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FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2006005242501

TO: Department of Enforcement
Financial Industry Regulatory Authority ("FINRA")

RE: [REDACTED]
Member
CRD No. [REDACTED]

David Francis Brochu
General Securities Principal
CRD No. 1164857

Jill Schlesinger
General Securities Principal
CRD No. 2587365

Pursuant to NASD Rule 9216 of FINRA's Code of Procedure, we submit this Letter of Acceptance, Waiver and Consent ("AWC") for the purpose of proposing a settlement of the alleged rule violations described below. This AWC is submitted on the condition that, if accepted, FINRA will not bring any future actions against us alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. Respondents hereby accept and consent, without admitting or denying the findings, and solely for the purposes of this proceeding and any other proceeding brought by or on behalf of FINRA, or to which FINRA is a party, prior to a hearing and without an adjudication of any issue of law or fact, to the entry of the following findings by FINRA:

BACKGROUND

[REDACTED] has been a FINRA member since May 28, 2003. The firm's main office is located in Providence, RI. [REDACTED] has typically employed fewer than ten registered personnel. Although [REDACTED] is a full service broker dealer, it derives most of its revenue from executing mutual fund trades on behalf of its affiliated investment adviser. From the firm's inception until January 1, 2006, [REDACTED] was owned by Progressive Financial Strategies, LLC ("PFS"), which is based in Rhode Island. [REDACTED] has no FINRA disciplinary history.

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In February 1991, David Francis Brochu ("Brochu") first became registered with FINRA as a General Securities Representative. Brochu has been registered through [REDACTED] since the firm became a FINRA member. Throughout the relevant period herein, Brochu was [REDACTED] President, Chief Financial Officer and a Director, and was registered as a General Securities Representative, General Securities Principal and Financial and Operations Principal. Brochu is currently registered in those same capacities through [REDACTED]. Brochu has no FINRA disciplinary history.

In February 1995, Jill Schlesinger ("Schlesinger") first became registered with FINRA as a General Securities Representative. Schlesinger has been registered through [REDACTED] since the firm first became a FINRA member. Throughout the relevant period herein, Schlesinger was [REDACTED] Vice President and a Director, and was registered as a General Securities Representative and General Securities Principal. Schlesinger is currently registered in those same capacities through [REDACTED]. Schlesinger has no FINRA disciplinary history.

OVERVIEW

From on or about September 30, 2004 through December 31, 2004, Brochu and Schlesinger sold shares of a private placement offering pursuant to a private placement memorandum containing inaccurate financial projections. In addition, [REDACTED] acting through Brochu, failed to establish and maintain a reasonably designed supervisory system and written supervisory procedures with respect to private securities transactions by its registered representatives. [REDACTED] and Brochu's conduct violated NASD Conduct Rules 3010 and 2110. Schlesinger's conduct violated NASD Conduct Rule 2110.

FACTS AND VIOLATIVE CONDUCT

A. INACCURATE FINANCIAL PROJECTIONS IN PRIVATE PLACEMENT MEMORANDUM

1. The PFS Private Placement

During 2004, Brochu and Schlesinger were President and Executive Vice President, respectively, of PFS, which was a holding company that owned [REDACTED] and other financial institutions. Early that year, PFS management, including Brochu and Schlesinger, decided to conduct a private placement of the company's securities in order to provide capital to buy out a bank investor, provide general operating expenses and expand the business. The planned offering contemplated the sale of a maximum of 180 and a minimum of 90 Class B Units priced at \$50,000 each. According to the private placement memorandum, the units would only be offered to accredited investors. PFS' management also had the discretion to accept individual investments under \$50,000.

Both Brochu and Schlesinger worked on the PFS private placement memorandum. Brochu supervised the group working on the memorandum's financial projections while Schlesinger worked primarily on the text of the document.

From March through December 2004, Brochu and Schlesinger sold PFS' Class B units pursuant to the private placement memorandum. They sold a total of 149 Class B Units, primarily to customers of [REDACTED] and raised \$7,450,000 for PFS.

2. Inaccuracies in the PFS Financial Projections

On or about September 18, 2004, Brochu discovered an inaccuracy in the financial projections contained in the PFS private placement memorandum. Specifically, over a five-year period, the year-end cash balance for 2008 was cumulatively overstated by approximately \$12 million, or 33%, over the accurately calculated number. Upon learning of this inaccuracy, Brochu notified other senior managers of PFS and [REDACTED] including Schlesinger, and informed them of the problem with the financial projections.

In the week following the discovery of the cash balance overstatement, Brochu and members of his staff conducted a review of the remaining financial projections. Brochu and his staff determined that, in addition to an overstatement in the cumulative cash balance, there were several overstatements in projected expenses over the same five-year period amounting to approximately \$11.5 million, which reduced the net overstatement of the 2008 cash balance to about \$500,000.

Brochu, however, wrongly determined that the net overstatement was not material and decided not to disclose the inaccuracies in the financial projections to the unit holders. Schlesinger accepted this determination. Further, Brochu and Schlesinger continued to use the private placement memorandum containing the inaccurate financial projections, selling an additional 10.5 Class B Units to 12 customers for a total of \$525,000.

By failing to disclose the inaccuracies to unit holders, and then continuing to sell units using the inaccurate private placement memorandum, Brochu and Schlesinger violated NASD Conduct Rule 2110.

