

**FINANCIAL INDUSTRY REGULATORY AUTHORITY  
LETTER OF ACCEPTANCE, WAIVER AND CONSENT  
NO. 2009021029610**

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

RE: Jonathan Davidson, Respondent  
Investment Company/Variable Contract Products Representative  
CRD No. 5480371

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, I, Jonathan Davidson ("Davidson"), 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 Davidson entered the securities industry on January 14, 2008, when he joined Lincoln Financial Distributors, Inc. ("Lincoln" or the "Firm"). On November 5, 2009, Lincoln filed a Uniform Termination Notice for Securities Industry Registration on behalf of Davidson, reporting that the Firm terminated him for providing answer keys to state required long-term care continuing education ("CE") examinations and misrepresenting being proctored for a state insurance long-term care CE examination. Davidson holds NASD Series 6 and 63 licenses. He is not currently employed in the securities industry.

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

**RELEVANT DISCIPLINARY HISTORY**

Davidson has no disciplinary history.

000003207 2010

000054091 2011

## **FACTS AND VIOLATIVE CONDUCT**

### **1. Background**

Davidson was an external wholesaler for Lincoln who marketed an insurance product called MoneyGuard to financial advisors located in New York City. MoneyGuard was a universal life insurance policy with long-term care benefits. Davidson did not sell the product directly to retail investors. Davidson worked with an internal wholesaler in the Lincoln MoneyGuard business unit who supported his marketing efforts.

Starting in or around January 2008 and continuing in 2009, certain states began requiring financial advisors to successfully complete a long-term care CE course before selling long-term care insurance products to retail customers. Other states already had a long-term care CE requirement. In relevant part, Florida, Michigan, Maryland, and Arizona implemented the long-term care CE requirement, while California already had the requirement in place. The Lincoln wholesalers did not have to complete a long-term care CE requirement to market MoneyGuard to other financial advisors.

Lincoln authorized its wholesalers to give financial advisors vouchers from a company called SCE, which the financial advisors could use to take CE examinations through SCE without charge. Financial advisors could log on to the SCE website using the code on the voucher and take CE courses and examinations, either online or by submitting to SCE a paper test. SCE had courses that satisfied the long-term care CE requirement for Colorado, Florida, Maryland, Michigan, California, and Arizona. To get CE credit for this course, a test taker had to successfully complete an examination.

Lincoln employees other than Davidson created answer keys for SCE's long-term care CE examination for various states, including, in relevant part, Florida, Maryland, Michigan, California, and Arizona and distributed them to other Lincoln employees. These answer keys were circulated throughout the Lincoln business unit that sold MoneyGuard.

### **2. Requesting, Receiving, and Distributing Answer Keys to State Insurance Long-Term Care CE Examinations**

Davidson requested and/or received answer keys for the SCE state insurance long-term care CE examinations for Florida, Maryland, Michigan, California, and Arizona from Lincoln employees who created them and then distributed these to one Lincoln employee and to at least eight financial advisors outside of Lincoln.

#### **Florida Answer Key:**

Davidson received an answer key for the SCE long-term care CE examination for Florida ("Florida Answer Key") on at least five occasions. Davidson's internal wholesaler provided the Florida Answer Key to Davidson by e-mail on July 14, 2008, August 18, 2008, January 23, 2009, and March 13, 2009. On April 2, 2008, a Lincoln external wholesaler also forwarded to Davidson the Florida Answer Key.

Davidson provided the Florida Answer Key to at least four financial advisors outside of Lincoln.

Maryland Answer Key:

Davidson received an answer key for the SCE long-term care CE examination for Maryland ("Maryland Answer Key") on at least two occasions. On or around November 13, 2008, Davidson requested the Maryland Answer Key from another Lincoln external wholesaler. This external wholesaler sent Davidson the Maryland Answer Key as an attachment to a November 14, 2008 e-mail, which Davidson then forwarded to his internal wholesaler on November 17, 2008. In or around March 4, 2009, Davidson again asked for a copy of the Maryland Answer Key and another internal wholesaler e-mailed the Maryland Answer Key to Davidson's internal wholesaler and another Lincoln internal wholesaler.

Davidson provided the Maryland Answer Key to at least one financial advisor outside of Lincoln.

California Answer Key: On December 18, 2008, Davidson requested and received from another Lincoln external wholesaler the answers to the SCE long-term care CE examination for California (the "California Answer Key"). Davidson provided, or caused to be provided, the California Answer Key to at least one financial advisor outside of Lincoln.

Michigan Answer Key: Davidson requested and received an answer key for the SCE long-term care CE examination for Michigan (the "Michigan Answer Key"). Davidson provided the Michigan Answer Key to at least one financial advisor outside of Lincoln.

Arizona Answer Key: Davidson requested and received an answer key for the SCE long-term care CE examination for Arizona (the "Arizona Answer Key"). Davidson provided the Arizona Answer Key to at least one financial advisor outside of Lincoln.

By requesting and receiving answer keys for state insurance long-term care CE examinations and distributing these to a Lincoln employee and to financial advisors outside of Lincoln, Davidson violated NASD Rule 2110 and FINRA Rule 2010.

3. Misrepresenting Having a Proctor for a State CE Examination

On or around February 23, 2009, Davidson asked his internal wholesaler to provide him with the last four digits of the internal wholesaler's social security number so that Davidson could take the Colorado state long-term care continuing education on-line examination. Davidson told his internal wholesaler that he would use this information to satisfy the online requirement of having someone proctor the examination. The internal wholesaler responded via email and provided the last four digits of his social security number to Davidson. Davidson used the partial social security number to log into and access the SCE Colorado long-term care CE examination, but he did not complete the examination. By misrepresenting having a proctor for the Colorado long-term care CE examination, Davidson violated FINRA Rule 2010.

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

A 45-day suspension from association with any FINRA member firm in any capacity and a \$5,000 fine.

I agree to pay the monetary sanction upon notice that this AWC has been accepted and that such payment is due and payable. I have submitted an Election of Payment form showing the method by which I propose to pay the fine imposed.

I specifically and voluntarily waive any right to claim that I am unable to pay, now or at any time hereafter, the monetary sanction imposed in this matter.

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 FINRA Rules 8310 and 8311.)

The sanctions imposed herein shall be effective on a date set by FINRA staff.

## **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

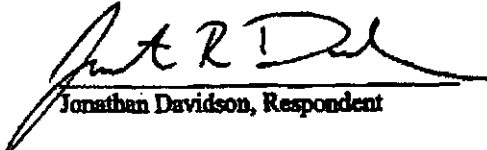
I understand that:

- 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.
- D. I may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. I understand that I may not deny the charges or make any statement that is inconsistent with the AWC in this Statement. This Statement does not constitute factual or legal findings by FINRA, nor does it reflect the views of FINRA or its staff.

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.

6/25/10  
Date

  
Jonathan Davidson, Respondent

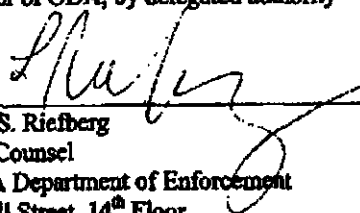
Reviewed by:

  
Brian Carlis  
Counsel for Respondent  
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993 Lenox Drive  
Lawrenceville, New Jersey 08648  
609-895-7313

Accepted by FINRA:

7/22/10  
Date

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

  
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