its entirety and costs, including attorney's fees.

In his Answer to the Cross-Claim, Michael P. Farah requested dismissal of the Cross-Claim and costs, including attorney's fees.

OTHER ISSUES CONSIDERED AND DECIDED

On December 6, 2004, Claimant filed an Amended Statement of Claim pursuant to the NASD Code of Arbitration Procedure ("Code") Rule 10328(a).

On November 2, 2004, Claimant and Claimant's counsel signed a Waiver Agreement expressly waiving any and all rights and benefits under California Civil Code Section 1542 and the California Ethical Standards for Neutral Arbitrators.

Pursuant to the Code of Arbitration Procedure IM-10100, the waiver of the Claimant shall constitute and operate as a waiver for all member firms and associated persons (including terminated or otherwise inactive member firms or associated persons) against whom the Claim has been filed.

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On July 5, 2005, Wedbush Morgan filed an Application for Panel's Consent to File Cross-Claim Against Michael P. Farah. On July 29, 2005, Claimant filed a response to Wedbush Morgan's application. On August 1, 2005, Michael P. Farah filed an Opposition to Wedbush Morgan's application. On August 3, 2005, Wedbush Morgan filed a Reply to Response of Claimant to Application for Panel's Consent to File Cross-Claim Against Michael P. Farah. Also on August 3, 2005, Wedbush Morgan filed a Reply to Michael P. Farah's Opposition to Application for Consent to File Cross-Claim. On August 16, 2005, the Panel and parties held a telephonic pre-hearing conference to hear oral argument on Wedbush Morgan's application. On August 16, 2006, the Panel issued an Order granting the application to file the Cross-Claim only as to matters involving this Claimant.

On August 28, 2005, Claimant dismissed Michael P. Farah from this matter without prejudice. On August 31, 2006, Wedbush Morgan dismissed the Cross-Claim against Michael P. Farah. On September 13, 2006, Michael P. Farah filed a notice that he consented to being dismissed without prejudice in this matter.

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

- 1) Wedbush Morgan is liable to and shall pay Claimant the sum of \$1,137,397.00 in compensatory damages.
- 2) Wedbush Morgan is liable to and shall pay Claimant the sum of \$80,822.20 in costs, including expert/witness fees.
- 3) Except as awarded above, the parties shall bear their respective costs, including attorney's fees.
- 4) All other relief requested and not expressly granted is denied.

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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	= \$ 500.00
Wedbush Morgan's Cross-claim filing fee	= \$ 2,000.00

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 Wedbush Morgan is a party and the following fees are assessed:

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

Adjournment Fees

The following adjournment fees are assessed:

July 11-15, 2005 hearing adjournment requested by Wedbush Morgan	= \$ 1,200.00
March 20-31, 2006 hearing adjournment requested by Claimant	= \$ 1,200.00

1. The Panel assessed \$600.00 of the adjournment fees to Wedbush Morgan.
2. The Panel assessed \$600.00 of the adjournment fees to Michael P. Farah.
3. The Panel waived \$1,200.00 of the adjournment fees.

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:

March 20-31, 2006 hearing adjournment	= \$ 300.00
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The Panel waived \$300.00 of the three-day cancellation fees.

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Forum Fees and Assessments

The Panel assessed forum fees for each session conducted or each decision rendered on a discovery-related motion on the papers. A session is any meeting between the parties and the arbitrator(s), including a pre-hearing conference with the arbitrator(s), that lasts four hours or less. Fees associated with these proceedings are:

3 Pre-hearing conference sessions with one arbitrator @ \$450.00/session = \$ 1,350.00

Pre-hearing conferences: February 10, 2006 1 session
 March 3, 2006 1 session
 March 8, 2006 1 session

5 Pre-hearing conference sessions with the Panel @ \$1,200.00/session = \$ 6,000.00

Pre-hearing conferences: January 5, 2005 1 session
 June 24, 2005 1 session
 July 11, 2005 1 session
 August 16, 2005 1 session
 March 29, 2006 1 session

14 Hearing sessions @ \$1,200.00/session = \$16,800.00

Hearings: November 6, 2006 2 sessions
 November 7, 2006 2 sessions
 November 8, 2006 2 sessions
 November 9, 2006 2 sessions
 November 13, 2006 2 sessions
 November 14, 2006 2 sessions
 November 15, 2006 2 sessions

Total Forum Fees = \$24,150.00

The Panel assessed \$24,150.00 of the forum fees to Wedbush Morgan.

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Fee Summary

1. Claimant is charged with the following fees and costs:	
Initial Filing Fee	= \$ 500.00
<u>Less payments</u>	= \$(1,700.00)
Refund Due Claimant	= \$(1,200.00)
2. Wedbush Morgan is charged with the following fees and costs:	
Cross-Claim Filing Fee	= \$ 2,000.00
Member Fees	= \$ 8,550.00
Adjournment Fee	= \$ 600.00
Forum Fees	= \$24,150.00
<u>Total Fees</u>	<u>= \$35,800.00</u>
<u>Less payments</u>	<u>= \$(12,350.00)</u>
Balance Due NASD Dispute Resolution	= \$22,950.00
3. Michael P. Farn is charged with the following fees and costs:	
Adjournment Fee	= \$ 600.00
<u>Less payments</u>	<u>= \$(0.00)</u>
Balance Due NASD Dispute Resolution	= \$ 600.00

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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ARBITRATION PANEL

Richard J. Stall, Jr.
Jery Ellner
Ralph B. Perry, III

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Public Arbitrator, Presiding Chair
Public Arbitrator
Non-Public Arbitrator

Concurring Arbitrators' Signatures



Richard J. Stall, Jr.
Chair, Public Arbitrator

Nov. 27 2006
Signature Date

Jery Ellner
Public Arbitrator

Signature Date

Ralph B. Perry, III
Non-Public Arbitrator

Signature Date

11/27/06
Date of Service

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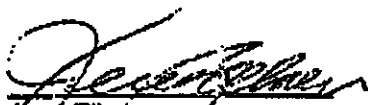
ARBITRATION PANEL

Richard J. Stall, Jr.	-	Public Arbitrator, Presiding Chair
Jeny Ellner	-	Public Arbitrator
Ralph B. Perry, III	-	Non-Public Arbitrator

Concurring Arbitrators' Signatures

Richard J. Stall, Jr.
Chair, Public Arbitrator

Signature Date


Jeny Ellner
Public Arbitrator

11/27/06
Signature Date

Ralph B. Perry, III
Non-Public Arbitrator

Signature Date

11/27/06
Date of Service

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ARBITRATION PANEL

Richard J. Stall, Jr.	-	Public Arbitrator, Presiding Chair
Jerry Ellner	-	Public Arbitrator
Ralph B. Perry, III	-	Non-Public Arbitrator

Concurring Arbitrators' Signatures

Richard J. Stall, Jr.
Chair, Public Arbitrator

Signature Date

Jerry Ellner
Public Arbitrator

Signature Date


Ralph B. Perry, III
Non-Public Arbitrator

22 NOV 2006
Signature Date

11/27/06
Date of Service