

DENISE VOIGT CRAWFORD  
SECURITIES COMMISSIONER



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DEPUTY SECURITIES COMMISSIONER

BRYAN K. BROWN  
MEMBER

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## Texas State Securities Board

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MEMBER

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Austin, Texas 78701-2407  
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E. WALLY KINNEY  
MEMBER

IN THE MATTER OF  
THE DEALER REGISTRATION OF  
LINCOLN FINANCIAL SECURITIES  
CORPORATION

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§  
§  
§

**Order No. IC10-CAF-14**

TO: David K. Booth, President  
Lincoln Financial Securities Corporation (CRD No. 3870)  
One Granite Place  
Concord, NH 03301

### DISCIPLINARY ORDER

Be it remembered that Lincoln Financial Securities Corporation ("Respondent"), by and through David K. Booth, its President, appeared before the Securities Commissioner of the State of Texas ("Securities Commissioner") and consented to the entry of this order ("Order") and the Findings of Fact and Conclusions of Law contained herein.

### FINDINGS OF FACT

1. Respondent has waived (a) Respondent's right to notice and hearing in this matter; (b) Respondent's right to appear and present evidence in this matter; (c) Respondent's right to appeal this Order; and (d) all other procedural rights granted to Respondent by The Securities Act, TEX. REV. CIV. STAT. ANN. art. 581-1 et seq. (Vernon 1964 & Supp. 2009)("Texas Securities Act"), and the Administrative Procedure Act, TEX. GOV'T CODE ANN. § 2001.001 et seq. (Vernon 2008 & Supp. 2009)("Administrative Procedure Act").
2. On or about July 22, 1983, Respondent (formerly known as Jefferson Pilot Securities Corporation) registered with the Securities Commissioner as a dealer. This registration is currently effective.
3. Between 2004 and 2006, six of Respondent's Texas based agents ("Agents") entered into marketing agreements with a third-party. Pursuant to this agreement, the third-party provided the Agents certain marketing materials created by the third-party. The Agents paid the third-party for the marketing materials.

4. The marketing materials included a book prepared by the third-party's CEO regarding investment-related issues. The Agents' names were printed on the front cover of their books along with the third-party CEO's name, which implied that the Agents were responsible for co-authoring the books. In reality, the Agents purchased the right to have their names listed on the book's cover. The Agents only wrote the preface of the book. Furthermore, the book was not identified as a marketing piece.
5. Some of the Agents provided the book to clients and potential clients during client meetings and investment seminars.
6. Prior to using the book, each of the Agents obtained approval from Respondent's compliance personnel.
7. Respondent's compliance staff reviewed the books submitted by each of the Agents. In connection with these reviews, Respondent's compliance personnel understood that the Agents wrote only the Preface and that the book was a marketing piece purchased from the third-party.
8. However, Respondent did not require the Agents to amend the book's cover in order to clarify that the Agents only wrote the Preface and indicate clearly that the book was a marketing piece.
9. Respondent's policies and written procedures prohibit the use of misleading communications and marketing materials.
10. In June 2009, the staff of the Texas State Securities Board ("Staff") contacted the Agents regarding their use of the book.
11. Respondent was aware of the Staff's requests and the Agents' responses. Despite having knowledge of facts indicating some of the Agents were using misleading marketing materials, Respondent did not prohibit the books use or require the Agents to make any amendments.
12. In February 2010, the Staff requested information from the Respondent about its approval of the Agents' use of the book. As a result of the Staff's February 2010 inquiry, Respondent instructed its agents to cease using the book.

#### CONCLUSIONS OF LAW

1. Respondent's failures to require the Agents to indicate clearly their role in creating the book and to identify the book as marketing material are failures to enforce its written procedures designed to achieve compliance with the Texas Securities Act and Rules and Regulations of the Texas State Securities Board ("Board Rules"). These failures constitute violations of §115.10(b)(1) of the Board Rules.

2. Pursuant to Section 14.A(6) of the Texas Securities Act, Respondent's violations of §115.10(b)(1) of the Board Rules constitute bases for the issuance of an Order reprimanding Respondent.
3. Pursuant to Section 23-1 of the Texas Securities Act, Respondent's violations of §115.10(b)(1) of the Board Rules constitute bases for the assessment of an administrative fine against Respondent.

ORDER

1. It is hereby ORDERED that Lincoln Financial Securities Corporation is REPRIMANDED.
2. It is further ORDERED that Lincoln Financial Securities Corporation is hereby ASSESSED AN ADMINISTRATIVE FINE in the amount of Forty Thousand Dollars (\$40,000.00). Payment shall be made by delivery of a cashier's check to the Securities Commissioner in the amount of Forty Thousand Dollars (\$40,000.00), payable to the State of Texas, contemporaneously with the delivery of this Order.

SIGNED AND ENTERED BY THE SECURITIES COMMISSIONER this 15<sup>th</sup>  
day of June, 2010.

  
DENISE VOIGT CRAWFORD  
Securities Commissioner

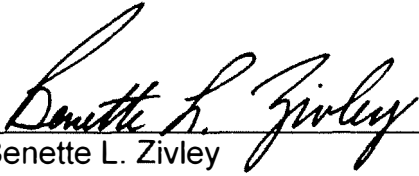
Respondent:

Lincoln Financial Securities Corporation



By: David K. Booth, President

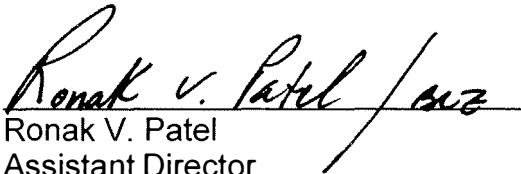
Approved as to Form:



Benette L. Zivley  
Director  
Inspections and Compliance Division



Lee Polson, Esq.  
Attorney for Respondent



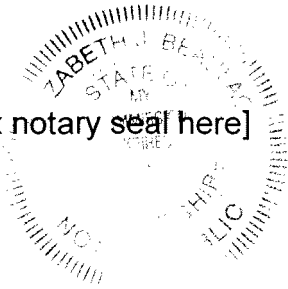
Ronak V. Patel  
Assistant Director  
Inspections and Compliance Division

**ACKNOWLEDGMENT**

On the 9<sup>th</sup> day of June, 2010, Lincoln Financial Securities Corporation ("Respondent"), by and through **David K. Booth**, its **President**, personally appeared before me, executed the foregoing Order, and acknowledges that:

1. **David K. Booth** is duly authorized to enter into the foregoing Order on behalf of Respondent;
2. **David K. Booth** has read the foregoing Order;
3. Respondent has been fully advised of its rights under the Texas Securities Act and the Administrative Procedure Act;
4. Respondent knowingly and voluntarily consents to the entry of the foregoing Order and the Findings of Fact and Conclusions of Law contained therein; and,
5. Respondent, by consenting to the entry of the foregoing Order, has knowingly and voluntarily waived its rights as set forth therein.

[affix notary seal here]



*Elizabeth J. Beaulac*  
Notary Public in and for  
the State of New Hampshire

My commission expires on: 6/7/2011