

AWARD
NASD Dispute Resolution

In the Matter of the Arbitration Between

Claimants

William and Georgia Seals

and

Case Number: 03-01727
Hearing Site: Houston, Texas

Respondents

IMS Securities, Inc.,
Larry Jon Harn,
Christopher D. Gammon, and
Jackie Divono Wadsworth

and

Cross Claimant / Counter Respondent

Larry Jon Harn

and

Cross Respondent / Counter Claimant

IMS Securities, Inc.

NATURE OF DISPUTE

Customers v. Member Firm and Associated Persons

REPRESENTATION OF PARTIES

William and Georgia Seals ("**Claimants**") were represented by Samuel B. Edwards, Esq., of Shepard, Smith & Edwards, P.C., in Houston, Texas.

IMS Securities, Inc. ("**IMS Securities**"), Larry Jon Harn ("**Harn**"), Christopher D. Gammon ("**Gammon**"), Jackie Divono Wadsworth ("**Wadsworth**") were represented by Robert S. Duran, Esq., of Fulbright & Jaworski, LLP, in Houston, Texas.

J. Randle Henderson, Esq., in Houston, Texas, appeared on behalf of IMS Securities, Inc. ("**IMS Securities**") on or about January 21, 2004.

Joe Hroch, Esq., of Spencer and Associates, in Houston, Texas, appeared on behalf of Larry Jon Harn ("**Harn**") on or about January 21, 2004.

CASE INFORMATION

The Statement of Claim was filed on or about March 7, 2003.

The Submission Agreement of Claimants, William and Georgia Seals, was signed on or about December 18, 2003.

The Statement of Answer was filed jointly by Respondents, IMS Securities, Larry Jon Harn, Christopher Gammon, and Jackie Wadsworth, on or about May 17, 2003.

The Submission Agreement of Respondent, IMS Securities, Inc., was signed on or about May 12, 2003.

The Submission Agreement of Respondent, Larry Jon Harn, was signed on or about May 9, 2003.

The Submission Agreement of Respondent, Christopher D. Gammon, was signed on or about May 12, 2003.

The Submission Agreement of Respondent, Jackie Divono Wadsworth, was signed on or about May 12, 2003.

A Cross Claim was filed by Respondent, Larry Jon Harn, on or about May 18, 2003.

An Amended Statement of Answer was filed by Respondents, IMS Securities, Larry Jon Harn, Christopher Gammon, and Jackie Wadsworth, on or about January 2, 2004.

The First Amended Statement of Answer to Cross Claim and Counter Claim was filed by IMS Securities on or about May 27, 2004.

An Amended Cross Claim and Answer to Counter Claim was filed by Larry Jon Harn on or about June 2, 2004.

CASE SUMMARY

Claimants asserted the following causes of action: breach of contract, suitability, misrepresentations, omissions, breach of fiduciary duty and negligence. The causes of action related to the recommendation of/and purchase of unspecified securities. Claimants

alleged that Harn never disclosed that the investments he was selling were extremely high risk, unregulated securities, which could easily lose their value.

Unless specifically admitted in their Answer, Respondents, IMS Securities, Larry Jon Harn, Christopher Gammon, and Jackie Wadsworth, denied the allegations made in the Statement of Claim and asserted affirmative defenses including the following: Claimants' claims are barred by the doctrines of estoppel, waiver, ratification, laches and the applicable statutes of limitation; and Claimants have failed to mitigate any damages they may have suffered.

Cross Claimant, Larry Jon Harn, asserted the following causes of action: indemnification and contribution. Cross Claimant alleged that if he were to be found liable to Claimants for damages, Harn would be entitled to a judgment against IMS Securities for indemnification and contribution in an amount equal to these damages.

Counter Claimant, IMS Securities, asserted the following cause of action: breach of contract. Counter Claimant alleged that Harn and IMS entered into an Independent Registered Representative Agreement ("Agreement") dated October 10, 1997, which was modified by the Agreement executed on March 20, 2003. The agreements provide that Harn will (i) maintain proper client file documentation, (ii) be responsible for numerous fees and expenses set forth in paragraph XII in the Agreement, and (iii) indemnify IMS Securities for losses, damages, expenses and liabilities, incurred by IMS Securities in investigating or defending any actions, whether or not resulting in any liability.

