

STATE OF ILLINOIS
SECRETARY OF STATE
SECURITIES DEPARTMENT

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

NOTICE OF HEARING

TO THE RESPONDENT:

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

You are hereby notified that pursuant to Section 11.F of the Illinois Securities Law of 1953, [815 ILCS 5/1 *et seq.*] (the "Act") and 14 Ill. Adm. Code 130, Subpart K (the "Code"), a public hearing will be held at 300 W. Jefferson Avenue, Suite 300A, Springfield, Illinois, 62702, on the 22nd day of December, 2014 at the hour of 10:00 a.m. or as soon thereafter as counsel may be heard, before Jon K. Ellis or such other duly designated Hearing Officer of the Secretary of State.

Said hearing will be held to determine whether an Order should be entered against Respondent, LPL Financial, LLC, granting such relief as may be authorized under the Act, including, but not limited to, imposition of a monetary fine in the maximum amount, pursuant to Section 11.E(4) of the Act.

The grounds for such proposed action are as follows:

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.
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.

LPL (Lisnek) Notice of Hearing
Page 2

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;
 - 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.

LPL (Lisnek) Notice of Hearing
Page 3

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. Illinois has jurisdiction over this matter pursuant to the Illinois Securities Law of 1953 [815 ILCS 5/1 *et seq.*] (the "Act").
10. 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").
11. Based on the facts described above, LPL failed to detect Lisnek's fraudulent conduct.
12. 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.
13. 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.
14. By virtue of the foregoing, Respondent LPL Financial's registration is subject to suspension or revocation pursuant to Sections 8.E.1(e)(i) and 8.E.1(e)(iv) of the Act.
15. Section 11.E(4) of the Act provides, *inter alia*, that if the Secretary of State, after finding that any provision of the Act has been violated, may impose a fine as provided by rule, regulation, or order; an order of censure; and charge all reasonable expenses as costs of investigation.
16. Section 11.F(1) of the Act provides, *inter alia*, that the Secretary of State may prohibit or suspend a dealer or salesperson from engaging in the business of selling or offering for sale securities or prohibit or suspend a person from acting as an investment adviser, federal covered investment adviser, or investment adviser representative after an opportunity for hearing is given.

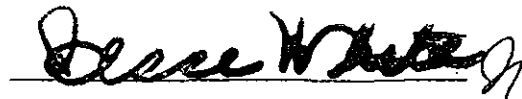
LPL (Lisnek) Notice of Hearing
Page 4

You are further notified that you are required pursuant to Section 130.1104 of the Code to file an answer to the allegations outlined above or other responsive pleading within thirty (30) days of the receipt of this Notice. A failure to do so within the prescribed time shall be deemed an admission of the allegations contained in the Notice of Hearing and waives your right to a hearing.

You may be represented by legal counsel, present evidence, cross-examine witnesses and otherwise participate. However, a failure to appear shall constitute default.

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

ENTERED: This 31st day of October, 2014



JESSE WHITE
Secretary of State
State of Illinois

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