

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20090182157-01**

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

**RE: David Carlson, Respondent
General Securities Representative
CRD No. 1071647**

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, I, David Carlson ("Respondent" or "Carlson"), 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

Carlson first became registered in the securities industry in February 1985 through an association with a member firm. From then through 2006, he was registered with FINRA through consecutive associations with numerous different member firms.

From February 24, 2006 through December 3, 2007, Carlson was registered with Madison Avenue Securities, Inc. (BD No. 23224) ("MAS") as a General Securities Representative ("GSR"). The violation at issue here occurred while Carlson was associated with MAS.

Subsequently, Carlson was registered with FINRA through other member firms. His most recent registration terminated on December 31, 2010. Carlson resided in California during the relevant period.

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Carlson has not been registered with FINRA since December 31, 2010. FINRA retains jurisdiction over him pursuant to Article V, Section 4 of the FINRA By-Laws.

RELEVANT DISCIPLINARY HISTORY

Carlson has no prior disciplinary history with the Securities and Exchange Commission, any state securities regulator or self-regulatory organization.

OVERVIEW

While registered with FINRA through an association with MAS, Carlson facilitated at least 15 investment transactions in Diversified Lending Group ("DLG") that were not made through MAS. He did not provide MAS with written or other notice of those transactions.

FACTS AND VIOLATIVE CONDUCT

1. While associated with MAS, Carlson facilitated securities investments away from MAS. Specifically, he facilitated investments, titled "Secured Investment Notes," in DLG. Such investments included, *inter alia*:
 - a. on or around August 1, 2007, a \$39,450 investment in DLG 9% notes by customer BB;
 - b. on or around August 15, 2007, a \$68,019 investment in DLG 9% notes by BB;
 - c. on or around July 25, 2007, a \$50,000 investment in DLG 0% notes by customer IC;
 - d. on or around September 14, 2007, a \$193,163 investment in DLG 12% notes by customer MA;
 - e. on or around May 25, 2007, a \$51,450 investment in DLG 9% notes by customer RQ;
 - f. on or around June 2, 2007, a \$200,000 investment in DLG 9% notes by customer CP;
 - g. on or around May 24, 2007, a \$100,000 investment in DLG 9% notes by customer KV;
 - h. on or around March 24, 2007, a \$50,000 investment in DLG 9% notes by customer JM;
 - i. on or around July 3, 2007, a \$258,922 investment in DLG 9% notes by customer RP;
 - j. on or around July 3, 2007, a \$50,000 investment in DLG 9% notes by

- customer TFT;
- k. on or around April 24, 2007, a \$83,971 investment in DLG 9% notes by customer VM;
 - l. on or around May 1, 2007, a \$100,082 investment in DLG 9% notes by VM;
 - m. on or around April 4, 2007, a \$200,000 investment in DLG 9% notes by customer GK;
 - n. on or around September 15, 2007, a \$180,939 investment in DLG 12% notes by customer KV; and
 - o. on or around June 5, 2007, a \$155,000 investment in DLG 9% notes by customer RQ.

The above investments (totaling approximately \$1.7 million) were not made through MAS. Carlson earned approximately \$77,000 on the sales. Carlson neither provided written notice to nor obtained approval from MAS prior to facilitating the investments. DLG was ultimately determined to be a fraudulent scheme, although Carlson has not been implicated in the scheme.

By reason of the foregoing, Carlson violated NASD Rules 3040 and 2110.

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

- A bar from associating in any capacity with any FINRA member firm.

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 Article III, Section 4 of FINRA's By-Laws, incorporating Section 3(a)(39) of the Securities Exchange Act of 1934. 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).

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 prejudice 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, David Carlson, 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.

09/19/2011
Date (mm/dd/yyyy)

David Carlson
Respondent David Carlson

Accepted by FINRA:

October 14, 2011
Date

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

Elissa Meth Kestin
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