

N.A.S.D. AWARD

NATIONAL ASSOCIATION OF SECURITIES DEALERS

In the Matter of the Arbitration Between

Name of Claimant(s)

Katherine V. & Robert J. Gourley

95-00264

Name of Respondent(s)

Chadwick Securities Inc.

CASE SUMMARY

In a claim filed with the National Association of Securities Dealers, Inc. on January 17, 1995, Claimants, Katherine V. and Robert J. Gourley, who appeared Pro Se, alleged that Respondent, Chadwick Securities, Inc., recommended and sold to Claimants two \$5,000.00 bond units then known as American National Fidelity Group, inc. (ANFG) Mobile Banker, 12% Series A Bonds with warrants to convert to common stock paying a 12% monthly interest. Claimants further alleged that they did receive seven payments ending on June 6, 1993 for a total of \$600.00. Claimants contended that American National Fidelity may have gone out of business, and that they have had no notice from Respondent since January 30, 1994 when Respondent informed Claimant that there should be a bi-monthly progress report and that interest payments should resume by mid-summer. Claimants alleged they made several requests to Respondents to take action with their account with no response, and therefore, they have suffered damages due to the wrongdoing of the Respondent for which the Respondent should be held liable in this matter.

Respondent, Chadwick Securities Inc., through its in-house representative, Howard A. Davis, President, maintained that prior to the receipt of the NASD letter informing them of the arbitration proceeding, Mr. Davis had contacted Mrs. Gourley with regard to the bond investment and informed her that he and his company were attempting to locate the principals of ANFG to insist upon providing the Bondholders updated information. Respondent contended that all of the brokers in the firm are trained and reminded of the importance of understanding the financial status, goals and objectives of each prospective client, and that the Claimants were furnished a copy of a Confidential Placement Memo dated August 15, 1992, prior to their investing in ANFG, which stated the suitability requirements and risk factors involved. Respondent further contended that at the time of the offering, ANFG was a growing franchise, regulated and registered with the FTC and the California Dept. of Corporations to sell franchises. Respondent maintained that he has had several discussions with the Company's Accountants regarding the necessity to provide the bondholders with current information, but Respondent also maintained that at the time of the investment, it was based on the current material possessed by Respondent and information contained in the offering documents and that there was no reason to believe that ANFG was going to change direction or that the franchise industry would be changing.

RELIEF REQUESTED

Claimants, Katherine V. and Robert J. Gourley, requested \$10,000.00 in actual damages.

Respondent, Chadwick Securities, Inc., requested that the claims of the Claimant be dismissed.

AWARD

Pursuant to Section 13 of the NASD, Inc. Code of Arbitration Procedure, a single Public Arbitrator, Robert J. Scafuri, Esq., was selected to review the matter in controversy between the parties set forth in submissions to Arbitration signed by the Claimants on January 11, 1995 and by the Respondent February 21, 1995.

And, the Arbitrator, having considered the proof of the parties, has decided and determined in full and final resolution of the issues submitted for determination as follows:

1. The claims of the Claimants, Katherine V. and Robert J. Gourley, against Respondent, Chadwick Securities, Inc., are dismissed in their entirety.
2. The parties shall bear their respective costs.
3. The \$150.00 filing fee previously deposited with the National Association of Securities Dealers, Inc. by the Claimant shall be retained by the NASD, Inc.

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AFFIRMATION

I, **ROBERT J. SCAFURI, ESQ.**, do hereby affirm upon my oath as arbitrator that I am the individual described herein and who executed this instrument, which is my oath and award.



Robert J. Scafuri

DATE OF DECISION: November 20, 1995