B. SUPERVISORY DEFICIENCIES

Throughout 2004, [REDACTED] acting through Brochu, failed to establish, maintain and enforce a reasonably designed supervisory system and written procedures with respect to private securities transactions by its registered representatives. The firm's written supervisory procedures in that area failed to provide accurate and clear guidance to firm management and supervisors. As President of [REDACTED] Brochu was ultimately responsible for ensuring that the firm establish and maintain

reasonable procedures.

By failing to establish and maintain a reasonably designed supervisory system and written procedures, [REDACTED] and Brochu violated NASD Conduct Rules 3010 and 2110.

B. We also consent to the imposition of the following sanctions:

- a \$4,500 fine against [REDACTED]
- a 15 business day suspension of Brochu from association with any FINRA member firm in any capacity;
- a \$20,000 fine against Brochu; and
- a censure and \$10,000 fine against Schlesinger.

We agree to pay the monetary sanctions upon notice that this AWC has been accepted and that such payments are due and payable. We have each submitted an Election of Payment form showing the method by which we each propose to pay the fines imposed.

We specifically and voluntarily waive any right to claim that we are unable to pay, now or at any time hereafter, the monetary sanctions imposed in this matter.

Brochu understands that if he is suspended from associating with any FINRA member, he becomes subject to a statutory disqualification as that term is defined in Section 3(a)(39) of the Securities Exchange Act of 1934, as amended. Accordingly, he may not be associated with any FINRA member in any capacity, including clerical or ministerial functions, during the period of the suspension. (See NASD Rule 8310 and IM-8310-1.)

The sanctions imposed herein shall be effective on a date set by FINRA staff.

II.

WAIVER OF PROCEDURAL RIGHTS

We specifically and voluntarily waive the following rights granted under FINRA's Code of Procedure:

A. To have a Formal Complaint issued specifying the allegations against us;

¹Pursuant to the General Principles Applicable to all Sanction Determinations contained in the Sanction Guidelines, FINRA imposed a lower fine in this case after it considered, among other things, the firm's revenues and financial resources. See Notice to Members 06-55.

- B. To be notified of the Formal Complaint and have the opportunity to answer the allegations in writing;
- C. To defend against the allegations in a disciplinary hearing before a hearing panel, to have a written record of the hearing made and to have a written decision issued; and
- D. To appeal any such decision to the National Adjudicatory Council ("NAC") and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, we specifically and voluntarily waive any right to claim bias or prejudgment of the General Counsel, the NAC, or any member of the NAC, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including acceptance or rejection of this AWC.

We further specifically and voluntarily waive any right to claim that a person violated the ex parte prohibitions of NASD Rule 9143 or the separation of functions prohibitions of NASD Rule 9144, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including its acceptance or rejection.

III.

OTHER MATTERS

We understand that:

- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs ("ODA"), pursuant to NASD Rule 9216;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against us;
- C. If accepted:
 - 1. this AWC will become part of our permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against us;
 - 2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about our disciplinary record;
 - 3. FINRA may make a public announcement concerning this agreement and

the subject matter thereof in accordance with NASD Rule 8310 and IM-8310-3; and

4. We may not take any action or make or permit to be made any public statement, including in regulatory filings or otherwise, denying, directly or indirectly, any finding in this AWC or create the impression that the AWC is without factual basis. We may not take any position in any proceeding brought by or on behalf of FINRA, or to which FINRA is a party, that is inconsistent with any part of this AWC. Nothing in this provision affects our right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party; and

- D. We may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. We understand that we may not deny the charges or make any statement that is inconsistent with the AWC in this Statement. This Statement does not constitute factual or legal findings by FINRA, nor does it reflect the views of FINRA or its staff.

We certify that we have read and understand all of the provisions of this AWC and have been given a full opportunity to ask questions about it; that we have agreed to its provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein and the prospect of avoiding the issuance of a Complaint, has been made to induce us to submit it.

12/29/08
Date

By: [Signature]
David Francis Brochu
President

12/29/08
Date

[Signature]
David Francis Brochu

Date

[Signature]
Jill Schlesinger

the subject matter thereof in accordance with NASD Rule 8310 and IM-8310-3; and

4. We may not take any action or make or permit to be made any public statement, including in regulatory filings or otherwise, denying, directly or indirectly, any finding in this AWC or create the impression that the AWC is without factual basis. We may not take any position in any proceeding brought by or on behalf of FINRA, or to which FINRA is a party, that is inconsistent with any part of this AWC. Nothing in this provision affects our right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party; and

- D. We may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. We understand that we may not deny the charges or make any statement that is inconsistent with the AWC in this Statement. This Statement does not constitute factual or legal findings by FINRA, nor does it reflect the views of FINRA or its staff.

We certify that we have read and understand all of the provisions of this AWC and have been given a full opportunity to ask questions about it; that we have agreed to its provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein and the prospect of avoiding the issuance of a Complaint, has been made to induce us to submit it.

Date

By: _____

David Francis Brochu
President

Date

David Francis Brochu

12/26/2008

Date

Jill Schlesinger

Reviewed by:

Thomas F. Holt

Counsel for Respondents
Thomas F. Holt, Jr.
K&L Gates
State Street Financial Center
One Lincoln Street
Boston, MA 02111-2950
(617) 261-3165

Accepted by FINRA:

Date 1/23/2009

Signed on behalf of the
Director of ODA, by delegated authority

Paul D. Taberner

Paul D. Taberner
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FINRA Department of Enforcement
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Boston, MA 02110
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