

Award
NASD Dispute Resolution

In the Matter of the Arbitration Between:

Linda Harcharic, Jason Harcharic, and Justin Harcharic, Claimants v. Multi-Financial Securities Corporation, Sanders Morris Harris Inc., and Ruth E. Sully, Respondents

Case Number: 05-04930

Hearing Site: Los Angeles, California

Nature of the Dispute: Customers v. Members and Associated Person

REPRESENTATION OF PARTIES

For Claimants:

Richard Bryson, Esq.
Richard Bryson, APC
Lakewood, California

For Respondent Multi-Financial Securities Corporation:

Ryan K. Woodson, Esq.
Law Offices of Edgerton &
Weaver LLP
Hermosa Beach, California

For Respondents Sanders Morris Harris Inc. and
Ruth E. Sully:

Martha F. McDugald, Esq.
The Ballard Law Firm
Houston, Texas

CASE INFORMATION

Statement of Claim filed: September 16, 2005

Claimants' Joint Uniform Submission Agreement signed: September 16, 2005

Statement of Answer filed by Respondent Multi-Financial Securities Corporation:
January 5, 2006

Statement of Answer filed by Respondents Sanders Morris Harris Inc. and Ruth E.
Sully: January 4, 2006

Respondent Multi-Financial Securities Corporation's Uniform Submission Agreement
signed: January 6, 2006

Respondent Sanders Morris Harris Inc.'s Uniform Submission Agreement signed:
November 16, 2005

Respondent Ruth E. Sully's Uniform Submission Agreement signed: November 22,
2005

CASE SUMMARY

Claimants alleged failure to supervise, breach of fiduciary duty, omission of facts, and unsuitability, involving transactions in numerous mutual funds, a Jackson National Life variable annuity, and an investment in WELLS Real Estate Investment Trust.

Unless specifically admitted in its Answer, Respondent Multi-Financial Securities Corporation denied the allegations of wrongdoing set forth in Claimants' Statement of Claim and asserted various affirmative defenses.

Unless specifically admitted in their Answer, Respondents Sanders Morris Harris Inc. and Ruth E. Sully denied the allegations of wrongdoing set forth in Claimants' Statement of Claim and asserted various affirmative defenses.

RELIEF REQUESTED

Claimants requested a total of \$278,314.51 in compensatory damages, \$139,602.13 in interest, and costs, including attorney's fees, forum fees, and witness and production fees.

Respondent Multi-Financial Securities Corporation requested dismissal of Claimants' Statement of Claim in its entirety.

Respondents Sanders Morris Harris Inc. and Ruth E. Sully requested dismissal of Claimants' Statement of Claim in its entirety, expungement of this complaint from the CRD records of Respondent Ruth E. Sully, and costs, including attorney's fees.

OTHER ISSUES CONSIDERED AND DECIDED

On January 4, 2006, Respondents Sanders Morris Harris Inc. and Ruth E. Sully filed a Motion to Dismiss, stating that Claimants had failed to state a claim upon which relief can be granted, Claimants' claims are untimely, Respondents Sanders Morris Harris Inc. and Ruth E. Sully had no duty to monitor Claimants' accounts, and that any unsuitability claims are untenable. On May 12, 2006, Respondent Multi-Financial Securities Corporation filed a Motion to Dismiss Claimants' Statement of Claim, stating that all of Claimants' causes of action are time barred by the applicable statute of limitations. On May 26, 2006, Claimants filed a Brief in Opposition to Motion to Dismiss Causes of Action, disputing Respondents' assertions made in their Motions to Dismiss and requesting that the Panel decide the issues at the evidentiary hearing. On June 5, 2006, Respondents Sanders Morris Harris Inc. and Ruth E. Sully filed a Reply to Claimants' Response to the Motion to Dismiss, requesting dismissal of Claimants' claims with prejudice, expungement of this matter from Respondent Ruth E. Sully's CRD records, and costs, including attorney's fees. On June 5, 2006, Respondent Multi-Financial Securities Corporation filed a Reply to Claimants' Opposition to the Motion to Dismiss, requesting dismissal of the Claimants' claims in their entirety, or in the alternative, dismissal of Claimants' claims involving investments purchased on or before September 21, 1999. On June 9, 2006, the Panel held a telephonic pre-hearing conference with the parties to hear oral argument on the Motions to Dismiss.

