STATE OF WASHINGTON
DEPARTMENT OF FINANCIAL INSTITUTIONS
SECURITIES DIVISION

IN THE MATTER OF DETERMINING Whether there has been a violation of the Securities Act of Washington by:

David Patrick Thomas,

Respondent

) CONSENT ORDER

INTRODUCTION


FINDINGS OF FACT

Respondent

1. During 2010, David Patrick Thomas (“Thomas”) was a Washington resident. From September 27, 2007 until December 15, 2010, Thomas was a registered securities salesperson and a registered investment adviser representative for SII Investments, Inc. From 1997 through 2007, Thomas was employed as a registered representative for other securities broker-dealer firms. Thomas
is not currently registered with the Washington Securities Division in any capacity. Thomas has Central Registration Depository (“CRD”) number 2853166.

**Offering of LLC Membership Interests**

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

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

4. When soliciting the LLC investments, Thomas represented that the investors’ only role was to supply capital for the company’s business operations. Thomas represented to investors that Chadbourn Partner’s management team would be solely responsible for operating the business and generating the return on the investment. Thomas represented to investors that Thomas would be in charge of directing Chadbourn Partner’s investment adviser activities and that he would be
compensated for that activity. The investors were brokerage and investment adviser clients of Thomas who trusted him and relied upon his advice and purported expertise when making their investment decisions. To date, the investors have not received any return on their LLC membership interest investments.

Offering of Debentures

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

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

Misrepresentations or Omissions

7. When offering and selling the Chadbourn Partners, LLC membership interests and debentures, Thomas misrepresented or failed to disclose to investors material information about the
investments. Thomas failed to disclose to investors that his securities broker-dealer, SII Investments, Inc., had never approved the offer or sale of any investments issued by Chadbourn Partners. Thomas failed to disclose to investors that the predecessor corporation for Chadbourn Partners, Chadbourn Securities, Inc., had failed to file quarterly reports on time and was subject to a 2001 disciplinary order from the National Association of Securities Dealers. Thomas failed to disclose to investors that Chadbourn Securities, Inc. was also subject to a 2003 disciplinary order from the National Association of Securities Dealers for a series of alleged rule violations, including the underestimation of total assets and net capital, failing to make timely reports, and failing to maintain accurate books and records. Thomas failed to disclose to investors that Thomas had filed for bankruptcy in 2000. Thomas failed to disclose to investors that there was no minimum amount of required capital to ensure that there was adequate funding to acquire and to operate a securities broker-dealer. Thomas failed to disclose any reasonable basis for the projected net income for Chadbourn Partners. Thomas failed to provide financial statements for the specific broker-dealer that would be acquired. Thomas failed to disclose other material risks of the investment, including economic risks, market risks, competition, regulatory requirements, and legal risks associated with the operations of securities broker-dealers.

**Securities Registration Status**

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

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

**CONCLUSIONS OF LAW**

1. The offer or sale of the LLC membership interests and the debentures described above constitutes the offer or sale of a security as defined in RCW 21.20.005(14) and (17).
2. David Patrick Thomas offered and sold unregistered securities in violation of RCW 21.20.140, the securities registration section of the Securities Act of Washington. Such conduct is a ground, pursuant to RCW 21.20.110(1)(b), to condition any investment adviser, broker-dealer, investment adviser representative, or securities salesperson registrations that David Patrick Thomas may seek in the future.

3. David Patrick Thomas made untrue statements of material fact or omitted to state material facts necessary in order to make the statements made, in the light of the circumstances under which they are made, not misleading, in violation of RCW 21.20.010, the anti-fraud section of the Securities Act of Washington. Such conduct is a ground, pursuant to RCW 21.20.110(1)(b), to condition any investment adviser, broker-dealer, investment adviser representative, or securities salesperson registrations that David Patrick Thomas may seek in the future.

4. By effecting securities transactions not recorded on the regular books or records of the broker-dealer that he represented, David Patrick Thomas has engaged in a dishonest or unethical practice as defined at WAC 460-22B-090(2). Such conduct is a ground, pursuant to RCW 21.20.110(1)(g), to condition any investment adviser, broker-dealer, investment adviser representative, or securities salesperson registrations that Thomas may seek in the future.

CONSENT ORDER

Based upon the foregoing and finding it in the public interest:

IT IS AGREED AND ORDERED that Respondent, David Patrick Thomas, and his agents and employees each shall cease and desist from offering or selling any unregistered securities in violation of RCW 21.20.140, the registration section of the Securities Act of Washington.
IT IS FURTHER AGREED AND ORDERED that Respondent, David Patrick Thomas, and
his agents and employees each shall cease and desist from offering or selling any securities in
violation of RCW 21.20.010, the anti-fraud section of the Securities Act of Washington.

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

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

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

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

IT IS FURTHER AGREED that Respondent, David Patrick Thomas, enters into this
Consent Order freely and voluntarily and with a full understanding of its terms and significance.
IT IS FURTHER AGREED that in consideration of the foregoing, Respondent, David Patrick Thomas, hereby waives his right to a hearing and to judicial review of this matter pursuant to RCW 21.20.440 and Chapter 34.05 RCW.

WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE.

Signed this ___3rd_____ day of _______________November__________, 2014

Signed by:                                               Approved as to form by:

_/s/_________________________                          /s/____________________________
David Patrick Thomas         John Bender, attorney for Respondent
WSBA #19540

SIGNED and ENTERED this ___5th_____ day of _______________December______________, 2014

WILLIAM M. BEATTY
Securities Administrator

Approved by:

_P. E. L._
Suzanne E. Sarason
Chief of Enforcement

Reviewed by:

 Robert Kondrat
Financial Legal Examiner Supervisor

Presented by:

Janet So
Financial Legal Examiner