

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
OFFICE OF HEARING OFFICERS**

Department of Enforcement,

Complainant,

v.

Lynn Dale Cawthorne
CRD No. 3211221,

Respondent.

Disciplinary Proceeding
No. 2018059919702

Hearing Officer—BEK

**ORDER ACCEPTING OFFER OF
SETTLEMENT**

Date: November 16, 2020

INTRODUCTION

Disciplinary Proceeding No. 2018059919702 was filed on August 25, 2020, by the Department of Enforcement of the Financial Industry Regulatory Authority (FINRA or Complainant). Respondent Lynn Dale Cawthorne submitted an Offer of Settlement (Offer) to Complainant dated November 3, 2020. Pursuant to FINRA Rule 9270(e), the Complainant and the National Adjudicatory Council (NAC), a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs (ODA) have accepted the uncontested Offer. Accordingly, this Order now is issued pursuant to FINRA Rule 9270(e)(3). The findings, conclusions and sanctions set forth in this Order are those stated in the Offer as accepted by the Complainant and approved by the NAC.

Under the terms of the Offer, Cawthorne has consented, without admitting or denying the allegations of the Complaint, 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, to the entry of findings and violations consistent with the allegations of the Complaint, and to the imposition of the sanctions set forth below, and fully understands that this Order will become part of Cawthorne's permanent disciplinary record and may be considered in any future actions brought by FINRA.

BACKGROUND

Cawthorne, through his association with Cambridge Investment Research, Inc. (CRD No. 39543) (Cambridge), was registered with FINRA as a general securities representative and as an investment company shares and variable contracts representative from April 16, 2013, to September 24, 2018.

On September 24, 2018, Cambridge filed a Uniform Termination Notice for Securities Industry Registration (Form U5), disclosing that it discharged Cawthorne for “Failure to report ongoing criminal investigation and indictment for Federal wire fraud.”

Although Cawthorne is no longer registered with FINRA or associated with any FINRA member, he remains subject to FINRA’s jurisdiction for purposes of this proceeding, pursuant to Article V, Section 4 of FINRA’s By-Laws, because the Complaint (1) was filed within two years after September 24, 2018, the effective date of the termination of Cawthorne’s registrations with FINRA, and (2) charges him with failing to respond to requests for information pursuant to FINRA Rule 8210 during the two-year period after he ceased to be registered with FINRA or associated with a FINRA member.

FINDINGS AND CONCLUSIONS

It has been determined that the Offer be accepted and that findings be made as follows:

SUMMARY

Cawthorne failed to comply with FINRA’s requests for information made pursuant to FINRA Rule 8210 in June, August, September, and November 2019 in connection with an investigation of (a) his failure to disclose multiple felony charges and (b) other potential violations. As a result, Cawthorne violated FINRA Rules 8210 and 2010.

FACTS

On April 26, 2018, Cawthorne was indicted in the United States District Court for the Western District of Louisiana on seven felony counts of wire fraud and one felony count of conspiracy to commit wire fraud in connection with allegedly misappropriating approximately \$536,000 from a government program that provided nutritious meals to children in low-income areas when school is not in session during the summer.

In October 2018, after Cambridge discharged Cawthorne for failing to report the indictment, FINRA's Preliminary Investigations Unit began investigating the circumstances of Cawthorne's termination from Cambridge and subsequently referred the investigation to Complainant.

For the purpose of that investigation and pursuant to FINRA Rule 8210, on June 17, 2019, Complainant asked Cawthorne in writing for information about his termination from Cambridge, a superseding indictment against him adding eighteen felony counts of money laundering and conspiracy to launder money, and related outside business activities and private securities transactions.

Complainant served its request by certified mail and first-class mail to Cawthorne's last known residential address as reflected in the Central Registration Depository (Cawthorne's CRD Address).

Complainant's certified mailing arrived at Cawthorne's CRD Address on June 21, 2019, but Cawthorne did not claim it; after almost three weeks, it was returned to FINRA on July 9, 2019. The first-class mailing was not returned.

Cawthorne did not respond to Department of Enforcement's request in any way.

When Cawthorne failed to respond, on August 15, 2019, Complainant sent its request for a second time, again for the purpose of its investigation and pursuant to FINRA Rule 8210.

