

**STATE OF ILLINOIS
SECRETARY OF STATE
SECURITIES DEPARTMENT**

IN THE MATTER OF:)	
)	
LPL Financial, LLC (CRD #6413))	
f/k/a LPL Financial Corporation)	File No. 1000096
and its managers, officers, affiliates,)	
subsidiaries, representatives, successors,)	
and assigns.)	
)	
)	

NOTICE OF HEARING

TO THE RESPONDENT: LPL Financial, LLC
(CRD #6413)
c/o Stephanie Brown
One Beacon Street, 22nd Floor
Boston, Massachusetts 02108-3106

LPL Financial, LLC
(CRD #6413)
c/o its attorneys
Charles Risch
John Monical
Lawrence, Kamin, Saunders & Uhlenhop LLC
300 South Wacker Drive, Suite 500
Chicago, Illinois 60606

You are hereby notified in accordance with Sections 11.E and F of the Illinois Securities Law of 1953 [815 ILCS 5/11.E and F] (“the Act”) and 14 Ill. Adm. Code 130, subpart K, that a public hearing will be held at the Secretary of State’s office at the office of the Illinois Securities Department, 69 W. Washington Street, Suite 1220, in Chicago, Illinois 60602, on December 14, 2011 or as soon thereafter as possible before James Kopecky, or such other hearing officer who shall be presiding at that time.

Said hearing will be held to determine whether an Order shall be entered pursuant to Section 11.E of the Act sanctioning the Respondent and/or granting such other relief as may be authorized under the Act including, but not limited to, the imposition of a monetary fine in the maximum amount pursuant to Section 11.E of the Act, payable within ten (10) business days of the entry of the Order.

The grounds for this proposed action are as follows:

COUNT 1
FAILURE TO REASONABLY SUPERVISE

1. Respondent LPL Financial, LLC, f/k/a LPL Financial Corporation (“LPL”), is a securities broker-dealer and federally registered investment adviser located at One Beacon Street, 22nd Floor, Boston, Massachusetts 02108-3106.
2. Arthur Lin (“Lin”) is an individual with a last known address of 4975 Lichfield Drive, Barrington, Illinois 60010. Lin was registered as an investment adviser representative and securities salesperson of LPL from September 29, 2006 to April 8, 2010.
3. Lin conducted business on behalf of LPL in a branch office located at 900 N. Arlington Heights Road, Itasca, Illinois 60143. Lin was the branch manager for this particular LPL branch office.
4. At the time he was conducting business on behalf of LPL, Lin was also conducting business on behalf of Malarz Equity Investments, LLC (“MEI”). MEI purported to purchase apartment buildings, convert them into condominiums, and offer the converted condominiums for sale to the public. Marcin Malarz (“Malarz”) is the President of MEI.
5. According to MEI’s Articles of Organization, Lin was a manager of the company. Lin also held himself out as a MEI board member that reviewed the company’s financials.
6. Additionally, while serving as an investment adviser representative and securities salesperson for LPL, Lin sold MEI’s promissory notes to several Illinois investors, including several of his LPL customers.
7. In the process of offering and selling MEI’s promissory notes, Lin made a number of material misrepresentations and omissions of fact to investors.
8. Lin’s offer and sale of MEI’s promissory notes constituted the offer and sale of securities as those terms are defined in Sections 2.1, 2.5, and 2.5a of the Act.
9. Section 12.F of the Act provides that it shall be a violation of the provisions of this Act for any person to engage in any transaction, practice or course of business in connection with the sale or purchase of securities which works or tends to work a fraud or deceit upon the purchaser or seller thereof.
10. Section 12.G of the Act provides that it shall be a violation of the provisions of this Act for any person to obtain money or property through the sale of securities by means of any untrue statement of a material fact or any omission to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.

11. Section 12.H of the Act states that it shall be a violation of the provisions of this Act for any person to sign or circulate any statement, prospectus, or other paper or document required by any provision of this Act or pertaining to any security knowing or having reasonable grounds to know any material representation therein contained to be false or untrue.
12. Section 12.I of the Act provides that it shall be a violation of the provisions of this Act for any person to employ any device, scheme or artifice to defraud in connection with the sale or purchase of any security, directly or indirectly.
13. By virtue of the foregoing, Arthur Lin violated Sections 12.F, 12.G, 12.H, 12.I of the Act.

AS RESULT OF OMISSIONS IN ITS SUPERVISION OF ARTHUR LIN, LPL MISSED SEVERAL OPPORTUNITIES TO DETECT HIS INVOLVEMENT IN THE SALE OF MEI PROMISSORY NOTES

14. In this case, LPL had several of opportunities to detect Lin's involvement with MEI and his fraudulent sale of MEI promissory notes.

LPL Failed to Monitor Lin's Email Correspondence

15. Lin sometimes used his LPL email address [arthur.lin@lpl.com] to conduct business of MEI.
16. Additionally, Lin sometimes used his LPL email address to correspond with his LPL clients about investments in MEI promissory notes.
17. LPL's email monitoring failed to detect Lin's LPL email correspondence relating to MEI business and promissory notes.
18. An effective review of Lin's LPL email correspondence would have revealed Lin's sale of MEI promissory notes.

