

DENISE VOIGT CRAWFORD  
SECURITIES COMMISSIONER



JOHN R. MORGAN  
DEPUTY SECURITIES COMMISSIONER

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## Texas State Securities Board

208 E. 10th Street, 5th Floor  
Austin, Texas 78701-2407  
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BETH ANN BLACKWOOD  
CHAIR

BRYAN K. BROWN  
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MEMBER

IN THE MATTER OF THE AGENT  
REGISTRATION OF STEVEN M. KNOWLTON  
AND THE DEALER REGISTRATION OF  
IMS SECURITIES, INC.

§  
§  
§  
§

**Order No. IC08-CAF-17**

TO: Steven M. Knowlton (CRD No. 4527446)  
IMS Securities, Inc.  
10205 Westheimer, Ste. 500  
Houston, TX 77042

Jackie Wadsworth, CEO  
IMS Securities, Inc. (CRD No. 35567)  
10205 Westheimer, Ste. 500  
Houston, TX 77042

### DISCIPLINARY ORDER

Be it remembered that Steven M. Knowlton ("Respondent Knowlton") and IMS Securities, Inc., ("Respondent IMS"), by and through Jackie Wadsworth, its CEO, (collectively "Respondents"), appeared before the Securities Commissioner of the State of Texas ("Securities Commissioner") and consented to the entry of this Order and Undertaking ("Undertaking") and the Findings of Fact and Conclusions of Law contained herein.

### FINDINGS OF FACT

1. Respondents have waived (a) Respondents' right to notice and hearing in this matter; (b) Respondents' right to appear and present evidence in this matter; (c) Respondents' right to appeal this Order; and (d) all other procedural rights granted to the Respondents by The Securities Act, TEX. REV. CIV. STAT. ANN. art. 581-1 et seq. (Vernon 1964 & Supp. 2008) ("Texas Securities Act"), and the Administrative Procedure Act, TEX. GOV'T CODE ANN. §2001.001 et seq. (Vernon 2000 & Supp. 2008) ("Administrative Procedure Act").
2. On or about January 18, 1994. Respondent IMS registered with the Securities Commissioner as a dealer, which is currently effective.
3. On or about September 3, 2002, Respondent Knowlton registered with the Securities Commissioner as agent of Respondent IMS, which is currently effective.

4. On April 5, 2007 cash was transferred to an account opened with Respondent IMS through Respondent Knowlton. The cash was placed in a money market fund before being invested in mutual funds on May 9, 2007. The mutual funds were trading at a higher price on May 9, 2007 than on April 5, 2007, and had issued a dividend to stockholders of record on April 11, 2007. As a result of the delay in investing the cash in the mutual funds, the account owner ("Complainant") suffered a loss in the amount of \$927.16.
5. The written procedures of Respondent IMS required that: "10.1 Acceptance and Prompt Entry of Orders. RRs are obligated to transmit customer orders to the appropriate order execution desk or order facility promptly after receipt. Orders cannot be held for future entry... "
6. Respondent Knowlton failed to comply with written procedures of Respondent IMS and Respondent IMS failed to enforce such written procedures.
7. Respondents initially received a copy of a complaint by Complainant ("Complaint") on February 7, 2008, however Respondent Knowlton's Form U-4 was not amended to reflect the Complaint until October 16, 2008.
8. The written procedures of Respondent IMS required that:
  - a. "4.2.7 Amendments to Form U4...IMS will submit amendments to Form U4 when an RR advises of updates that require amendment. The CEO is responsible for determining whether disciplinary or complaint matters or other matters require the filing of an amendment to an RR's Form U4."
  - b. "5.7.7 Reporting of Customer Complaints. Responsibility - Chief Executive Officer...Frequency - Form U4s: Promptly after receipt of complaint...Action - Identify reportable complaints... "
9. Respondent IMS failed to comply with its written procedures.
10. Pursuant to §115.10(b)(1) of the Board Rules, a dealer is required to establish, maintain, and enforce written procedures to supervise the activities of its agents that are reasonably designed to achieve compliance with the Texas Securities Act and Board Rules.
11. Pursuant to Section 14.A(3) of the Texas Securities Act, the Securities Commissioner may reprimand a person registered under the Texas Securities Act if the person has engaged in any inequitable practice in the sale of securities.
12. Pursuant to §101.2(c) and §133.33(a)(4) of the Board Rules, certain forms required to be filed with the Securities Commissioner, including the Form U-4, have been adopted as Board Rules.
13. Pursuant to §115.9(a)(6) of the Board Rules, each dealer and agent registered with the Securities Commissioner must report to the Securities Commissioner any change in information previously disclosed to the Securities Commissioner within thirty (30) days of such change.

14. Pursuant to Section 14.A(6) of the Texas Securities Act, the Securities Commissioner may reprimand a person registered under the Texas Securities Act if the person has violated any of the provisions of the Texas Securities Act or Board Rules.
15. Pursuant to Section 23-1 of the Texas Securities Act, the Securities Commissioner may assess an administrative fine against any person found to have engaged in an act or practice that violates the Texas Securities Act or Board Rules.

