



1 is not currently registered with the Washington Securities Division in any capacity. Thomas has  
2 Central Registration Depository (“CRD”) number 2853166.

3 Offering of LLC Membership Interests

4 2. From at least March 2010 through October 2010, Thomas offered and sold LLC membership  
5 interests totaling \$235,000 to at least four Washington investors. The membership interests were  
6 issued by Chadbourn Partners, LLC (“Chadbourn Partners”), a Florida limited liability company that  
7 was formed on April 15, 2010. The membership interests were never distributed through and were  
8 not recorded on the books and records of SII Investments, Inc., Mr. Thomas’s registered securities  
9 broker-dealer.  
10

11 3. When soliciting the LLC investments, Thomas represented to investors that their funds  
12 would be pooled together and used by Chadbourn Partners to acquire a securities broker-dealer firm.  
13 Thomas represented that the broker-dealer would expand its operations and be very profitable.  
14 Thomas gave investors a private placement memorandum which showed that Chadbourn was  
15 offering \$1,500,000 worth of LLC membership interests, for a 30% ownership interest in Chadbourn  
16 Partners, in order to finance the acquisition and the operation of the securities broker-dealer. Thomas  
17 gave investors a written subscription agreement for the investment. In some cases, Thomas gave  
18 investors income projections which showed that Chadbourn Partners would have a net income of  
19 \$1,949,000 for 2010.  
20

21 4. When soliciting the LLC investments, Thomas represented that the investors’ only role was  
22 to supply capital for the company’s business operations. Thomas represented to investors that  
23 Chadbourn Partner’s management team would be solely responsible for operating the business and  
24 generating the return on the investment. Thomas represented to investors that Thomas would be in  
25 charge of directing Chadbourn Partner’s investment adviser activities and that he would be

1 compensated for that activity. The investors were brokerage and investment adviser clients of  
2 Thomas who trusted him and relied upon his advice and purported expertise when making their  
3 investment decisions. To date, the investors have not received any return on their LLC membership  
4 interest investments.

#### 5 Offering of Debentures

6 5. During 2010, Thomas offered and sold debentures totaling more than \$100,000 to at least  
7 four Washington investors. The debentures were issued by Chadbourn Partners, LLC. The  
8 debentures had a term of approximately five years. The debentures had a stated annual interest rate  
9 of 8.25%, with interest payments due semi-annually. The debentures were never distributed through  
10 and were not recorded on the books and records of SII Investments, Inc., Mr. Thomas's registered  
11 securities broker-dealer.  
12

13 6. When soliciting the debenture investments, Thomas represented to investors that the  
14 investors' only role was to supply capital for the company's business operations. Thomas  
15 represented to investors that Chadbourn Partner's management team would be solely responsible for  
16 operating the business and generating the return on the investment. Thomas represented to investors  
17 that Thomas would be in charge of directing Chadbourn Partner's investment adviser activities and  
18 that he would be compensated for that activity. The investors were brokerage and investment adviser  
19 clients of Thomas who trusted him and relied upon his advice and purported expertise when making  
20 their investment decisions. To date, the investors have been receiving timely interest payments on  
21 their debenture investments.  
22

#### 23 Misrepresentations or Omissions

24 7. When offering and selling the Chadbourn Partners, LLC membership interests and  
25 debentures, Thomas misrepresented or failed to disclose to investors material information about the

1 investments. Thomas failed to disclose to investors that his securities broker-dealer, SII Investments,  
2 Inc., had never approved the offer or sale of any investments issued by Chadbourn Partners. Thomas  
3 failed to disclose to investors that the predecessor corporation for Chadbourn Partners, Chadbourn  
4 Securities, Inc., had failed to file quarterly reports on time and was subject to a 2001 disciplinary  
5 order from the National Association of Securities Dealers. Thomas failed to disclose to investors that  
6 Chadbourn Securities, Inc. was also subject to a 2003 disciplinary order from the National  
7 Association of Securities Dealers for a series of alleged rule violations, including the understatement  
8 of total assets and net capital, failing to make timely reports, and failing to maintain accurate books  
9 and records. Thomas failed to disclose to investors that Thomas had filed for bankruptcy in 2000.  
10 Thomas failed to disclose to investors that there was no minimum amount of required capital to  
11 ensure that there was adequate funding to acquire and to operate a securities broker-dealer. Thomas  
12 failed to disclose any reasonable basis for the projected net income for Chadbourn Partners. Thomas  
13 failed to provide financial statements for the specific broker-dealer that would be acquired. Thomas  
14 failed to disclose other material risks of the investment, including economic risks, market risks,  
15 competition, regulatory requirements, and legal risks associated with the operations of securities  
16 broker-dealers.  
17

#### 18 Securities Registration Status

19 8. Chadbourn Partners, LLC is not now and never has been registered to sell its securities in the  
20 state of Washington.  
21

22 Based upon the above Findings of Fact, the following Conclusions of Law are made:

#### 23 **CONCLUSIONS OF LAW**

24 1. The offer or sale of the LLC membership interests and the debentures described above  
25 constitutes the offer or sale of a security as defined in RCW 21.20.005(14) and (17).



1 IT IS FURTHER AGREED AND ORDERED that Respondent, David Patrick Thomas, and  
2 his agents and employees each shall cease and desist from offering or selling any securities in  
3 violation of RCW 21.20.010, the anti-fraud section of the Securities Act of Washington.

4 IT IS FURTHER AGREED AND ORDERED that Respondent, David Patrick Thomas,  
5 shall pay a fine of \$5,000 on or before November 30, 2014 and prior to the entry of this Consent  
6 Order.

7 IT IS FURTHER AGREED AND ORDERED that Respondent, David Patrick Thomas,  
8 shall not be permitted to register with the Securities Division as an investment adviser, investment  
9 adviser representative, securities broker-dealer, or securities salesperson until Respondent pays an  
10 additional fine of \$20,000 and \$10,000 of investigative costs. Pursuant to RCW 21.20.110, and  
11 finding it in the public interest, the Securities Administrator hereby orders that Respondent David  
12 Patrick Thomas's application for any future registration with the Securities Division as an investment  
13 adviser, investment adviser representative, securities broker-dealer, or securities salesperson is  
14 conditioned upon full payment of the \$20,000 remaining fine and the \$10,000 of outstanding costs.

15 IT IS FURTHER AGREED that, if the condition in the preceding paragraph is met, this  
16 Consent Order will not constitute a bar to the approval of any applications by Respondent for  
17 registration as an investment adviser, investment adviser representative, securities broker-dealer, or  
18 securities salesperson.  
19

20 IT IS FURTHER AGREED that the Securities Division has jurisdiction to enter into this  
21 Consent Order.

22 IT IS FURTHER AGREED that Respondent, David Patrick Thomas, enters into this  
23 Consent Order freely and voluntarily and with a full understanding of its terms and significance.  
24  
25

