

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20090210296**

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

RE: Steven Donato, Respondent
Former General Securities Representative

Pursuant to NASD Rule 9216 of FINRA's Code of Procedure, I, Steven Donato ("Donato"), 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

Respondent Donato entered the securities industry in November 2006 as an associated person with FINRA member Delaware Distributors Ltd. During all periods mentioned herein, Donato was registered with FINRA under Article V of the FINRA By-Laws with FINRA member Lincoln Financial Distributors, Inc. ("Lincoln" or the "Firm"). On June 5, 2009, Lincoln filed a Uniform Termination Notice for Securities Industry Registration ("Form U5") on behalf of Donato, reporting that he had been terminated by the Firm on June 1, 2009, based on allegations that he had provided answer keys to a state long-term care continuing education on-line exam to other individuals and also misrepresented proctoring a state required long-term care on-line exam, although the exam was not completed.

Donato is not currently associated with a FINRA member, but he remains subject to FINRA's jurisdiction pursuant to Article V, Section 4 of the FINRA By-Laws.

RELEVANT PRIOR DISCIPLINARY HISTORY

Donato has no relevant disciplinary history.

FACTS AND VIOLATIVE CONDUCT

1. Background

Donato was an internal wholesaler who supported the selling efforts of external wholesalers marketing an insurance product to financial advisors at financial services firms in particular geographic areas of the United States. All of the Lincoln wholesalers were registered with FINRA. The Lincoln wholesalers did not sell the product directly to retail investors.

2. Failure to Cooperate

On March 20, 2009 FINRA initiated an investigation of the possibility that individuals associated with Lincoln had created and distributed to others answer keys to continuing education exams. By letter dated July 22, 2009, to Donato's lawyer, Enforcement requested that Donato, pursuant to FINRA Rule 8210, appear to testify on the record under oath in connection with its investigation. Donato, however, declined to appear to give testimony. By failing to comply with FINRA's request for testimony, Respondent Donato violated FINRA Rules 8210 and 2010.

3. Distribution of Answer Keys to State Continuing Education Examination

Beginning in or around the middle of 2008, Donato received via email from other Lincoln wholesalers answer keys to three state long-term care continuing education on-line exams for Florida, Maryland and Indiana. In these states, financial advisors selling to retail clients were required to pass these exams in order to sell the Lincoln insurance product marketed by Donato and the other Lincoln wholesalers. On at least four occasions in 2008 and 2009, Donato was directed to and did forward the Florida answer key to another Lincoln wholesaler. By forwarding the answer key to this wholesaler, Donato violated FINRA Rule 2010.¹

4. Misrepresenting Proctoring State Continuing Education Examination

On or around February 23, 2009, a Lincoln wholesaler directed Donato via email to provide him with the last four digits of Donato's social security number to permit that wholesaler to take the Colorado state long-term care continuing education on-line exam. The wholesaler told Donato that he would use this information to satisfy the online requirement of having someone proctor the exam. Donato responded via email and provided the last four digits of his social security number to the wholesaler. Donato was

¹ For conduct occurring before December 15, 2008, the operative rule is NASD Rule 2110; Donato has been charged with FINRA Rule 2010 for consistency and convenience.

not present when the wholesaler signed on to take the exam. By providing his social security number under these circumstances, Donato violated FINRA Rule 2010.

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

A bar from association with any FINRA member in any capacity.

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 Section 3(a)(39) of the Securities Exchange Act of 1934, as amended.

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 NASD Rule 8310 and IM-8310-1.)

The sanctions imposed herein shall be effective on a date set by FINRA staff. Pursuant to NASD IM-8310-3(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 Formal Complaint issued specifying the allegations against me;
- B. To be notified of the Formal 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 NASD Rule 9143 or the separation of functions prohibitions of NASD 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 NASD 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 NASD Rule 8310 and IM-8310-3; 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.

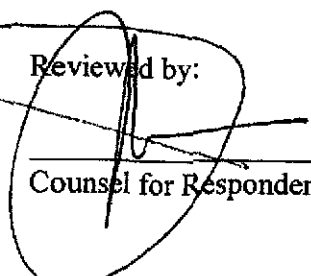
1/4/2010

Date



Steven Donato

Reviewed by:


Counsel for Respondent

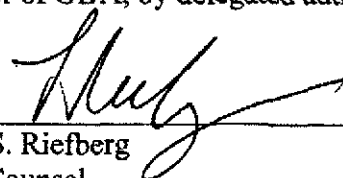
1/5/10


Accepted by FINRA:

3/8/10

Date

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



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