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 and oral arguments presented at the pre-hearing conferences, the Panel decided in full and final resolution of the issues submitted for determination as follows:

- 1) Respondent Sanders Morris Harris Inc. is dismissed with prejudice.
- 2) Claimants' claims regarding transactions preceding September 21, 1999 are dismissed with prejudice, pursuant to the NASD Code of Arbitration Procedure Rule 10304.
- 3) Claimants' claims regarding transactions after September 21, 1999 are dismissed without prejudice, pursuant to the NASD Code of Arbitration Procedure Rule 10305.
- 4) Respondent Ruth E. Sully's request for expungement is denied.
- 5) The parties shall bear their respective costs, including attorney's fees.

6) All other relief requested and not expressly granted is denied.

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	= \$ 300.00
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NASD administratively waived \$300.00 of the filing fees.

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 Multi-Financial Securities Corporation is a party and the following fees are assessed:

Member Surcharge	= \$ 1,700.00
Pre-Hearing Process Fee	= \$ 750.00
Hearing Process Fee	= \$ 2,750.00
Total Member Fees	= \$ 5,200.00

Accordingly, the member firm Sanders Morris Harris Inc. is a party and the following fees are assessed:

Member Surcharge	= \$ 1,700.00
Pre-Hearing Process Fee	= \$ 750.00
Hearing Process Fee	= \$ 2,750.00
Total Member Fees	= \$ 5,200.00

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 (4) hours or less. Fees associated with these proceedings are:

2 Pre-hearing conference sessions with the Panel @ \$1,125.00/session = \$ 2,250.00

Pre-hearing conferences:	February 24, 2006	1 session
	June 9, 2006	1 session

Total Forum Fees	= \$ 2,250.00
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1. The Panel assessed \$750.00 of the forum fees jointly and severally to Claimants.
2. The Panel assessed \$750.00 of the forum fees to Respondent Multi-Financial Securities Corporation.
3. The Panel assessed \$750.00 of the forum fees jointly and severally to Respondents Sanders Morris Harris Inc. and Ruth E. Sully.

Fee Summary

1. Claimants are charged jointly and severally with the following fees and costs:

Forum Fees	= \$ 750.00
<u>Less payments</u>	= \$(0.00)
Balance Due NASD Dispute Resolution	= \$ 750.00
2. Respondent Multi-Financial Securities Corporation is charged with the following fees and costs:

Member Fees	= \$ 5,200.00
Forum Fees	= \$ 750.00
Total Fees	= \$ 5,950.00
<u>Less payments</u>	= \$(5,200.00)
Balance Due NASD Dispute Resolution	= \$ 750.00
3. Respondent Sanders Morris Harris Inc. is charged with the following fees and costs:

Member Fees	= \$ 5,200.00
<u>Less payments</u>	= \$(5,200.00)
Balance Due NASD Dispute Resolution	= \$ 0.00
4. Respondents Sanders Morris Harris Inc. and Ruth E. Sully are charged jointly and severally with the following fees and costs:

Forum Fees	= \$ 750.00
<u>Less payments</u>	= \$(0.00)
Balance Due NASD Dispute Resolution	= \$ 750.00

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.

ARBITRATION PANEL

Susan G. Weinstein	-	Public Arbitrator, Presiding Chair
Richard Gordon	-	Public Arbitrator
Rosalind Anne Salzman	-	Non-Public Arbitrator

Concurring Arbitrators' Signatures


Susan G. Weinstein
Chair, Public Arbitrator

6/16/06
Signature Date

Richard Gordon
Public Arbitrator

Signature Date

Rosalind Anne Salzman
Non-Public Arbitrator

Signature Date

6/16/06
Date of Service


ARBITRATION PANEL

Susan G. Weinstein	-	Public Arbitrator, Presiding Chair
Richard Gordon	-	Public Arbitrator
Rosalind Anne Salzman	-	Non-Public Arbitrator

Concurring Arbitrators' Signatures

Susan G. Weinstein
Chair, Public Arbitrator

Signature Date



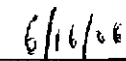
Richard Gordon
Public Arbitrator



Signature Date

Rosalind Anne Salzman
Non-Public Arbitrator

Signature Date



Date of Service

ARBITRATION PANEL

Susan G. Weinstein	-	Public Arbitrator, Presiding Chair
Richard Gordon	-	Public Arbitrator
Rosalind Anne Salzman	-	Non-Public Arbitrator

Concurring Arbitrators' Signatures

Susan G. Weinstein
Chair, Public Arbitrator

Signature Date

Richard Gordon
Public Arbitrator

Signature Date



Rosalind Anne Salzman
Non-Public Arbitrator

6-15-06
Signature Date

6/16/06
Date of Service