

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2007011355401**

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REGISTRATION & DISCLOSURE

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

RE: David Richard Eldredge, Respondent
Registered Representative
CRD No. 2987283

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, I 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 me alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. I 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

On December 19, 1997, David Richard Eldredge ("Eldredge") first became registered with FINRA as an Investment Company and Variable Contracts Products Representative. On July 19, 2000, he also became registered as a General Securities Representative. From June 4, 2003 to November 30, 2006, Eldredge was registered in those two capacities through member firm Investment Advisors & Consultants, Inc. On May 30, 2006, he also became registered as a General Securities Principal. From December 14, 2006 to November 28, 2007, Eldredge was registered in those three capacities through member firm Royal Alliance Associates, Inc. Eldredge is not currently associated with a member firm. He has no FINRA disciplinary history.

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OVERVIEW

Eldredge participated in private securities transactions, without giving prior written notice to, or obtaining prior written approval from, his employer member firms. With respect to one of those private securities transactions, Eldredge's investment recommendation was unsuitable in that the customer funded the transaction by mortgaging his personal residence. Eldredge also engaged in outside business activities without providing prompt written notice to one of his employer member firms. In addition, Eldredge also failed to respond to FINRA staff's written requests for information. This conduct violated NASD Conduct Rules 3040, 3030, 2310 and 2110, IM-2310-2 and FINRA Rules 8210 and 2010.

FACTS AND VIOLATIVE CONDUCT

1. From 2005 through 2006, Eldredge engaged in outside business activities without providing prompt written notice to his employer member firm. Specifically, he failed to disclose his ownership interest in Capital Expansion, a Massachusetts company engaged in the purchase and management of real estate. By engaging in outside business activities without providing notice to his employer member firm, Eldredge violated NASD Conduct Rules 3030 and 2110.
2. From December 2005 to February 2007, Eldredge engaged in private securities transactions with firm customers without providing prior written notice to, or obtaining prior written approval from, his employer member firms. The securities sold were shares in limited liability companies that Eldredge formed and controlled. Five customers, including at least one senior citizen, invested \$335,900 in those companies. The customers' funds were pooled to purchase pre-construction condominium units in Baltimore and Miami. Any profit from the subsequent sale of the units was to be shared among the investors, with a portion paid to Capital Expansion as a management fee. The developers, however, failed to build the condominium units. By participating in private securities transactions with firm customers without giving prior written notice to, or obtaining prior written approval from, his employer member firms, Eldredge violated NASD Conduct Rules 3040 and 2110.
3. With respect to one of the private securities transactions referenced above, Eldredge did not have a reasonable basis for believing that his recommendation was suitable based upon the customer's investment objectives, financial situation and needs. The customer mortgaged his personal residence and used the \$229,000 borrowed in order to invest in Eldredge's limited liability company. By recommending an unsuitable

transaction, Eldredge violated NASD Conduct Rules 2310 and 2110 and IM-2310-2.

4. By letter dated April 8, 2009, FINRA staff requested, pursuant to FINRA Rule 8210, that Eldredge provide copies of various documents, including bank statements, copies of checks and other documents, in connection with an investigation into the above-described private securities transactions. Eldredge, however, failed to provide the information requested. By failing to respond to the staff's information request, Eldredge violated FINRA Rules 8210 and 2010.

B. I also consent to the imposition of the following sanction:

- a bar from association with any FINRA member in any capacity.

I understand that if I am barred or suspended from associating with any FINRA member, I become 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, I may not be associated with any FINRA member in any capacity, including clerical or ministerial functions, during the period of the bar or suspension (see FINRA Rules 8310 and 8311).

The sanction imposed herein shall be effective on a date set by FINRA staff. Pursuant to FINRA Rule 8313(e), a bar or expulsion shall become effective upon approval or acceptance of this AWC.

II.

WAIVER OF PROCEDURAL RIGHTS

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

- A. To have a Complaint issued specifying the allegations against me;
- B. To be notified of the 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, I 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.

I further specifically and voluntarily waive any right to claim that a person violated the ex parte prohibitions of FINRA Rule 9143 or the separation of functions prohibitions of FINRA 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

I 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 FINRA Rule 9216;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against me; and
- C. If accepted:
 - 1. this AWC will become part of my permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against me;
 - 2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about my disciplinary record;
 - 3. FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with FINRA Rule 8313; and
 - 4. I 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. I 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 my right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.

I certify that I have read and understand all of the provisions of this AWC and have been given a full opportunity to ask questions about it; that I 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 me to submit it.

3.25/29
Date

David Richard Eldredge
David Richard Eldredge
Respondent

Accepted by FINRA:

16.27.09
Date

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

Lynn M. Kasela
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FINRA Department of Enforcement
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