

**STATE OF ILLINOIS  
SECRETARY OF STATE  
SECURITIES DEPARTMENT**

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IN THE MATTER OF: DAVID F. BROCHU )  
\_\_\_\_\_)

FILE NO. 0900079

**CONSENT ORDER OF DISMISSAL**

TO THE RESPONDENT: David F. Brochu (CRD#: 2630201)  
75 Bailey Boulevard  
East Greenwich, Rhode Island 02818

David F. Brochu (CRD#: 2630201)  
c/o Strategic Point Securities, LLC  
220 West Exchange Street  
Providence, Rhode Island 02903-1004

David F. Brochu  
c/o Mark Borrelli, Esq.  
Sidley Austin LLP  
One South Dearborn  
Chicago, Illinois 60603

WHEREAS, Respondent on the 23<sup>rd</sup> day of July 2009 executed a certain Stipulation to Enter Consent Order of Dismissal (the "Stipulation"), which hereby is incorporated by reference herein.

WHEREAS, by means of the Stipulation, Respondent has admitted to the jurisdiction of the Secretary of State and service of the Notice of Hearing of the Secretary of State, Securities Department dated April 29, 2009, in this proceeding (the "Notice") and Respondent has consented to the entry of this Consent Order of Dismissal "Consent Order").

WHEREAS, by means of the Stipulation, the Respondent acknowledged, without admitting or denying the truth thereof, that the following allegations contained in the Notice of Hearing shall be adopted as the Secretary of State's Findings of Fact:

1. That at all relevant times, the Respondent was registered with the Secretary of State as a salesperson in the State of Illinois pursuant to Section 8 of the Act.

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2. That on January 23, 2009 FINRA entered a Letter Of Acceptance, Waiver And Consent (AWC) submitted by the Respondent regarding File No. 2006005242501 Which sanctioned the Respondent as follows:
  - a. 15 business day suspension from association with any FINRA member firm in any capacity; and
  - b. \$20,000 fine.
3. That the AWC listed the following background information:

Strategic Point Securities, LLC (“SPS”) has been a FINRA member since May 28, 2003. The firm's main office is located in Providence, RI. SPS has typically employed fewer than ten registered personnel. Although SPS 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, SPS was owned by Progressive Financial Strategies, LLC (“PFS”), which is based in Rhode Island.

In February 1991, the Respondent first became registered with FINRA as a General Securities Representative. He has been registered through SPS since the firm became a FINRA member. Throughout the relevant period herein, he was SPS' President, Chief Financial Officer and a Director, and was registered as a General Securities Representative, General Securities Principal and Financial and Operations Principal. He is currently registered in those same capacities through SPS.
4. That the AWC found:

### OVERVIEW

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

**FACTS AND VIOLATIVE CONDUCT**

A. Inaccurate financial projections in private placement memorandum

(i) The PFS Private Placement

During 2004, The Respondent was the President of PFS, which was a holding company that owned SPS and other financial institutions. Early that year, PFS management, including the Respondent 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.

The Respondent an individual worked on the PFS private placement memorandum. The Respondent supervised the group working on the memorandum's financial projections while another individual worked primarily on the text of the document.

From March through December 2004, the Respondent and another individual sold PFS' Class B units pursuant to the private placement memorandum. They sold a total of 149 Class B Units, primarily to customers of SPS, and raised \$7,450,000 for PFS.

(ii) Inaccuracies in the PFS Financial Projections

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

In the week following the discovery of the cash balance overstatement, the Respondent and members of his staff conducted a review of the remaining financial projections. The Respondent 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.

The Respondent, 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. Further, the Respondent and another individual 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, the Respondent violated NASD Conduct Rule 2110.

B. Supervisory deficiencies

Throughout 2004, SPS, acting through the Respondent, 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 SPS, the Respondent 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, SPS and the Respondent violated NASD Conduct Rules 3010 and 2110.

5. That Section 8.E (1)(j) of the Act provides, "inter alia," that the registration of a salesperson may be revoked if the Secretary of State finds that such Salesperson has been suspended by any self-regulatory organization Registered under the Federal 1934 Act or the Federal 1974 Act arising from Any fraudulent or deceptive act or a practice in violation of any rule, regulation or standard duly promulgated by the self-regulatory Organization.

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6. That FINRA is a self-regulatory organization as specified in Section 8.E(1)(j) of the Act.

WHEREAS, by means of the Stipulation Respondent has acknowledged, without admitting or denying the averments, that the following shall be adopted as the Secretary of State's Conclusion of Law:

That by virtue of the foregoing, the Respondent's registration as a salesperson **in the State** of Illinois is subject to revocation pursuant to Section 8.E(1)(j) of the Act.

WHEREAS, by means of the Stipulation Respondent has acknowledged and agreed that he shall be levied costs incurred during the investigation of this matter in the amount of One Thousand dollars (\$1,000.00 ). Said amount is to be paid by certified or cashier's check, made payable to the Office of the Secretary of State, Securities Audit and Enforcement Fund.

WHEREAS, by means of the Stipulation Respondent has acknowledged and agreed that he has submitted with the Stipulation a certified or cashier's check in the amount of One Thousand dollars (\$1,000.00) to cover costs incurred during the investigation of this matter. Said check has been made payable to the Office of the Secretary of State, Securities Audit and Enforcement Fund.

WHEREAS, by means of the Stipulation Respondent has acknowledged and agreed that he has executed a certain Affidavit which contains undertakings that he will adhere to upon entry of this Consent Order. Said Affidavit is incorporated herein and made a part hereof.

WHEREAS, the Secretary of State, by and through his duly authorized representative, has determined that the matter related to the aforesaid formal hearing may be dismissed without further proceedings.

NOW THEREFORE IT SHALL BE AND IS HEREBY ORDERED THAT:

1. The Notice of Hearing dated April 29, 2009 is dismissed.
2. The David F. Brochu is levied costs of investigation in this matter in the amount of One Thousand dollars (\$1,000.00), payable to the Office of the Secretary of State, Securities Audit and Enforcement Fund, and on July 31, 2009 has submitted One Thousand dollars (\$1,000.00) in payment thereof.

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3. The Respondent shall comply with all of the terms and conditions contained in his accompanying Affidavit, which has been made a part of this Order.
4. The formal hearing scheduled on this matter is hereby dismissed without further proceedings.

**NOTICE: Failure to comply with the terms of this Order shall be a violation of Section 12.D of the ACT. Any person or entity that fails to comply with the terms of this Order of the Secretary of State, having knowledge of the existence of this Order, shall be guilty of a Class 4 felony for each offence.**

**This is a final order subject to administrative review pursuant to the Administrative Review Law [735 ILCS 5/3-101 *et seq.*] and the Rules and Regulations of the Act (14 Ill. Admin. Code, Ch. 1 Sec. 130.1123). Any action for judicial review must be commenced within thirty-five (35) days from the date a copy of this Order is served upon the party seeking review.**

ENTERED- This 14<sup>th</sup> day of August, 2009.

  
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JESSE WHITE  
SECRETARY OF STATE  
STATE OF ILLINOIS

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