

**Award**  
**FINRA Dispute Resolution Services**

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In the Matter of the Arbitration Between:

Claimants

Howard Steven Lorch and  
Patricia McMahon Bonnot

Case Number: 20-01479

vs.

Respondents

Prudential Equity Group, LLC and  
Wells Fargo Clearing Services, LLC

Hearing Site: Houston, Texas

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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: Associated Persons vs. Members

**REPRESENTATION OF PARTIES**

For Claimants Howard Steven Lorch (“Lorch”) and Patricia McMahon Bonnot (“Bonnot”) (collectively “Claimants”): Steven J. Berry, Esq., Berry Odom LLP, Fort Worth, Texas.

For Respondent Prudential Equity Group, LLC (“Prudential”): Jennifer E. Novoselsky, Esq., Reyes Kurson, Ltd, Chicago, Illinois.

For Respondent Wells Fargo Clearing Services, LLC (“Wells Fargo”): Geoffrey S. Beckham Esq., Wells Fargo Legal Department, San Francisco, California.

**CASE INFORMATION**

Statement of Claim filed on or about: May 11, 2020.  
Claimants signed the Submission Agreement: April 16, 2020.

Statement of Answer filed by Prudential on or about: June 25, 2020.  
Prudential signed the Submission Agreement: June 25, 2020.

Statement of Answer filed by Wells Fargo on or about: June 26, 2020.  
Wells Fargo signed the Submission Agreement: June 24, 2020.

### **CASE SUMMARY**

In the Statement of Claim, Claimants asserted a claim seeking expungement of customer dispute information from registration records maintained by the Central Registration Depository (“CRD”).

In the Statement of Answer, Prudential denied any wrongdoing but took no position on Claimants’ expungement request.

In the Statement of Answer, Wells Fargo denied any wrongdoing but took no position on Claimants’ expungement request.

### **RELIEF REQUESTED**

In the Statement of Claim, Claimants requested expungement of Occurrence Numbers 1915514, 319367, and 1084938 for Lorch; expungement of Occurrence Number 1954017 for Bonnot; and such other relief as the Arbitrator may deem just and equitable.

In the Statement of Answer, Prudential requested that the Arbitrator assess against Claimants all forum fees for hearing sessions in this matter.

In the Statement of Answer, Wells Fargo requested that the Arbitrator deny the request for \$1.00 in damages and assess all forum and hearing fees in connection with this matter against Claimants.

### **OTHER ISSUES CONSIDERED AND DECIDED**

The Arbitrator acknowledges having read the pleadings and other materials filed by the parties.

On July 20, 2020, the parties stipulated to the appointment of a single arbitrator in this matter.

On January 21, 2021, Claimants advised that one of the customers in Occurrence Numbers 1915514 and 319367 (“Customer R”), and the customers in Occurrence Number 1084938 and Occurrence Number 1954017 (“Customers”) were served with the Statement of Claim and notice of the date and time of the expungement hearing (“Notices”). Claimants also submitted Certified Mail Domestic Return Receipts for the Notices. And, Claimants submitted an email, dated December 22, 2020, from the customer in Occurrence Number 1084938, in which he did not oppose the related request for expungement.

The Arbitrator conducted a recorded, telephonic hearing on January 22, 2021, so the parties could present oral argument and evidence on Claimants’ requests for expungement.

Prudential and Wells Fargo participated in the expungement hearing and, as stated in the Statements of Answer, took no position on the requests for expungement.

Customer R also participated in the hearing and testified.

The Customers did not participate in the expungement hearing. The Arbitrator found that the Customers had notice of the expungement requests and hearing.

The Arbitrator reviewed Claimants' BrokerCheck® Reports. The Arbitrator noted that a prior arbitration panel or court did not previously rule on expungement of the same occurrences in the CRD.

The Arbitrator also reviewed the settlement documentation for Occurrence Numbers 1915514 and 1954017 ("Settlement Agreement"), considered the amount of payments made to any party to the settlement, and considered other relevant terms and conditions of the settlement. The Arbitrator noted that the settlement was not conditioned on any party to the settlement not opposing the expungement requests and that Claimants did not contribute to the settlement amount.

The Arbitrator was unable to review the settlement documentation for Occurrence Number 319367, as the claims against Lorch were dismissed prior to settlement and Lorch did not have a copy of the settlement documentation. Representations were made at the hearing that Prudential searched its records and could not find a copy of the settlement documentation. Based upon Lorch's testimony, the Arbitrator found that Lorch did not contribute to the settlement.

