

Award
FINRA Dispute Resolution

In the Matter of the Arbitration Between:

Claimant/Counter-Respondent
Michael Paul Farah

Case Number: 12-02469

vs.

Respondent/Counter-Claimant
Wedbush Securities, Inc.

Hearing Site: Los Angeles, California

Nature of the Disputes: Associated Person vs. Member
Member vs. Associated Person

REPRESENTATION OF PARTIES

For Claimant/Counter-Respondent Michael Paul Farah ("Farah"): Philip M. Aidikoff, Esq., Aidikoff, Uhl & Bakhtiari, Beverly Hills, California and David S. Harrison, Esq., Law Offices of David Harrison, Beverly Hills, California.

For Respondent/Counter-Claimant Wedbush Securities, Inc. ("Wedbush"): Charles B. LaChaussee, Esq. and John L. Erikson, Esq., Wedbush Securities, Inc., Los Angeles, California.

CASE INFORMATION

Statement of Claim filed on or about: May 25, 2005.

First Amended Statement of Claim filed on or about: October 11, 2012.

Farah signed the Submission Agreement: July 23, 2012.

Statement of Answer filed by Wedbush on or about: July 5, 2005.

Statement of Counterclaim filed by Wedbush on or about: July 5, 2005.

Amended Statement of Answer filed by Wedbush on or about: November 15, 2012.

Amended and Supplemental Counterclaim filed by Wedbush on or about: March 8, 2013.

Wedbush signed the Submission Agreement: July 18, 2012.

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Statement of Answer to the Counterclaim filed by Farah on or about: August 8, 2005.

Statement of Answer to the Amended and Supplemental Counterclaim filed by Farah on or about: March 21, 2013.

CASE SUMMARY

In the Statement of Claim, Farah asserted the following causes of action: fraud by misrepresentation and omission; negligent misrepresentation; and interference with business and contractual relationships. Farah alleged that Wedbush made misrepresentations and omitted material facts in connection with the Collateralized Mortgage Obligations ("CMO") investments that he recommended to his clients, causing Farah to lose clients and annual income.

In the First Amended Statement of Claim, Farah added the following cause of action: failure to indemnify (equitable and legal).

Unless specifically admitted in its Answers, Wedbush denied the allegations made in the Statement of Claim and the First Amended Statement Claim and asserted various affirmative defenses.

In its Counterclaim, Wedbush asserted the following causes of action: express indemnification; implied equitable indemnification; interference with contractual relations; interference with prospective economic advantage; intentional misrepresentation; negligent misrepresentation; and breach of contract. Wedbush's causes of action relate to losses it allegedly suffered as a result of multiple arbitration proceedings arising out of the CMO investments recommended by Farah.

In its Amended and Supplemental Counterclaim, Wedbush added the following cause of action: breach of fiduciary duty.

Unless specifically admitted in his Answers, Farah denied the allegations made in the Counterclaim and the Amended and Supplemental Counterclaim and asserted various affirmative defenses.

RELIEF REQUESTED

In the Statement of Claim and First Amended Statement of Claim, Farah requested:

1. Actual, consequential and incidental financial losses according to proof at the time of arbitration, but not less than \$1,500,000.00;
2. Punitive damages;
3. Attorneys' fees and costs;
4. Interest on all sums recovered at the legal rate; and
5. Such other and further relief that this Panel may determine as just and proper.

In its Statement of Answer and Amended Statement of Answer, Wedbush requested:

1. Farah take nothing by the claim;
2. Dismissal of the claim;
3. Attorneys' fees; and

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4. Costs, including but not limited to, all FINRA forum fees and other fees assessed by FINRA.

In its Counterclaim and Amended and Supplemental Counterclaim, Wedbush requested:

1. Express indemnification for all losses and liabilities sustained in connection with the CMO cases;
2. Equitable indemnification for all losses and liabilities sustained in connection with the CMO cases;
3. Actual damages;
4. Punitive damages;
5. Attorneys' fees;
6. All member and forum fees and other costs of suit; and
7. Such other relief as may be just and proper.

In his Answers to the Counterclaim and to the Amended and Supplemental Counterclaim, Farah requested:

1. The Counterclaim and the Amended Counterclaim be denied in their entirety;
2. Attorneys' fees and costs;
3. Cost of this arbitration; and
4. Such other and further relief as is just and proper.

