

N.A.S.D. AWARD

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

In the matter of the Arbitration Between

Name of Claimant(s)

Charles E. Thomas

NASD Arbitration  
No. 92-01364

Name of Respondent(s)

United International Securities, Inc.  
Edwin Larson  
Daniel Broyles

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REPRESENTATION

For Claimant: Charles E. Thomas, Laguna Hills, California

For Respondents: Irving M. Einhorn, Esq., Einhorn & Edgerton, Los Angeles, California

CASE INFORMATION

Statement of Claim filed: June 15, 1992  
Claimant's Submission Agreement signed: June 10, 1992

Statement of Answer filed by Respondent United International Securities, Inc.: April 29, 1993  
United International Securities, Inc.'s Submission Agreement signed: April 20, 1993

Statement of Answer filed by Respondent Edwin Larson: October 7, 1992  
Edwin Larson's Submission Agreement signed: October 6, 1992

Statement of Answer filed by Respondent Daniel Broyles: October 7, 1992  
Daniel Broyles' Submission Agreement signed: October 6, 1992

HEARING INFORMATION

Pre-Hearing Conference Date(s)/Session(s): None

Hearing Date(s)/Session(s): January 13, 1994 (two sessions)

Hearing Location:

Los Angeles, California

CASE SUMMARY

Claimant alleged that Respondent Larson solicited him to purchase a \$10,000.00 limited partnership interest in Zenith Energy on October 25, 1990; that Larson had made misrepresentations as to his personal investment and the expected annual return; that the general partner of Zenith went into bankruptcy approximately three weeks later; that Larson and Broyles, without informing him of such bankruptcy, subsequently solicited Claimant to purchase a limited partnership interest in Sundance Resources; that Mr. Broyles also misrepresented his own investment and annual return in the Sundance investment; and that Claimant invested \$15,000.00 in Sundance on February 5, 1991.

Respondents Larson and Broyles admit the sales on the dates alleged by Claimant; contend that they each determined that Claimant was an accredited investor; that they each sent the partnerships' Offering Memoranda to Claimant together with each entity's prepared written projections; and that Claimant was an experienced investor in oil and gas limited partnerships. Respondents Larson and Broyles alleged that they were, at the time of the respective sales, registered representatives for Remington Securities. Larson and Broyles denied the allegations that they had represented that either had invested in either of the partnerships in any amount. Mr. Larson further alleged that he learned of the bankruptcy of the general partner of Zenith Energy Company and that such general partner had stated that Zenith Energy would handle all communications with the investors and instructed the registered representatives of Remington Securities to not contact the investors directly.

Respondent United International Securities, Inc. (U.I.S) denied any liability to Claimant and alleged that Larson and Broyles were registered representatives of another broker-dealer at the time of Claimant's purchases. U.I.S. further alleged that Claimant was never its customer, and moved for dismissal.

RELIEF REQUESTED

Claimant requested damages in the amount of \$25,000.00 plus interest, punitive damages and a disciplinary referral to the National Association of Securities Dealers, Inc. (NASD).

OTHER ISSUES CONSIDERED AND DECIDED

Prior to the hearing, the presiding arbitrator reviewed and considered the written positions of the parties relative to the

Motion to Dismiss filed by U.I.S. The arbitrator denied the Motion on July 6, 1993. The Motion was renewed and again denied on August 16, 1993.

#### SPECIAL FINDINGS

The undersigned arbitrator submits the following findings with respect to this Award:

a. Respondents Larson and Broyles omitted to inform Claimant, prior to Claimant's Sundance investment, of the Zenith general partner's bankruptcy. Claimant testified that had he known of such bankruptcy he would not have invested in Sundance.

b. Claimant testified that Larson and Broyles had represented to him that Remington Securities had merged with, or had been acquired by, U.I.S. The President of U.I.S. testified that there had been no merger or acquisition of assets and/or liabilities and no contract for same between U.I.S. and Remington although U.I.S. had hired several former registered representatives of Remington, including Larson and Broyles. There is no evidence that U.I.S. succeeded to the assets and/or liabilities of Remington.

c. Respondents Larson and Broyles testified that their portion of the commission paid by Claimant to Remington Securities for the Sundance purchase was \$600.00. Since Remington Securities is not a party to this proceeding, the presiding arbitrator cannot determine its responsibility, if any.

#### AWARD

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

1. All claims by Claimant against United International Securities, Inc. are dismissed.

2. In satisfaction of Claimant's claims, Respondents Edwin Larson and Daniel Broyles are jointly and severally liable for and shall pay to Claimant the sum of \$600.00 together with interest at 7% per annum from February 5, 1991 until the date of payment of this Award.

3. Claimant's claim for punitive damages is denied.

4. The parties shall each bear their respective costs, including attorney's fees.

FORUM FEES

Pursuant to Section 43(c) of the Code of Arbitration Procedure, the following forum fees are assessed: The NASD shall retain the \$300.00 hearing session deposit previously deposited by the Claimant. Forum fees are to be split between Claimant and Respondents Edwin Larson and Daniel Broyles and are calculated as follows:


Two hearing sessions @ \$300.00/session	=	\$600.00
Total fees assessed	=	\$600.00
Claimant's share (50%)	=	\$300.00
Credit for hearing deposit	=	\$300.00
Balance due	=	\$ 0.00
Edwin Larson's and Daniel Broyles' share, jointly and severally (50%)	=	\$300.00
Balance due	=	\$300.00

Fees are payable to the National Association of Securities Dealers, Inc.

ARBITRATOR

Name \_\_\_\_\_ Public / Industry  
Marvin Greene, Esq. Public Arbitrator

Presiding Arbitrator's Signature

  
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Marvin Greene, Esq.

Served 3/22/94

Date of Decision: March 1, 1994