

Award
NASD Dispute Resolution

In the Matter of the Arbitration Between:

Paulson Investment Company, Inc. (Claimant) v. Epifanio Almodovar, Wossen Belay,
Nicholas Ferrer, and Noel Yulfo (Respondents)

Case Number: 03-03034

Hearing Site: New York, New York

Nature of the Dispute: Member v. Associated Persons.

REPRESENTATION OF PARTIES

Claimant Paulson Investment Company, Inc. ("Paulson") hereinafter referred to as
"Claimant": Scott A. Shorr, Esq., previously Keith A. Ketterling, Esq., Stoll Stoll Berne
Lokting & Shlachter, P.C., Portland, OR.

Respondents Epifanio Almodovar ("Almodovar"), Wossen Belay ("Belay"), Nicholas
Ferrer ("Ferrer"), and Noel Yulfo ("Yulfo") hereinafter collectively referred to as
"Respondents": James G. McCarney, Esq., Engel & McCarney, New York, NY.

CASE INFORMATION

Statement of Claim filed on or about: April 23, 2003.

Answer and Affirmative Defenses to Respondents' Counterclaims filed by Claimant on
or about: November 14, 2003.

Claimant signed the Uniform Submission Agreement: April 17, 2003.

Joint Statement of Answer and Counterclaims filed by Respondent on or about: July 21,
2003.

Respondent Almodovar did not sign the Uniform Submission Agreement.

Respondent Belay did not sign the Uniform Submission Agreement.

Respondent Ferrer did not sign the Uniform Submission Agreement.

Respondent Yulfo did not sign the Uniform Submission Agreement.

CASE SUMMARY

Claimant asserted the following cause of action: failure to repay monies owed pursuant
to the terms of a promissory note. Unless specifically admitted in its Answer and
Affirmative Defenses to Respondents' Counterclaims, Claimant denied the allegations
made in the Answer and Counterclaims and asserted various affirmative defenses.

Unless specifically admitted in their Answer and Counterclaims, Respondents denied the allegations made in the Statement of Claim. In their Counterclaim, Respondents asserted the following causes of action: breach of contract; breach of fiduciary duty; and fraudulent misrepresentation.

RELIEF REQUESTED

In the Statement of Claim, Claimant requested compensatory damages in the amount of \$75,000.00; interest at the rate of 7% per annum from March 22, 2001 (the date the sum was advanced to Respondents) until the date the award is paid in full; attorneys' fees; and costs. In its Answer and Affirmative Defenses to Respondents' Counterclaims, Claimant requested dismissal of Respondents' Counterclaims; damages of \$75,000.00, plus interest at the rate of 7% per annum from March 22, 2001 until the date the award is paid in full; and an award of attorneys' fees and costs.

In their Answer and Counterclaims, Respondents requested compensatory damages in the amount of \$500,000.00; administrative fees; and such other and further relief as may be just and proper, together with costs and expenses.

OTHER ISSUES CONSIDERED AND DECIDED

Upon review of the file and the representations made on behalf of the Claimant, the undersigned arbitrators (the "Panel") determined that Respondent Ferrer has been properly served with the Statement of Claim and received due notice of the hearing and that arbitration of the matter would proceed without said Respondent present, in accordance with the NASD Code of Arbitration Procedure (the "Code").

Respondents Almodovar, Belay, and Yulfo did not file with NASD Dispute Resolution properly executed Uniform Submission Agreement but are required to submit to arbitration pursuant to the Code and, having answered the claim, and appeared and testified at the hearing, are bound by the determination of the Panel on all issues submitted.

Respondent Ferrer did not file with NASD Dispute Resolution a properly executed Uniform Submission Agreement but is required to submit to arbitration pursuant to the Code, and having answered the claim, is bound by the determination of the Panel on all issues submitted.

Claimant made a motion to strike the Counterclaims of Respondents. The Panel denied the motion.

Claimant made a motion barring introduction of late production of documents. The Panel denied the motion.

Claimant made a motion barring any evidence of damages. The Panel denied the motion.

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, and 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. Respondents are jointly and severally liable for and shall pay to Claimant compensatory damages in the amount of \$75,000.00, plus interest at the rate of 7% per annum from March 22, 2001 until the date the award is paid in full.
2. The Counterclaims of Respondents are denied in their entirety.
3. Any and all relief not specifically addressed herein is denied.

FEES

Pursuant to the Code, the following fees are assessed:

Filing Fees

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

Initial claim filing fee	= \$1,000.00
Counterclaim filing fee	= \$ 300.00

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 persons at the time of the events giving rise to the dispute. Accordingly, Paulson Investment Company, Inc. is party.

Member surcharge	= \$1,100.00
Pre-hearing process fee	= \$ 750.00
Hearing process fee	= \$2,750.00

Forum Fees and Assessments

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

One (1) Pre-hearing session with a single arbitrator @ \$450.00	= \$ 450.00
Pre-hearing conference: May 17, 2004 1 session	

One (1) Pre-hearing session with Panel @ \$1,125.00 = \$1,125.00
Pre-hearing conference: January 9, 2004 1 session

Three (3) Hearing sessions @ \$1,125.00 = \$3,375.00
Hearing Dates: June 15, 2004 2 sessions
June 16, 2004 1 session

Total Forum Fees = \$4,950.00

1. The Panel has assessed \$4,950.00 of the forum fees jointly and severally against Respondents.

Fee Summary

1. Claimant is solely liable for:
- | | |
|------------------------|--------------|
| Initial Filing Fee | = \$1,000.00 |
| <u>Member Fees</u> | = \$4,600.00 |
| Total Fees | = \$5,600.00 |
| <u>Less payments</u> | = \$6,350.00 |
| Refund Due to Claimant | = \$ 750.00 |
2. Respondents are jointly and severally liable for:
- | | |
|-------------------------------------|--------------|
| Counterclaim Filing Fee | = \$ 300.00 |
| <u>Forum Fees</u> | = \$4,950.00 |
| Total Fees | = \$5,250.00 |
| <u>Less payments</u> | = \$ 300.00 |
| Balance Due NASD Dispute Resolution | = \$4,950.00 |


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

ARBITRATION PANEL

Cynthia H. Plishtin	-	Public Arbitrator, Presiding Chairperson
Dorothy F. Gray, Esq.	-	Public Arbitrator
Irwin Pronin, Esq.	-	Non-Public Arbitrator

Concurring Arbitrators' Signatures

I, the undersigned arbitrator, do hereby affirm, pursuant to Article 7507 of the Civil Practice Law and Rules, that I am the individual described herein and who executed this instrument in which is my award.


Cynthia H. Plishtin
Public Arbitrator, Presiding Chairperson


Signature Date

Dorothy F. Gray, Esq.
Public Arbitrator

Signature Date

Irwin Pronin, Esq.
Non-Public Arbitrator

Signature Date

June 21, 2004

Date of Service (For NASD Dispute Resolution use only)

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Public Arbitrator, Presiding Chairperson

Signature Date

Dorothy F. Gray, Esq.
Public Arbitrator

Signature Date



Irwin Pronin, Esq.
Non-Public Arbitrator

6-18-04

Signature Date

June 21, 2004

Date of Service (For NASD Dispute Resolution use only)