

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2010024861801**

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

RE: David Harry Michael Baudo, Respondent
General Securities Representative
CRD No. 3187137

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, I, David Harry Michael Baudo, 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

In March 2001, Baudo registered with FINRA as a General Securities Representative (Series 7 license). He subsequently acquired Series 63 and 66 licenses. At various times between January 1999 and June 15, 2009, Baudo was associated with several FINRA members. Most recently, he was associated with FINRA member Investors Capital Corp. from October 24, 2008 through June 15, 2009. Baudo currently is not associated with a member.

RELEVANT DISCIPLINARY HISTORY

Baudo does not have a relevant disciplinary history.

OVERVIEW

In August 2007, Baudo recommended that two of his customers invest in a private securities transaction, without providing notice of his proposed role in the transaction to his employer member firm. Baudo's recommendation to invest in the security was unsuitable for his customers. In addition, Baudo did not provide certain documents requested by FINRA staff in connection with its investigation of the transaction. As a result of the foregoing, Baudo violated NASD Conduct Rules 3040, 2310, and 2110, IM-2310-2, and FINRA Rules 8210 and 2010.

FACTS AND VIOLATIVE CONDUCT

From November 2006 through August 2007, Baudo was the broker of record on the account that customers MS and OS, a married couple, maintained at Baudo's employer member firm. In August 2007, Baudo recommended that MS and OS invest approximately \$167,000 – all of the funds in their account – in ALF, a start-up company that sought to operate an independent branch of another broker-dealer. The recommended security was supposed to pay annual interest of 7% on a quarterly basis over a fixed term. Baudo recommended that MS and OS invest in ALF after he had gathered information about the company and investment from his former business colleague ML, who was the founder and sole principal of ALF. In August 2007, based on Baudo's recommendation, MS and OS liquidated the securities in their account and invested the proceeds, which were approximately \$167,000, in ALF. Prior to participating in the private securities transaction, Baudo did not notify his employer member firm of his proposed role in the transaction. As a result of the foregoing, Baudo violated NASD Conduct Rules 3040 and 2110.

In addition, Baudo did not have reasonable grounds to believe that the recommended investment in ALF was suitable for MS and OS in light of their investment objectives, financial situation, and needs. The recommended investment in ALF was too risky for MS and OS, a retired couple of limited means. Further, the recommendation led to most of their investable assets being overconcentrated in the security. Prior to its dissolution in 2010, ALF made interest and principal payments totaling approximately \$26,000 to MS and OS, who have lost approximately \$141,000 on their investment in ALF. As a result of the foregoing, Baudo violated NASD Conduct Rules 2310 and 2110 and IM-2310-2.

On May 4, 2010, in connection with FINRA staff's investigation of the foregoing transaction and pursuant to FINRA Rule 8210, the staff sent a letter to Baudo, who became the CEO of ALF in April 2008, wherein it requested that he provide

it with certain documents and information, including all bank statements for ALF from 2007 through the present, all of his personal bank statements from 2007 through the present, and his personal tax returns from 2007 through 2009. Pursuant to FINRA Rule 8210, the staff sent a total of six letters to Baudo, wherein it requested that he provide it with the foregoing documents and information. To date, Baudo has not provided some of the requested documents, including bank statements for ALF from 2008 through the present, all of his personal bank statements from 2007 through the present, and all of the requested personal tax returns. As a result of the foregoing, Baudo has violated FINRA Rules 8210 and 2010.

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

A bar from association with any FINRA member in all capacities.

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).

The sanctions 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

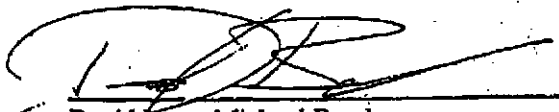
I understand that:

- 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.

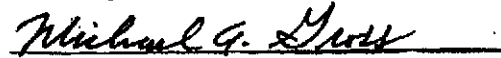
04/18/2011
Date (mm/dd/yyyy)


David Harry Michael Baudo

Accepted by FINRA:

5/16/11
Date

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


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