Arthur Lin Failed to Properly Monitor Lin's Outside Business Activity

19. LPL's Compliance Manual mandates that its advisors must give prior written notice to LPL of any intended outside business activity and await written approval or notification before engaging in the proposed activity.
20. LPL's Compliance Manual further states that submissions of an outside business activity may be done electronically through the Outside Business Activity/DBA Notification Request Service Express form available in the "Compliance" section of the BranchNet Resource Center.
21. Lin notified LPL's Compliance Department of his involvement in MEI by electronically filing such a form through LPL's BranchNet Resource Center in January of 2007.

22. In his January 2007 filing, Lin informed LPL of his desire to become involved with a business named Malarz Equity Investments, LLC. This company was originally described as a real estate rental business where his spouse was “a passive investor in a condo conversion construction company that buys hundreds of apartment units and convert [sic] them into condos for subsequent sale.”
23. After receiving this request, LPL’s Compliance Department requested more information from Lin about this activity. Specifically, Lin was asked what the expected annual income was for the activity and whether the activity was a private placement investment.
24. In response, Lin confirmed with the LPL Compliance Department that Malarz Equity Investments, LLC was a private placement investment. In addition, Lin informed the LPL Compliance Department that he was, in fact, a part-time Board member of the company who reviews the company’s financials.
25. Despite the fact that Arthur Lin informed the LPL Compliance Department that he was acting as a part-time Board member for MEI, a company that was offering private placement investments, LPL never inquired further into Lin’s activities, never monitored Lin to detect whether he was selling MEI private placement investments, and failed to update Lin’s U-4 form to reflect his involvement as a part time Board member for MEI.

Lin Informed LPL of His Involvement in MEI During LPL Compliance Audits

26. Lin also informed LPL of his involvement with MEI during compliance audits that LPL conducted of his branch office.
27. During the time he was registered with LPL, Arthur Lin was audited three times by the LPL Compliance Department. The audits took place on the following dates:
 - a. May 22, 2007
 - b. April 14, 2008
 - c. February 12, 2009
28. As a part of these audits, Lin was required to complete a “Branch Manager & Financial Advisor Questionnaire” that was to be reviewed and used during the compliance audit.
29. For the April 14, 2008 audit, Lin completed the Branch Manager & Financial Advisor Questionnaire form. On that form, Lin once again informed LPL that he was a Board Member of a company called “Malarz Equity Investments.”
30. For the February 12, 2009 audit, Lin once again completed the Branch Manager & Financial Advisor Questionnaire form and once again informed LPL of his involvement of MEI. Specifically, Lin described MEI as “Personal Real Estate Investments with Family in condominiums – Long Term Payout.”

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31. Despite the fact that Lin informed the LPL Compliance Department about his involvement with MEI during annual compliance audits, LPL never inquired further into Lin's activities, never monitored Lin to detect whether he was selling MEI private placement investments, and failed to update Lin's U-4 form to reflect his involvement as a part time Board member for MEI.
32. Based on the facts described in Paragraphs 15-30, LPL knew or should have known of Lin's fraudulent conduct.

Grounds for Sanctions

33. Section 8.E(1)(e)(i) of the Act provides, *inter alia*, that a dealer may be subject to sanctions if the dealer has failed reasonably to supervise the securities activities of any of its salespersons or other employees and the failure has permitted or facilitated a violation of Section 12 of this Act.
34. Section 8.E(1)(e)(iv) of the Act provides, *inter alia*, that a dealer may be subject to sanctions if the dealer has failed to maintain and enforce written procedures to supervise the types of business in which it engages and to supervise the activities of its salespersons that are reasonably designed to achieve compliance with applicable securities laws and regulations.
35. By virtue of the foregoing, LPL is subject to sanctions pursuant to Sections 8.E(1)(e)(i) and 8.E(1)(e)(iv) of the Act.

NOTICE: You are further notified that you are required pursuant to Section 130.1104 of the Rules and Regulations (14 Ill. Adm. Code 130)(the "Rules"), to file an answer to the allegations outlined above within thirty (30) days of the receipt of this Notice. A failure to file an answer within the prescribed time shall be construed as an admission of the allegations contained in the Notice of Hearing.

Furthermore, you may be represented by legal counsel; may present evidence; may cross-examine witnesses and otherwise participate. A failure to so appear shall constitute default, unless any Respondent has upon due notice moved for and obtained a continuance.

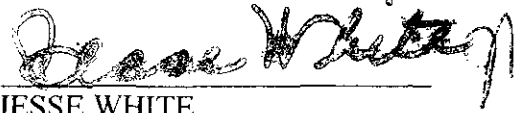
A copy of the Rules and Regulations promulgated under the Illinois Securities Law and pertaining to hearings held by the Office of the Secretary of State, Illinois Securities Department, are available at the Department's website at:
<http://www.cyberdriveillinois.com/departments/securities/lawrules.html>, or on request.

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Delivery of Notice to the designated representative of any Respondent constitutes service upon such Respondent.

Dated: This 24th day of October, 2011.



JESSE WHITE
Secretary of State
State of Illinois

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