

AWARD
NASD Dispute Resolution

In the Matter of the Arbitration Between

Claimants

Eugene J. Gau and Kathleen R. Gau

vs.

03-06124
Omaha, Nebraska

Respondents

GWR Investments, Inc. and Larry M. Pence

Nature of the Dispute: Customers vs. Member Firm and Associated Person

REPRESENTATION OF PARTIES

Eugene J. Gau and Kathleen R. Gau ("Gaus") were represented by Rodney K. Vincent, Esq., Vincent Law Offices, Lincoln, Nebraska.

GWR Investments, Inc. ("GWR") was represented by James M. Bausch, Esq., Cline, Williams, Wright, Johnson & Oldfather, L.L.P., Lincoln, Nebraska.

Larry M. Pence ("Pence") was represented by Kevin McManaman, Esq., Knudsen, Berkheimer, Richardson & Endacott, LLP, Lincoln, Nebraska.

CASE INFORMATION

The Statement of Claim was filed on or about August 22, 2003. The Submission Agreements of Claimants, Eugene J. Gau and Kathleen R. Gau, were signed on or about August 20, 2003.

The Statement of Answer was filed by Respondent, GWR Investments, Inc., on or about October 20, 2003. The Submission Agreement of Respondent, GWR Investments, Inc., was signed on or about October 15, 2003.

The Statement of Answer was filed by Respondent, Larry M. Pence, on or about October 17, 2003. The Submission Agreement of Respondent, Larry M. Pence, was signed on or about October 14, 2003.

CASE SUMMARY

Claimants asserted the following causes of action: Violation of the Anti-Fraud Provisions of the Securities Laws of the U.S. and the State of Nebraska, common law fraud, breach of fiduciary duty, common law negligence, breach of contract and failure to supervise. Claimants alleged that the Respondents recommended that they purchase IBF-7 notes, through misleading and false statements that led them to huge losses. The causes of action relate to the order execution of IBF Special Purpose Corporation, VII (IBF-& 11%) notes.

Respondent, GWR Investments, Inc., denied the allegations made in the Statement of Claim and asserted affirmative defenses including the following: The Gaus' claims are barred by the applicable statutes of limitations and equitable principles of law; there were no misrepresentations or omissions of material fact by GWR upon which the Gaus relied to their detriment; GWR did not act with any intent to defraud the Gaus or with reckless disregard of their interests; GWR is not liable to the Gaus because GWR had no duty, contractual or otherwise, to disclose or inform the Gaus of any facts other than those which were disclosed, nor did GWR breach any duty owed to the Gaus, if any duty existed; and, GWR performed its services with regard to the Gaus' accounts with GWR in good faith.

Respondent, Larry M. Pence, denied the allegations made in the Statement of Claim and asserted affirmative defenses including the following: Claimants' claims are barred by the applicable statutes of limitations and equitable principles of law, including the doctrines of laches and unclean hands; Larry Pence had no duty to disclose or inform Claimants of acts other than as set out in the Private Placement Memorandum and as were otherwise disclosed, and Larry Pence breached no duties in that regard; there were no misrepresentations or omissions of material fact by Larry Pence upon which Claimants relied to their detriment; Larry Pence did not act with intent to defraud Claimants, or with reckless disregard to their interest; rather, he met all of his duties to disclose and inform them of the contents of the Private Placement Memorandum, referencing it and verifying it had been read by them; and, Larry Pence performed all of his services in good faith, and the losses Claimants may eventually suffer were due to conditions and other factors beyond Larry Pence's control, and for which he is not responsible.

RELIEF REQUESTED

Claimants requested an award of \$238, 000.00 in compensatory damages, plus punitive damages, their attorney's fees, costs and such other relief the Arbitrators shall deem just and equitable.

Respondent, GRW Investments, Inc., requested that the claims asserted against it be denied in its entirety and that it be awarded its costs.

Respondent, Larry M. Pence, requested that the claims asserted against him be denied in their entirety and that he be awarded his costs.

OTHER ISSUES CONSIDERED & DECIDED

On September 2, 2004, the panel entered an order in regard to GWR Investments, Inc.'s Motion to Dismiss, Larry M. Pence's Motion to Dismiss, GWR Investments, Inc.'s Motion in Limine, Larry M. Pence's Motion in Limine, and the Claimants' Motion to Add Gail Werner-Robertson as an additional Respondent in this proceeding which reflected the following:

1. The Motions to Dismiss are overruled;
2. The Motions in Limine are overruled without prejudice to being reasserted as deemed appropriate at the hearing; and
3. The Motion to Add Gail Werner-Robertson as an additional respondent is granted subject to the Claimants' claim against Ms. Werner-Robertson being severed from the remaining claims in the present proceeding with all of such claims except the claim against Ms. Werner-Robertson to come on for hearing on Monday, September 13, 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 originals remain on file with the NASD Dispute Resolution (the "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. Respondents, GWR Investments, Inc. and Larry M. Pence, are jointly and severally liable for and shall pay to Claimants, Eugene J. Gau and Kathleen R. Gau, the sum of \$40,000.00 (Forty Thousand Dollars and No Cents) in compensatory damages;
2. To the extent not specifically awarded or otherwise provided for above, all other claims and requests for relief by any party hereto are denied with prejudice; and
3. Other than the Forum Fees noted below, the parties shall each bear all other costs and expenses incurred by them in connection with this proceeding, including but not limited to attorneys fees.

