

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2009016266601**

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

RE: EDI Financial, Inc., Respondent
Member
CRD No. 15699

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Respondent EDI Financial, Inc. submits 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. Respondent hereby accepts and consents, 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

EDI Financial, Inc. has been a FINRA member since December 2, 1986. The firm conducts a general securities business and employs 43 registered representatives through 13 branch offices.

RELEVANT DISCIPLINARY HISTORY

The Texas State Securities Board fined EDI Financial, Inc. \$17,500 for its violation of a 2004 undertaking on August 25, 2008. Specifically, EDI agreed not to allow an employee to act as a principal of the firm; however, the firm appointed the sanctioned employee as a firm principal during which time he reviewed and approved options transactions.

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FINRA censured and fined EDI Financial, Inc. \$6,000 for violations of NASD Rule 2110 on October 31, 2007. The firm agreed to findings that it failed to abide by the above-described undertaking with the Texas State Securities Board.

OVERVIEW

EDI Financial, Inc. engaged in two contingency offerings in 2007 and 2008, and failed to deposit investor funds into an account that complied with the requirements of Exchange Act Rule 15c2-4 and Conduct Rule 2110. Customer checks were also deposited in the Firm's escrow account between 2 and 11 business days after receipt in violation of Exchange Act Rule 15c3-3(k)(2)(ii) and Conduct Rule 2110.

FACTS AND VIOLATIVE CONDUCT

The Firm acted as the sole placement agent for two contingent offerings - New Source Broadband I, LLC and New Source Broadband II, LLC. On September 15, 2007 and June 27, 2008, the Firm entered into agreements with an independent attorney to act as the independent administrator for the offerings rather than contracting directly with a bank to act as the Firm's escrow agent as required by Exchange Act Rule 15c2-4.

The attorney opened an interest bearing account entitled "Escrow Account for New Source Broadband I PPO." The title of the escrow account did not change from New Source Broadband I PPO, even after the offering had been closed and the New Source Broadband II offering was instituted.

The New Source Broadband I offering began on September 15, 2007, with a December 15, 2007 termination date. The minimum raise was seven units (\$175,000) with a maximum 25 unit raise (\$625,000). The Firm never broke escrow before meeting the contingency.

The New Source Broadband II offering began on June 15, 2008, with a December 15, 2008 termination date. The minimum raise was seven units (\$203,000) with a maximum 25 unit raise (\$725,000). The Firm never broke escrow before meeting the contingency.

The firm established a bank account to hold funds related to the offerings separately, and the account was administered by an independent party. This arrangement violated Exchange Act Rule 15c2-4 and Conduct Rule 2110.

The Firm's checks received and forwarded blotters for these offerings established that the Firm also violated Exchange Act Rule 15c3-3(k)(2)(ii). Branch locations received customers' checks and subscription agreements. They forwarded the checks and subscription agreements to the main office by regular mail. This resulted in 25 customer checks being deposited in the Firm's escrow account between 2 and 11 business days after receipt in violation of Exchange Act Rule 15c3-3(k)(2)(ii) and Conduct Rule 2110.

OTHER FACTORS

- B. I also consent to the imposition of the following sanctions:

A censure against EDI Financial, Inc. and \$10,000 fine.

I agree to pay the monetary sanctions upon notice that this AWC has been accepted and that such payment is due and payable. I have submitted an Election of Payment form showing the method by which I propose to pay the fine imposed.

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

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

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:

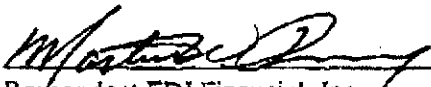
- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs ("ODA"), pursuant to FINRA Rule 9216;
- B. If this AWC is not accepted, its submission will 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.
- D. I may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. I understand that I may not deny the charges or make any statement that is inconsistent with

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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.

The undersigned, on behalf of the Firm, certifies that a person duly authorized to act on its behalf has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that it has 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 the Firm to submit it.

04-21-2010
Date (mm/dd/yyyy)

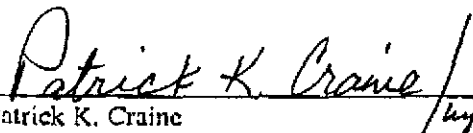

Respondent EDI Financial, Inc.

By: Mark F. W. Prime
President

Accepted by FINRA:

4-21-2010
Date

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


Patrick K. Craine
Senior Regional Counsel
FINRA Department of Enforcement
12801 North Central Expressway, Suite 1050
Dallas, Texas 75243
Phone No.: 972.706.7618
Fax No.: 972.716.7646
patrick.craine@finra.org