In the Matter of the Arbitration Between:

Claimants: Rick McKinney and RDRJ, LP

vs.

Respondents: National Securities Corporation and Stuart L. Updegrove

Awards are rendered by independent arbitrators who are chosen by the parties to issue final, binding decisions. FINRA makes available an arbitration forum—pursuant to rules approved by the SEC—but has no part in deciding the award.

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

This case was decided by an all-public panel.

REPRESENTATION OF PARTIES


CASE INFORMATION

Statement of Claim filed on or about: December 12, 2018.
Claimants signed the Submission Agreement: December 5, 2018.

Statement of Answer filed by Respondents on or about: February 22, 2019.
Respondents signed the Submission Agreements: October 21, 2019.

CASE SUMMARY

Claimants asserted the following causes of action: negligence, violations of state and federal securities laws, breach of contractual obligation to Claimants, common law fraud, unsuitability, and actions in the derogation of FINRA Rules. The causes of action relate to Claimants’ allegation that they were induced by Respondents to invest in Solexel, Inc. (later known as Beamreach Solar, Inc.) Series D Preferred Stock (“Series
D Offering”) and the investment was completely lost due to bankruptcy. Claimants also allege that Respondents knew or should have known that the Series D Offering was certain to fail due to, among other things, the size of the corporate debt and the absence of firm customer orders.

Unless specifically admitted in the Statement of Answer, Respondents denied the allegations made in the Statement of Claim and asserted various affirmative defenses.

**RELIEF REQUESTED**

In the Statement of Claim, Claimants each requested damages of $1,500,000.00, interest from and after February 26, 2016, reasonable attorneys’ fees, and all expenses of this arbitration.

In the Statement of Answer, Respondents requested that the Panel dismiss the Statement of Claim with prejudice and issue such other and further relief as the Panel deems just, equitable, and proper, including the award of all forum fees, costs, expert fees, and attorneys’ fees.

**OTHER ISSUES CONSIDERED AND DECIDED**

The Arbitrators acknowledge that they have each read the pleadings and other materials filed by the parties.

On the record at the in-person hearing, Respondents requested expungement of all references to this matter from Updegrove’s registration records maintained by the Central Registration Depository (“CRD”). In an Order dated February 7, 2020, the Panel allowed Respondents to file a motion in support of expungement.

On February 14, 2020, Updegrove filed a Request for Expungement. On March 18, 2020, Claimants filed a Brief in Opposition to Request for Expungement.

The Panel conducted a recorded, telephonic hearing on May 27, 2020, so the parties could present oral argument and evidence on Updegrove’s request for expungement.

Claimants’ counsel participated in the expungement hearing and opposed Updegrove’s request for expungement.

The Award in this matter may be executed in counterpart copies.
AWARD

After considering the pleadings, the testimony and evidence presented at the hearing, and any post-hearing submissions, the Panel has decided in full and final resolution of the issues submitted for determination as follows:

1. Claimants’ claims are denied in their entirety.

2. Updegrove’s request for expungement of this matter (Occurrence Number 2013429) from his CRD records is denied.

3. Any and all claims for relief not specifically addressed herein, including any requests for attorneys’ fees, are denied. With respect to Respondents’ request for reimbursement of attorneys’ fees, the Panel finds that, while Claimants were unsuccessful in their case, Claimants’ filing was not made frivolously or in bad faith, and that McKinney truly believed that he had been wronged.

FEES

Pursuant to the Code of Arbitration Procedure, the following fees are assessed:

**Filing Fees**

FINRA Dispute Resolution Services assessed a filing fee* for each claim:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Initial Claim Filing Fee</td>
<td>$2,000.00</td>
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*The filing fee is made up of a non-refundable and a refundable portion.

**Member Fees**

Member fees are assessed to each member firm that is a party in these proceedings or to the member firm(s) that employed the associated person(s) at the time of the event(s) giving rise to the dispute. Accordingly, as a party, NSC is assessed the following:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
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<tbody>
<tr>
<td>Member Surcharge</td>
<td>$3,025.00</td>
</tr>
<tr>
<td>Member Process Fee</td>
<td>$6,175.00</td>
</tr>
</tbody>
</table>

**Postponement Fees**

Postponements granted during these proceedings for which fees were assessed or waived:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
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<tbody>
<tr>
<td>November 11-14, 2019, postponement requested by Claimants</td>
<td>$1,400.00</td>
</tr>
<tr>
<td>March 25, 2020, postponement requested by Respondents</td>
<td>$1,400.00</td>
</tr>
</tbody>
</table>

Total Postponement Fees $2,800.00

The Panel has assessed $1,400.00 of the postponement fees to RDRJ.

The Panel has assessed $1,400.00 of the postponement fees to NSC.
**Last-Minute Cancellation Fees**
Fees apply when a hearing on the merits is cancelled within ten calendar days before the start of a scheduled hearing session:

March 25, 2020, cancellation requested by Respondents = $1,800.00

Total Last-Minute Cancellation Fees = $1,800.00

The Panel has assessed the total last-minute cancellation fees to NSC.

**Hearing Session Fees and Assessments**
The Panel has assessed hearing session fees for each session conducted. A session is any meeting between the parties and the Arbitrator(s), including a pre-hearing conference with the Arbitrator(s), which lasts four (4) hours or less. Fees associated with these proceedings are:

Two (2) pre-hearing sessions with the Panel @ $1,400.00/session = $2,800.00
Pre-hearing Conferences: April 8, 2019 1 session
November 1, 2019 1 session

Seven (7) hearing sessions @ $1,400.00/session = $9,800.00
Hearing Dates: February 3, 2020 2 sessions
February 4, 2020 2 sessions
February 5, 2020 2 sessions
February 6, 2020 1 session

One (1) hearing session on expungement request @ $1,400.00/session = $1,400.00
Hearing Date: May 27, 2020 1 session

Total Hearing Session Fees = $14,000.00

The Panel has assessed $6,300.00 of the hearing session fees to RDRJ.

The Panel has assessed $6,300.00 of the hearing session fees to NSC.

The Panel has assessed $1,400.00 of the hearing session fees jointly and severally to Respondents.

All balances are payable to FINRA Dispute Resolution Services and are due upon receipt.
ARBITRATION PANEL

James A. Parker - Public Arbitrator, Presiding Chairperson
Stephen James Cavanaugh - Public Arbitrator
G. Dennis Sheehan - Public Arbitrator

I, the undersigned Arbitrator, do hereby affirm that I am the individual described herein and who executed this instrument, which is my award.

Concurring Arbitrators' Signatures

James A. Parker
James A. Parker
Public Arbitrator, Presiding Chairperson
06/04/2020
Signature Date

Stephen James Cavanaugh
Stephen James Cavanaugh
Public Arbitrator
06/04/2020
Signature Date

G. Dennis Sheehan
G. Dennis Sheehan
Public Arbitrator
06/04/2020
Signature Date

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June 04, 2020
Date of Service (For FINRA Dispute Resolution Services use only)