

STATE OF ILLINOIS
SECRETARY OF STATE
SECURITIES DEPARTMENT

IN THE MATTER OF: LPL FINANCIAL LLC, f/k/a LPL FINANCIAL)
CORPORATION.) File No. 1200385
)

CONSENT ORDER

TO THE RESPONDENT:

LPL Financial, LLC
c/o James Shorris, Deputy General Counsel
75 State Street, 24th Floor
Boston, MA 02109

WHEREAS, LPL Financial, LLC, by and through its duly authorized representative, executed a certain Stipulation ("the Stipulation"), which hereby is incorporated by reference herein.

WHEREAS, by means of the Stipulation, LPL Financial has admitted that it was properly served with the Notice of Hearing issued by the Secretary of State, Securities Department, dated October 31, 2011 (the "Notice").

WHEREAS, by means of the Stipulation, LPL Financial has admitted to the jurisdiction of the Secretary of State, Securities Department, and has consented to the entry of this Consent Order.

WHEREAS, by means of the Stipulation, LPL Financial acknowledges, while neither admitting nor denying, and agrees that the following allegations shall be adopted as the Secretary of State's Findings of Fact:

1. Respondent LPL Financial, LLC ("LPL"), whose principal place of business is at 75 State Street, 24th Floor, Boston, Massachusetts 02109, was at all times relevant, registered as a dealer in Illinois and registered as a securities broker-dealer with the Financial Industry Regulatory Authority ("FINRA") and the Securities and Exchange Commission ("SEC").
2. David Matthew Lisnek ("Lisnek") is an individual with a last known address of 2500 Country Club Drive, Springfield, Illinois 62704; Lisnek was registered as an investment adviser representative and securities salesperson of LPL from September 23, 2004 until November 13, 2013.

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3. After the Department conducted an audit and related investigation, Lisnek was arrested on December 4, 2013, by special agents of the Department and Springfield Police Department officers on a criminal complaint filed by the Sangamon County State's Attorney. A bond was set and Lisnek was charged with one count of *Financial Exploitation of the Elderly*, a Class 1 felony; the criminal prosecution is currently pending.
4. While a registered investment advisor representative and securities salesperson for LPL Financial, Lisnek engaged in fraud involving at least 3 clients, each of whom are senior citizens and/or nearing retirement, totaling approximately \$315,218 in client funds (e.g., borrowed/took client funds and failed to return client funds, converted client funds, brokered unapproved transactions between clients, engaged in business transactions with clients) and engaged in other misconduct (including failure to disclose tax liens).
5. LPL Financial failed to detect improper and fraudulent conduct on the part of Lisnek toward his LPL clients, to whom Lisnek owed a fiduciary duty. LPL Financial allowed Lisnek to remain a registered representative while several facts, viewed together as a pattern of conduct, would have constituted multiple cautionary indicators ("red flags") of the potential for improper conduct. Such red flags included the following:
 - a. Lisnek became associated with LPL after his association had been terminated by a prior firm for a disclosure violation;
 - b. Subsequent to Lisnek's association with LPL, Lisnek filed for bankruptcy and incurred tax liens. Lisnek failed to amend his U-4 to reflect same until such time as LPL instructed him to do so;
 - c. Additional signs of Lisnek's financial distress set forth in a 2009 Letter from the Department notifying LPL that Lisnek was bouncing checks from his business account, and in which the Department recommended heightened supervision of Lisnek;
 - d. LPL's own Review Team had to issue a Letter of Caution and a \$100 fine for Lisnek's failure to timely respond to LPL's own inquiry in the matter, but still did not implement additional supervisory procedures for Lisnek;
 - e. Lisnek's requests for expedited payment of commissions, 6 to 9 times per year over a 4-year period, often just 2 weeks prior to the scheduled date he would have received them, and where he was willing to pay a fee to LPL each time to receive expedited payment;

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- f. Concurrent with these indicators of financial distress, Lisnek notified the firm of a change of address and began using the residence as his LPL branch office.
6. Certain elements of Lisnek's financial distress, if subjected to enhanced review, may have revealed additional aspects of Lisnek's fraudulent and improper activities.
7. Additionally, LPL Financial failed to detect Lisnek's misconduct despite the actions taken by the Department in prior recent years regarding LPL's failure to supervise and failure to detect improper conduct of other registered representatives in Illinois. (2011, LPL/Lin, Case #1000096; and 2010, LPL/Walker, Case # 0800381).
8. Based on the facts described above, Lisnek engaged in fraudulent conduct.
9. Lisnek's conduct described above constituted numerous violations of Section 12 of the Illinois Securities Law of 1953 [815 ILCS 5/1 et seq.] (the "Act").
10. Based on the facts described above, LPL failed to detect Lisnek's fraudulent conduct.
11. Section 8.E(l)(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.
12. Section 8.E(l)(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.

WHEREAS, by means of the Stipulation, LPL Financial acknowledges, while neither admitting nor denying, and agrees that the following shall be adopted as the Secretary of State's Conclusions of Law:

1. Illinois has jurisdiction over this matter pursuant to the Illinois Securities Law of 1953 [815 ILCS 5/1 et seq.] (the "Act").
2. The Illinois Securities Department finds that the above conduct subjects LPL to sanctions under Sections 8.E(l)(e)(i) and 8.E(l)(e)(iv).
3. The Illinois Securities Department finds the following relief appropriate and in the public interest.

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WHEREAS, by means of Stipulation, LPL Financial has acknowledged and agreed that it has made restitution of \$315,218 (Three Hundred Fifteen Thousand Two Hundred Eighteen Dollars) to certain investors (less certain amounts already paid to some investors), plus interest, according to terms agreed upon by the Illinois Securities Department.

WHEREAS, by means of Stipulation, LPL Financial has acknowledged and agreed that that it shall pay a fine of \$500,000 (Five Hundred Thousand Dollars) to the Office of Secretary of State, Securities Audit and Enforcement Fund within ten (10) days of the entry of this Order.

WHEREAS, by means of Stipulation, LPL Financial has acknowledged and agreed that it shall be censured.

NOW THEREFORE, IT IS HEREBY ORDERED THAT:

1. LPL Financial shall make restitution of \$315,218 (Three Hundred Fifteen Thousand Two Hundred Eighteen Dollars) to certain investors (less certain amounts already paid to some investors), plus interest, according to terms agreed upon by the Illinois Securities Department.
2. LPL Financial shall pay a fine of \$500,000 (Five Hundred Thousand Dollars) to the Office of Secretary of State, Securities Audit and Enforcement Fund within ten (10) days of the entry of this Order.
3. LPL Financial shall be censured.
4. The Notice of Hearing dated October 31, 2014 is dismissed without further proceedings.

Entered: This 31st day of October, 2014



JESSE WHITE
Secretary of State
State of Illinois

NOTICE: Failure to comply with the terms of this Order shall be a violation of Section 12.D of the Act. Any person or entity who fails to comply with the terms of this Order of the Secretary of State, having knowledge of the existence of the Order, shall be guilty of a Class 4 Felony.

Attorneys for the Secretary of State:

Jane M. Buntan
Shannon Bond
David Finnigan
James Nix
Tom Sianis

Illinois Securities Department
300 W. Jefferson Street, Suite 300A
Springfield, Illinois 62702 Tel. (217)782-2256