RELIEF REQUESTED

Claimants requested an award in the amount of:

Actual/Compensatory	\$3,000,000
Punitive/Exemplary	Unspecified
Interest	Unspecified
Attorney's Fees	Unspecified
Other Costs	Unspecified
Other Monetary Relief	Unspecified

Respondents, IMS Securities, Larry Jon Harn, Christopher Gammon, and Jackie Wadsworth, requested that the claims asserted against them be denied in their entirety and that they be awarded their costs and attorneys' fees.

Cross Claimant, Larry Jon Harn, requested an award for indemnification in the amount of:

Actual/Compensatory	\$3,000,000
Other Costs	Unspecified
Attorney's Fees	Unspecified

Punitive/Exemplary	Unspecified
Interest	Unspecified
Other Monetary Relief	Unspecified

Counter Claimant, IMS Securities, requested an award in the amount of:

Actual/Compensatory	\$37,764.17
Other Costs	Unspecified
Attorney's Fees	\$10,000.00

OTHER ISSUES CONSIDERED & DECIDED

On or about January 21, 2004, Claimants settled with IMS Securities and dismissed with prejudice their claims against Harn, Gammon and Wadsworth. The remaining cross claim and counter claim between Larry Jon Harn and IMS Securities, Inc. went to a final hearing on July 30, 2004. At the hearing, IMS Securities made an oral motion for directed verdict. The Panel took said motion under advisement.

On April 19, 2004, the Panel ordered IMS Securities to file an Answer and Counter Claim to Larry Jon Harn's Cross Claim by May 28, 2004.

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. In either case, the parties have agreed to receive conformed copies of the award while the original(s) remain on file with NASD Dispute Resolution ("NASD").

AWARD

After considering the pleadings, the testimony, and the evidence presented at the hearing, the undersigned arbitrators have decided in full and final resolution of the issues submitted for determination as follows:

- 1.) Larry Jon Harn, is liable for and shall pay to Counter Claimant, IMS Securities, the sum of \$600.28 in compensatory damages;
- 2.) The Cross Claim of Larry Jon Harn is dismissed with prejudice;
- 3.) Other than Forum Fees which are specified below, the parties shall each bear their own costs and expenses incurred in this matter;
- 4.) Any relief not specifically enumerated, including punitive damages and attorney fees, is hereby denied with prejudice.

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	= \$ 500.00
Cross claim filing fee	= \$ 500.00
Counter claim filing fee	= \$1000.00

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. In this matter, the member firm is IMS Securities, Inc.

Member surcharge	= \$2800.00
Pre-hearing process fee	= \$ 750.00
Hearing process fee	= \$5000.00

Adjournment Fees

Adjournments requested during these proceedings:

January 27-30, 2004, adjournment by Larry Jon Harn	= \$ 1200.00
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Forum Fees and Assessments

The Arbitration Panel assesses forum fees for each hearing session conducted. A hearing 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 x \$450.00	= \$450.00
Pre-hearing conference: December 9, 2003	1 session
Three (3) Pre-hearing sessions with Panel x \$1200.00	= \$3600.00
Pre-hearing conferences: January 5, 2004	1 session
April 19, 2004	1 session
July 30, 2004	1 session

Three (3) Hearing sessions x 1200.00	= \$3600.00
Hearing Date: August 3, 2004	3 sessions
Total Forum Fees	= \$7650.00

The Arbitration Panel has assessed \$825.00 of the forum fees jointly and severally to William and Georgia Seals.

The Arbitration Panel has assessed \$825.00 of the forum fees jointly and severally to IMS Securities, Inc. Larry Jon Harn Christopher D. Gammon Jackie Divono Wadsworth.

The Arbitration Panel has assessed \$3000.00 of the forum fees to IMS Securities, Inc.

The Arbitration Panel has assessed \$3000.00 of the forum fees to Larry Jon Harn.

