

COPY

IN THE MATTER OF:

ARTHUR M. DAVIDSON

CRD # 2876412

CONSENT ORDER

BEFORE FRANKLIN L. WIDMANN, BUREAU CHIEF

The Bureau Chief makes the following findings:

1. Arthur M. Davidson ("Davidson"), residing at 8 West High Ridge Road, Cherry Hill, New Jersey, was registered with the New Jersey Bureau of Securities (the "Bureau") as an agent of American Express Financial Advisors, Inc. ("American Express") from June 28, 2002 until his registration was terminated on October 26, 2004. Davidson was a financial advisor at American Express' Voorhees, New Jersey office from July 1997 until October 2004.
2. American Express, CRD # 6363, is a registered broker-dealer with corporate headquarters located at 50606 AXP Financial Center, H27/52, Minneapolis, Minnesota. Through subsidiaries and affiliates, American Express offers a wide range of products and services, including insurance, mutual funds, college savings plans, personal trust services and retail brokerage. American Express' primary distribution channel is its financial advisors.

3. Beginning in or around June 2001 and continuing until his termination in 2004, Davidson engaged in a course of business designed to fraudulently obtain fees from his clients which resulted in at least 22 clients paying a total in excess of \$400,000 for financial plans without their knowledge or consent. Davidson personally received 85% of these excess fees in the form of commissions.
4. To accomplish this fraudulent scheme, Davidson, without the knowledge or consent of the client:
 - a. identified a client and prepared a Mutual Fund Redemption Form;
 - b. forged the client's signature on the Mutual Fund Redemption Form;
 - c. utilized the Mutual Fund Redemption Form to sell shares of mutual funds held in the client's account and to transfer the proceeds into the client's advisory account;
 - d. prepared a Financial Advisory Service Agreement, arbitrarily charging the client a fee for financial planning services equal to the amount of the mutual fund redemption;
 - e. forged the client's signature on the Financial Advisory Service Agreement; and
 - f. withdrew funds from the client's advisory account to pay the fee for the financial planning services.
5. As a result of the forgeries described above, Davidson charged certain clients for multiple financial plans at excessive rates. For example:
 - a. an apartment manager in her mid-60's earning \$44,000 per year and with approximately \$25,000 in assets at American Express as of January 1, 2002, was charged \$7,000 for four plans in 2002 and \$4,000 for two plans in 2003;

- b. A retiree in her mid-60's earning approximately \$22,000 per year and with \$10,422.72 in assets at American Express as of January 1, 2002, was charged \$3,500 for two plans in 2002; and
- c. A recent college graduate in her early 20's earning approximately \$24,000 per year and with approximately \$35,000 in assets at American Express as of January 1, 2002, was charged \$4,000 for two plans in 2002 and \$4,000 for two plans in 2003.
6. Davidson received 85% of all fees collected in connection with the execution of Financial Advisory Service Agreements. As a result of his fraudulent scheme, Davidson received at least \$400,000 in unearned commissions. Davidson applied the proceeds of this scheme to pay personal and business expenses.
7. Each attempt by Davidson to effect a redemption request in a client's account without the knowledge or consent of the client and each attempt to obtain fees from the sale of financial advisory services to a client without the client's knowledge or consent is a separate and distinct act in connection with the offer, sale or purchase of a security which operated to defraud Davidson's clients in violation of N.J.S.A. 49:3-52.
8. Each instance where Davidson charged a client excessive fees in relation to the size of a client's assets and annual income, whether by the sale of an individual financial plan or the sale of multiple financial plans within a short time period, is a separate and distinct violation of N.J.S.A. 49:3-53.
9. These acts, taken together, are cause pursuant to N.J.S.A. 49:3-58, 67 and 70.1 for the entry of an order revoking Davidson's registration as an agent and for the entry of an order assessing a monetary penalty against him, along with such other relief as the Bureau

Chief may deem necessary and proper.

WHEREAS, Davidson is cooperating with the Bureau's investigation and represents that

he will continue to cooperate with the Bureau's ongoing investigation; and

WHEREAS, Davidson consents to the entry of the findings set forth above; and

WHEREAS, Davidson and the Bureau desire to settle the aforesaid matters without the expense and delay of further proceedings and Davidson consents to the imposition of the findings and sanctions imposed below.

NOW THEREFORE, it is on this 27 day of June 2005, HEREBY ORDERED that Davidson, by consent and without further hearing, Cease and Desist from further violations of the New Jersey Uniform Securities Act, and it is

FURTHER ORDERED that Davidson is barred from acting as an agent or broker-dealer as defined by N.J.S.A. 49:3-49 or from having any association with any broker-dealer or investment advisor in any capacity for his violations of N.J.S.A. 49:3-52 and 53; and it is

FURTHER ORDERED that Davidson shall provide the Bureau with a full and complete accounting of all documents on which he signed or affixed a client's signature without the knowledge or consent of the client, and shall provide restitution to the client and/or American Express for each such action; and it is

FURTHER ORDERED that Davidson shall continue to cooperate with the Bureau in all related investigations; and it is

FURTHER ORDERED that if any part of this order is found to be unenforceable that the remainder shall be enforceable as if entered without the unenforceable part.

NEW JERSEY BUREAU OF SECURITIES

By: *Elizabeth Stucky, Acting Area Chief for*
Franklin L. Widmann
Chief, Bureau of Securities

DATED:

June 27, 2005

I hereby consent to the form and entry of this order.

By: *Arthur M. Davidson*
Arthur M. Davidson

DATED:

6/27/05