The Arbitrator noted that the dispute related to Occurrence Number 1084938 was not settled and, therefore, there was no settlement documentation to review.

In recommending expungement, the Arbitrator relied upon the following documentary or other evidence: the testimony of Claimants and Customer R and Claimants' Exhibits, particularly Exhibits 4-7, 12, 16, 17, and 39.

### **AWARD**

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

1. The Arbitrator recommends the expungement of all references to Occurrence Numbers 1915514, 319367, 1084938 and 1954017 from registration records maintained by the CRD for Claimants Howard Steven Lorch (CRD Number 312672) and Patricia McMahon Bonnot (CRD Number 1144198) with the understanding that, pursuant to Notice to Members 04-16, Claimants Patricia McMahon Bonnot and Howard Steven Lorch must obtain confirmation from a court of competent jurisdiction before the CRD will execute the expungement directive.

Unless specifically waived in writing by FINRA, parties seeking judicial confirmation of an arbitration award containing expungement relief must name FINRA as an additional party and serve FINRA with all appropriate documents.

Pursuant to Rule 13805 of the Code of Arbitration Procedure ("Code"), the Arbitrator has made the following Rule 2080 affirmative finding of fact:

The claim, allegation, or information is false.

The Arbitrator has made the above Rule 2080 finding based on the following reasons:

With respect to Occurrence Number 1915514 and Occurrence Number 1954017, Claimants testified credibly that the investment objective for each of the customers' accounts was trading and speculation and that the customers had provided a Sophisticated Investor Representation Certificate. Claimants also credibly testified that the allegation of unsuitability was false, as all recommendations made were consistent with the customers' investment objectives, and that no misrepresentations of fact or churning occurred. Claimants further gave persuasive testimony that no credible evidence of churning or misrepresentation of facts was ever offered. Customer R appeared and testified at the hearing but offered no credible evidence in support of the allegations. Claimants testified that the claims were settled by Wells Fargo with the customers on a cost of defense basis and without their contribution.

With respect to Occurrence Number 1084938, Lorch testified that the customer's allegations were false. Lorch's credible testimony was that all investments were consistent with the customer's investment profile and objectives and, further, that he recommended against option trading, which the customer chose to pursue. Lorch testified that the customer never provided any evidence of a conflict of interest or any credible evidence that the recommendations made were unsuitable or that his portfolio was not monitored. The customer's complaint was denied by the firm and the customer took no further action to pursue his complaint. Lorch introduced into evidence an email received from the customer, following receipt of notice of the expungement hearing, stating that he did not contest the request for expungement.

With respect to Occurrence Number 319367, Lorch testified that the customer was funding his law practice out of his securities account and, at the time the account was transferred to the firm, the customer was trading on margin. Lorch gave credible testimony that no unsuitable recommendations were made and no churning occurred. Lorch's CRD Snapshot showed that he was dismissed from the claim prior to settlement by the firm. Lorch further testified that he did contribute to the settlement.

2. Any and all claims for relief not specifically addressed herein are denied.

### **FEES**

Pursuant to the Code, the following fees are assessed:

#### **Filing Fees**

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

Initial Claim Filing Fee	= \$ 1,575.00
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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 firms that employed the associated persons at the time of the events giving rise to the dispute. Accordingly, as parties, Prudential and Wells Fargo are each assessed the following:

Member Surcharge Fee = \$ 1,900.00  
Member Process Fee = \$ 3,750.00

**Hearing Session Fees and Assessments**

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

One (1) pre-hearing session @ \$450.00/session	= \$	450.00
Pre-Hearing Conference: September 3, 2020	1 session	
Two (2) hearing sessions on expungement request @ \$450.00/session	= \$	900.00
Hearing Date: January 22, 2021	2 sessions	
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Total Hearing Session Fees	= \$	1,350.00

The Arbitrator has assessed \$450.00 of the hearing session fees to Claimants, jointly and severally.

The Arbitrator has assessed \$675.00 of the hearing session fees to Lorch.

The Arbitrator has assessed \$225.00 of the hearing session fees to Bonnot.

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

**ARBITRATOR**

G. Maynard Green

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Sole 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.

**Arbitrator's Signature**

***G. Maynard Green***

G. Maynard Green  
Sole Public Arbitrator

**02/04/2021**

Signature Date

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.

February 04, 2021

Date of Service (For FINRA Dispute Resolution Services use only)