Pursuant to Rule 10332(g) of NASD Code of Arbitration Procedures: *Any matter submitted and thereafter settled or withdrawn subsequent to the commencement of the first hearing session, including a pre-hearing conference with an arbitrator, shall be subject to an assessment of forum fees and costs incurred pursuant to Rules 10319, 10321, 10322, and 10326 based on hearing sessions held and scheduled within eight business days after the Association receives notice that the matter has been settled or withdrawn. The arbitrator(s) shall determine by whom such forum fees and costs shall be borne. As NASD Dispute Resolution received notice of the settlement within eight business days of the first scheduled hearing, \$ 375 of the Claimant's remaining hearing session deposit is retained.*

FEE SUMMARY

Claimants, William and Georgia Seals, are jointly and severally liable for:

Initial Filing Fee	= \$ 500.00
Forum Fees	= \$ 825.00
Hearing Session Deposit Retained	= \$ 375.00
Total Fees	= \$ 1700.00
Less payments	= \$ 1700.00
Balance Due NASD Dispute Resolution	= \$ 0.00

Respondents, IMS Securities, Inc. Larry Jon Harn Christopher D. Gammon Jackie Divono Wadsworth, are jointly and severally liable for:

Forum Fee	= \$ 825.00
Total Fees	= \$ 825.00
Less payments	= \$ 0.00
Balance Due NASD Dispute Resolution	= \$ 0.00

Respondent, IMS Securities, Inc., is liable for:

Counter Claim Filing Fee	= \$ 1000.00
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Member Fees	= \$ 8550.00
Forum Fees	= \$ 3000.00
<u>Total Fees</u>	<u>= \$12550.00</u>
<u>Less payments</u>	<u>= \$ 8550.00</u>
Balance Due NASD Dispute Resolution	= \$ 4000.00

Respondent, Larry Jon Harn, is liable for:

Cross Claim Filing Fee	= \$ 500.00
Adjournment Fee	= \$ 1200.00
Forum Fees	= \$ 3000.00
<u>Total Fees</u>	<u>= \$ 4700.00</u>
<u>Less payments</u>	<u>= \$ 2250.00</u>
Balance Due NASD Dispute Resolution	= \$ 2450.00

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

ARBITRATION PANEL

Patricia R. Lykos, J.D. - Public Arbitrator, Presiding Chair
R. Lee Britton, Jr., Esq. - Public Arbitrator
Theodore E. Davis - Non-Public Arbitrator

Concurring Arbitrators:

/s/ Patricia R. Lykos, J.D.
Patricia R. Lykos, J.D.
Public Arbitrator, Presiding Chair

August 9, 2004
Signature Date

/s/ R. Lee Britton, Jr., Esq.
R. Lee Britton, Jr., Esq.
Public Arbitrator

August 6, 2004
Signature Date

/s/ Theodore E. Davis
Theodore E. Davis
Non-Public Arbitrator


August 9, 2004
Signature Date

August 9, 2004
Date of Service (For NASD office use only)

ARBITRATION PANEL

Patricia R. Lykos, J.D. - Public Arbitrator, Presiding Chair
R. Lee Britton, Jr., Esq. - Public Arbitrator
Theodore E. Davis - Non-Public Arbitrator

Concurring Arbitrators:

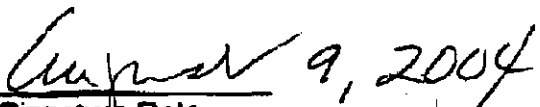


Patricia R. Lykos, J.D.
Public Arbitrator, Presiding Chair

R. Lee Britton, Jr., Esq.
Public Arbitrator

Theodore E. Davis
Non-Public Arbitrator

Date of Service (For NASD office use only)



Signature Date

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Theodore E. Davis - Non-Public Arbitrator

Concurring Arbitrators:

Patricia R. Lykos, J.D.
Public Arbitrator, Presiding Chair


R. Lee Britton, Jr., Esq.
Public Arbitrator

Theodore E. Davis
Non-Public Arbitrator

Signature Date

08-06-04
Signature Date

Signature Date

Date of Service (For NASD office use only)

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Patricia R. Lykos, J.D.
Public Arbitrator, Presiding Chair

Signature Date

R. Lee Britton, Jr., Esq.
Public Arbitrator

Signature Date



Theodore E. Davis
Non-Public Arbitrator

Aug 9 2004

Signature Date

Date of Service (For NASD office use only)