Complainant served its second request by certified mail to Cawthorne's CRD Address.

The United States Postal Service reported that the certified mailing of the second request was lost in transit.

Cawthorne did not respond to Department of Enforcement's second request.

When Cawthorne failed to respond, on September 27, 2019, Complainant sent its request for a third time, again for the purpose of its investigation and pursuant to FINRA Rule 8210.

Complainant served its third request by certified mail and first-class mail to Cawthorne's CRD Address.

Complainant's certified mailing arrived at Cawthorne's CRD address on October 5, 2019, but Cawthorne did not claim it; after almost three weeks, it was returned to FINRA on October 23, 2019. The first-class mailing was not returned.

Between October 2, 2019, and October 18, 2019, Cawthorne communicated with the FINRA attorney handling the Rule 8210 requests by telephone and email. Cawthorne acknowledged to that FINRA attorney that he received the request and told the FINRA attorney that he was "leaning towards" complying with it.

On November 7, 2019, Cawthorne's attorney contacted Complainant and informed a FINRA attorney handling the Rule 8210 requests that he was representing Cawthorne in connection with the Rule 8210 requests.

That same day, Complainant sent its request for a fourth time, again for the purpose of its investigation and pursuant to Rule 8210, to Cawthorne's attorney.

Cawthorne did not respond, directly or through his attorney, to Department of Enforcement's fourth request. Cawthorne also did not comply in any way with the Rule 8210 requests.

As a result, on January 2, 2020, Complainant sent Cawthorne a notice informing him that he would be suspended pursuant to FINRA Rule 9552 on January 27, 2020, if he did not comply with the Rule 8210 requests or ask for a hearing.

Cawthorne did not respond in any way.

On January 27, 2020, Complainant sent Cawthorne a notice stating that he was suspended from associating with any FINRA member and warning him that he would be automatically barred on April 6, 2020, if he did not request termination of his suspension on grounds of full compliance.

On March 24, 2020, Cawthorne sent an email to Complainant, requesting that FINRA terminate his suspension but without complying with Complainant's Rule 8210 requests or claiming that he had complied with it in any fashion.

On March 25, 2020, Complainant denied Cawthorne's request to terminate his suspension.

Cawthorne is currently suspended from associating in any capacity with any FINRA member.

CAUSE OF ACTION
Failure to Provide Information
(FINRA Rules 8210 and 2010)

FINRA Rule 8210(a)(1) provides that FINRA staff may "require a . . . person subject to FINRA's jurisdiction to provide information orally, in writing, or electronically . . . with respect to any matter involved in [an] investigation."

FINRA Rule 8210(c) provides that "[n]o member or person shall fail to provide information . . . pursuant to this Rule."

A violation of FINRA Rule 8210 also constitutes a violation of FINRA Rule 2010, which requires associated persons to "observe high standards of commercial honor and just and equitable principles of trade."

While subject to FINRA's jurisdiction, Cawthorne failed to comply in any way with Complainant's Rule 8210 requests for information made pursuant to FINRA Rule 8210.

Complainant's Rule 8210 requests sought information that was material to FINRA's investigation. The requested information was necessary to determine, among other things, whether Cawthorne failed to report his indictment and superseding indictment, and whether his related outside

business activities and private securities transactions were properly disclosed to his firm or otherwise violated applicable FINRA rules.

Based on the foregoing, Cawthorne violated FINRA Rules 8210 and 2010.

Based on these considerations, the sanctions hereby imposed by the acceptance of the Offer are in the public interest, are sufficiently remedial to deter Cawthorne from any future misconduct, and represent a proper discharge by FINRA, of its regulatory responsibility under the Securities Exchange Act of 1934.

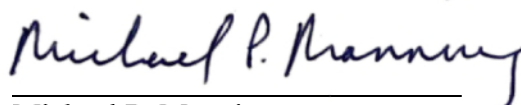
SANCTIONS

It is ordered that Cawthorne be barred from associating with any FINRA member. The sanctions imposed herein shall be effective on a date set by FINRA staff. A bar or expulsion shall become effective upon approval or acceptance of this Order.

SO ORDERED.

FINRA

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



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