FEES

Pursuant to the Code, the following fees are assessed:

Filing Fees

NASD Dispute Resolution will retain filing fee for each claim:

Initial claim 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 person at the time of the events giving rise to the dispute. In this matter, the member firm is GRW Investments, Inc.

Member surcharge	\$	1,700.00
Pre-hearing process fee	\$	750.00
Hearing process fee	\$	<u>2,750.00</u>
Total Member Fees	\$	5,200.00

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:

2 (Two) Pre-hearing sessions with Panel	X	1,125.00	\$	2,250.00
February 26, 2004	1	session		
September 1, 2004	1	session	\$	
8 (Eight) Hearing sessions	X	1,125.00		9,000.00
September 13, 2004	2	sessions		
September 14, 2004	2	sessions		
September 15, 2004	2	sessions		
September 16, 2004	2	sessions		
Total Forum Fees			\$	<u>11,250.00</u>

The Arbitration Panel has assessed \$5,625.00 of the forum fees, jointly and severally, to Eugene J. Gau and Kathleen R. Gau.

The Arbitration Panel has assessed \$5,625.00 of the forum fees, jointly and severally, to GWR Investments, Inc. and Larry M. Pence.

Fee Summary

Claimants, Eugene J. Gau and Kathleen R. Gau, are jointly and severally liable for:

Initial Filing Fee	= \$	300.00
<u>Forum Fees</u>	= \$	<u>5,625.00</u>
Total Fees	= \$	5,925.00
<u>Less payments</u>	= \$	<u>-1,425.00</u>
Balance Due NASD Dispute Resolution	= \$	4,500.00

Respondent, GRW Investments, Inc., is solely liable for:

<u>Members Fees</u>	= \$	<u>5,200.00</u>
Total Fees	= \$	5,200.00
<u>Less payments</u>	= \$	<u>-5,200.00</u>
Balance Due NASD Dispute Resolution	= \$	0.00

Respondents, GRW Investments, Inc. and Larry M. Pence are jointly and severally liable for:

<u>Forum Fees</u>	= \$	<u>5,625.00</u>
Total Fees	= \$	5,625.00
<u>Less payments</u>	= \$	<u>-0.00</u>
Balance Due NASD Dispute Resolution	= \$	5,625.00

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

ARBITRATION PANEL

Sam Brower, Esq. - Public Arbitrator, Presiding Chair
James R. Baratta - Public Arbitrator
Roy J. Burr - Non-Public Arbitrator

Concurring Arbitrators:

/s/ Sam Brower, Esq.
Sam Brower, Esq.
Public Arbitrator, Presiding Chair

09/22/04
Signature Date

/s/ James R. Baratta
James R. Baratta
Public Arbitrator

09/22/04
Signature Date

/s/ Roy J. Burr
Roy J. Burr
Non-Public Arbitrator

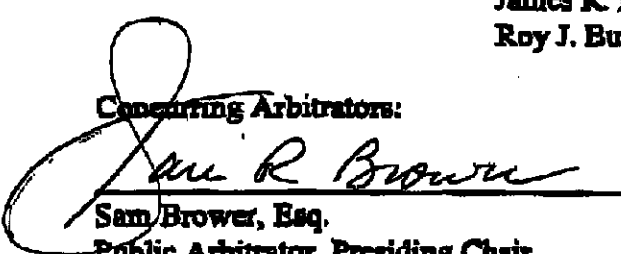
09/24/04
Signature Date

09/24/04
Date of Service (For NASD Dispute Resolution use only)

ARBITRATION PANEL

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James R. Baratta - Public Arbitrator
Roy J. Burr - Non-Public Arbitrator

Concurring Arbitrators:



Sam Brower, Esq.
Public Arbitrator, Presiding Chair

9/22/04

Signature Date

James R. Baratta
Public Arbitrator

Signature Date

Roy J. Burr
Non-Public Arbitrator

Signature Date

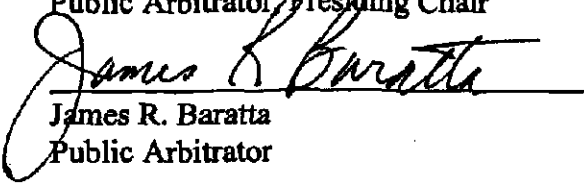
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Public Arbitrator, Presiding Chair

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9/22/04
Signature Date

Roy J. Burr
Non-Public Arbitrator

Signature Date

NASD Dispute Resolution, Inc.

Arbitration No. 03-06124

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Public Arbitrator, Presiding Chair

Signature Date

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Roy J. Burr
Non-Public Arbitrator

Signature Date