

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 58579 / September 18, 2008

ADMINISTRATIVE PROCEEDING
File No. 3-13216

In the Matter of

DAVID S. DAVIDSON,

Respondent.

**ORDER INSTITUTING
ADMINISTRATIVE PROCEEDINGS
PURSUANT TO SECTION 15(b) OF THE
SECURITIES EXCHANGE ACT OF 1934,
MAKING FINDINGS, AND IMPOSING
REMEDIAL SANCTIONS**

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative proceedings be, and hereby are, instituted pursuant to Section 15(b) of the Securities Exchange Act of 1934 (“Exchange Act”) against David S. Davidson (“Respondent”).

II.

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (the “Offer”), which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over him and the subject matter of these proceedings, and the findings contained in §§ III.2 and III.4 below, which are admitted, Respondent consents to the entry of this Order Instituting Administrative Proceedings Pursuant to Section 15(b) of the Securities Exchange Act of 1934, Making Findings, and Imposing Remedial Sanctions (“Order”), as set forth below.

III.

On the basis of this Order and Respondent’s Offer, the Commission finds that:

1. David S. Davidson, age 48, is a resident of Boca Raton, Florida. He is the former chairman and chief executive officer of a now defunct broker-dealer named D.L. Cromwell Investments, Inc. (“Cromwell”), which was registered with the Commission from July 1999 until October 9, 2003. He is not currently associated with any broker-dealer.

2. On July 24, 2008, a final judgment was entered by consent against Davidson, permanently enjoining him from future violations of 17(a) of the Securities Act of 1933 (“Securities Act”), Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, in the civil action entitled *Securities and Exchange Commission v. David S. Davidson, et al.*, Civil Action Number 05-742, in the United States District Court for the Eastern District of Pennsylvania.

3. On February 17, 2005, the Commission filed its complaint alleging that, from late October 2002 through March 2003, Cromwell conducted a fraudulent short selling scheme in the stock of Expedia, Inc. (“Expedia”). The named defendants were Cromwell officers, Lloyd S. Beirne (“Beirne”) and Respondent Davidson, and the Cromwell trader responsible for placing the trades for Cromwell. The Commission’s complaint alleges that Davidson and his co-defendants used the access that Cromwell, as an introducing broker, had to its clearing broker’s trading system to falsely place Expedia buy orders, which they knew they would cancel the next day, claiming the orders were placed in error. The complaint alleges that defendants entered and cancelled these fictitious buys almost daily for five months, concealing the size of the short position, and avoiding serious financial consequences until the scheme unraveled when Expedia’s price rose, and Cromwell could not cover its short position, leaving the clearing broker to pay \$18 million to cover the position.

4. On June 26, 2003, Davidson pled guilty to one count of conspiracy to commit securities fraud in violation of 18 U.S.C. § 371, two counts of securities fraud in violation of 15 U.S.C. §§ 78(b) and 78ff, and one count of making false statements to the Securities and Exchange Commission in violation of 15 U.S.C. §§ 78q(a) and 78ff(a) before the United States District Court for the Eastern District of New York, *U.S. v. David S. Davidson and Lloyd S. Beirne*, Criminal Action No. 02-681 (S-1) & 04-583 (Judge Gleeson). On October 31, 2007, an amended judgment in the criminal case was entered against Davidson. He was sentenced to probation for five years to run concurrently on all counts, ordered to make restitution in the amount of \$6.9 million and to pay a \$400 fine.

IV.

In view of the foregoing, the Commission deems it appropriate and in the public interest to impose the sanctions agreed to in Respondent Davidson’s Offer.

Accordingly, it is hereby ORDERED:

Pursuant to Section 15(b)(6) of the Exchange Act Respondent Davidson be, and hereby is barred from association with any broker or dealer;

Any reapplication for association by the Respondent will be subject to the applicable laws and regulations governing the reentry process, and reentry may be conditioned upon a number of factors, including, but not limited to, the satisfaction of any or all of the following: (a) any disgorgement ordered against the Respondent, whether or not the Commission has fully or partially waived payment of such disgorgement; (b) any arbitration award related to the conduct that served as the basis for the Commission order; (c) any self-regulatory organization arbitration award to a customer, whether or not related to the conduct that served as the basis for the Commission order; and (d) any restitution order by a self-regulatory organization, whether or not related to the conduct that served as the basis for the Commission order.

By the Commission.

Florence E. Harmon
Acting Secretary