### UNDERTAKING

Respondents hereby undertake and agree that within thirty (30) days from the date this Order is signed by or on behalf of the Securities Commissioner, Respondents will pay the amount of \$927.16 to the Complainant referenced in this Order and provide the Director of the Inspections & Compliance Division of the Texas State Securities Board evidence of such payment.

### CONCLUSIONS OF LAW

1. Respondent Knowlton's delay in investing the Complainant's funds, which resulted in a loss to the Complainant, constitutes an inequitable practice in the sale of securities and is a basis for the issuance of an order reprimanding an agent pursuant to Section 14.A(3) of the Texas Securities Act.
2. Respondent Knowlton's failure to comply with Respondent IMS' written procedures constitutes an inequitable practice in the sale of securities and is a basis for the issuance of an order reprimanding an agent pursuant to Section 14.A(3) of the Texas Securities Act.
3. Respondent IMS' failure to enforce its written supervisory procedures constitutes a violation of §115.10(b)(1) of the Board Rules.
4. Respondents failure to disclose required information on Respondent Knowlton's Form U-4 constitutes a violation §115.9(a)(6) of the Board Rules.
5. Pursuant to Section 14.A(6) of the Texas Securities Act, the foregoing violations constitute bases for the issuance of an order reprimanding an agent and dealer.
6. Pursuant to Section 23-1 of the Texas Securities Act, the foregoing violations of the Board Rules constitute bases for the issuance of an order assessing an administrative fine against an agent and dealer.

### ORDER

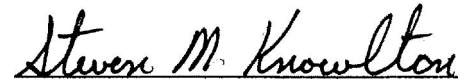
1. It is therefore ORDERED that Steven M. Knowlton and IMS Securities, Inc. are hereby REPRIMANDED.

2. It is further ORDERED Steven M. Knowlton is ASSESSED AN ADMINISTRATIVE FINE in the amount of Seven Thousand Five Hundred Dollars (\$7,500). Payment shall be made by delivery of a cashier's check to the Securities Commissioner in the amount of Seven Thousand Five Hundred Dollars (\$7,500), payable to the State of Texas, contemporaneously with the delivery of this Order.
3. It is further ORDERED that IMS Securities, Inc. is ASSESSED AN ADMINISTRATIVE FINE in the amount of Ten Thousand Dollars (\$10,000). Payment shall be made by delivery of a cashier's check to the Securities Commissioner in the amount of Ten Thousand Dollars (\$10,000), payable to the State of Texas, contemporaneously with the delivery of this Order.
4. It is further ORDERED that Steven M. Knowlton and IMS Securities, Inc. COMPLY with the terms of the Undertaking contained herein.


SIGNED AND ENTERED by the Securities Commissioner this 14<sup>th</sup> day of November, 2008.

  
DENISE VOIGT CRAWFORD  
Securities Commissioner

Respondents:

  
Steven M. Knowlton

IMS Securities, Inc.

  
Jackie Wadsworth, CEO

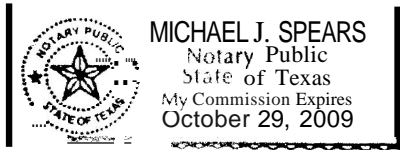
Approved as to Form:

  
Benette L. Zivley  
Director  
Inspections and Compliance Division

**ACKNOWLEDGMENT**

On the 12 day of November, 2008, Steven M. Knowlton ("Respondent Knowlton") personally appeared before me, executed the foregoing Order and Undertaking and acknowledged that:

1. Respondent Knowlton has read the foregoing Order and Undertaking;
2. Respondent Knowlton has been fully advised of his rights under the Texas Securities Act and the Administrative Procedure Act;
3. Respondent Knowlton knowingly and voluntarily consents to the entry of the foregoing Order and Undertaking and the Findings of Fact and Conclusions of Law contained therein; and,
4. Respondent Knowlton, by consenting to the entry of the foregoing Order and Undertaking, has knowingly and voluntarily waived his rights as set forth therein.



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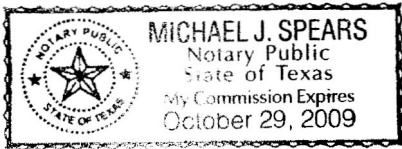
Michael J. Spears  
Notary Public in and for  
the State of TEXAS

My Commission Expires: 10-29-2009

**ACKNOWLEDGMENT**

On the 12 day of November, 2008, IMS Securities, Inc. ("Respondent IMS"), by and through Jackie Wadsworth, its CEO, appeared before me, executed the foregoing Order and Undertaking and acknowledged that:

1. Jackie Wadsworth is duly authorized to enter into the foregoing Order and Undertaking on behalf of Respondent IMS;
2. Jackie Wadsworth has read the foregoing Order and Undertaking;
3. Respondent IMS has been fully advised of its rights under the Texas Securities Act and the Administrative Procedure Act;
4. Respondent IMS knowingly and voluntarily consents to the entry of the foregoing Order and Undertaking and the Findings of Fact and Conclusions of Law contained therein; and,
5. Respondent IMS, by consenting to the entry of the foregoing Order and Undertaking, has knowingly and voluntarily waived its rights as set forth therein.



[affix notary seal here]

Michael J. Spears  
Notary Public in and for  
the State of TEXAS

My Commission Expires: 10-29-2009