OTHER ISSUES CONSIDERED AND DECIDED

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

On July 2, 2012, the parties advised FINRA Dispute Resolution that they stipulated to transfer the above-captioned matter to FINRA Dispute Resolution from the New York Stock Exchange, Inc. The parties also stipulated to proceed under the Code of Arbitration Procedure (the "Code").

On November 19, 2012, Farah submitted an Unopposed Motion to Amend the Statement of Claim. By Order dated November 27, 2012, the Panel granted the motion.

By Order dated January 18, 2013, the Panel ruled that amended pleadings are permitted and shall be submitted by July 23, 2013.

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. Wedbush is liable for and shall pay to Farah \$1,334,387.00 for loss of income.

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2. Wedbush is liable for and shall pay to Farah \$1,439,555.50 in punitive damages pursuant to California Civil Code Section 3294.
3. Wedbush is liable for and shall pay to Farah \$258,877.71 as reimbursement for the attorneys' fees Farah paid out of pocket in connection with the prior New York Stock Exchange, Inc. case and the related Wedbush arbitration proceedings pursuant to California Labor Code Section 2802.
4. Wedbush is liable for and shall pay to Farah \$1,213,128.08 in additional attorneys' fees pursuant to California Labor Code Section 2802(c), California Civil Code Section 1717 and the case law of *Coutee v. Barington Capital Group, L.P.*, 336 F.3d 1128 (9th Cir. 2003).
5. Wedbush is liable for and shall pay to Farah \$18,500.00 in expert witness fees for one of Farah's expert witnesses.
6. Wedbush is liable for and shall pay to Farah \$21,074.25 for Farah's court reporter fees.
7. Wedbush is liable for and shall pay to Farah \$600.00 as reimbursement for the non-refundable portion of Farah's initial claim filing fee.
8. Wedbush's counterclaims are denied in their entirety.
9. 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	= \$ 1,800.00
Counterclaim Filing Fee	= \$ 1,500.00

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

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, Wedbush Securities, Inc. is assessed the following:

Member Surcharge	= WAIVED
Pre-Hearing Processing Fee	= WAIVED
Hearing Processing Fee	= \$ 5,000.00

Adjournment Fees

Adjournments granted during these proceedings for which fees were waived:

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August 15, 2013, adjournment by parties = WAIVED

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:

August 15, 2013, adjournment by parties = WAIVED

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: July 1, 2013	1 session	

Two (2) Pre-hearing sessions with the Panel @ \$1,200.00/session	= \$	2,400.00
Pre-hearing conferences: January 28, 2013	1 session	
August 5, 2013	1 session	

Sixteen (16) Hearing sessions @ \$1,200.00/session	= \$	19,200.00
Hearing Dates:		
August 12, 2013	1 session	
August 13, 2013	2 sessions	
August 14, 2013	2 sessions	
August 16, 2013	2 sessions	
August 26, 2013	2 sessions	
August 28, 2013	1 session	
September 3, 2013	2 sessions	
September 4, 2013	2 sessions	
September 11, 2013	2 sessions	

Total Hearing Session Fees	= \$	22,050.00
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The Panel has assessed \$22,050.00 of the hearing session fees to Wedbush.

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

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ARBITRATION PANEL

Robert F. Saint-Aubin	-	Public Arbitrator, Presiding Chairperson
Thomas R. Watkins	-	Public Arbitrator
Philip W. Burge	-	Non-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.

Concerning Arbitrators' Signatures

Robert F. Saint-Aubin
Public Arbitrator, Presiding Chairperson

Signature Date



Thomas R. Watkins
Public Arbitrator

September 24, 2013
Signature Date

Philip W. Burge
Non-Public Arbitrator

Signature Date

September 25, 2013
Date of Service (For FINRA Dispute Resolution office use only)

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ARBITRATION PANEL

Robert F. Saint-Aubin	-	Public Arbitrator, Presiding Chairperson
Thomas R. Watkins	-	Public Arbitrator
Phillip W. Burge	-	Non-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

Robert F. Saint-Aubin
Public Arbitrator, Presiding Chairperson

Signature Date

Thomas R. Watkins
Public Arbitrator

Signature Date

Phillip W. Burge

Phillip W. Burge
Non-Public Arbitrator

Sept 25, 2013

Signature Date

September 25, 2013

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