

COMMONWEALTH OF KENTUCKY  
PUBLIC PROTECTIN CABINET  
OFFICE OF FINANCIAL INSTITUTIONS  
AGENCY CASE NO. 2010-AH- 012

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IN RE: LPL FINANCIAL CORPORATION

RESPONDENT

\* \* \* \* \*

**SETTLEMENT AGREEMENT AND ORDER**

**BACKGROUND AND FACTUAL FINDINGS**

1. The Department of Financial Institutions (“DFI”) is the agency of Kentucky state government charged with enforcement of the provisions of KRS Chapter 292 (the “Kentucky Securities Act”) and the rules and regulations enacted thereunder.

2. LPL Financial Corporation (“LPL”) is a registered Broker/Dealer, which is also registered as such in Kentucky with the DFI. LPL maintains its principal offices at One Beacon Street, Boston, Massachusetts 02108-3106. LPL is doing business in the Commonwealth of Kentucky through its agents and representatives.

3. On August 3 through 5, 2009, pursuant to the authority granted by KRS 292.330(12), the DFI, Division of Securities (the “Division”), conducted a routine examination of a branch office of LPL (Examination No. BD-981), located at 132 South Lake Drive, Suite 101, Prestonsburg, Kentucky 41653.

4. On September 8, 2009, the Division issued a written report of its examination, which contained a Statement of Findings (“Statement of Findings”) indicating areas of concern regarding the aforementioned branch office of LPL and the principal office’s supervision over same.

5. In the Statement of Findings, the Division noted that Registered Agent, Phillip D. Hunt (CRD # 3259252) was not registered to conduct business in Kentucky as an investment adviser. However, the agent's commission statement showed that he had in fact received advisory compensation for at least two years prior to August 3, 2009.

6. In its response to the Statement of Findings on November 24, 2009, LPL stated it had reviewed the matter and agreed that agent Hunt was not properly registered to receive advisory compensation in Kentucky, but had been permitted to do so as a result of a bookkeeping or coding error. LPL's response further stated that it had taken steps to correct the matter so that agent Hunt would no longer be compensated for the referral of the advisory business.

#### **LEGAL AUTHORITY**

7. KRS 292.330(12)(d) provides that the Commissioner of DFI (the "Commissioner") may make periodic examinations of each broker-dealer registered in Kentucky at such times and in such scope as he determines, and the expense reasonably attributable to any such examination shall be paid by the broker-dealer whose business is examined but the expense so payable may not exceed an amount which the Commissioner by rule prescribes.

9. KRS 292.500(3) authorizes the Executive Director to promulgate administrative regulations necessary to carry out the provisions of the Kentucky Securities Act.

10. KRS 292.330(5) authorizes the Commissioner to require an examination as evidence of knowledge of the securities business as a condition of registration.

11. 808 KAR 10:260 provides that, unless exempt for other reasons which are not applicable to agent Hunt, any individual who advises the public regarding the value of a

security or the advisability of investing in, purchasing, or selling a security shall demonstrate competence in the law of securities by providing the Commissioner with proof of obtaining a passing score on either the Uniform Investment Advisory Law Examination (the “Series 65 Examination”), or the General Securities Representative Examination (the “Series 7 Examination”) and the Uniform Combined State Law Examination (the “Series 66 Examination”).

12. KRS 292.470 provides that the Commissioner may, among other remedies available, assess a fine against any person who appears to the Commissioner to have engaged in or to be about to engage in any act or practice constituting a violation of any provision of Chapter 292 or any rule or order there under.

13. In order to resolve this matter without further litigation or adversary proceedings, LPL has agreed to compromise and settle all claims arising from the above referenced examination by the Division in accordance with the terms set forth herein.

#### **AGREEMENT AND ORDER**

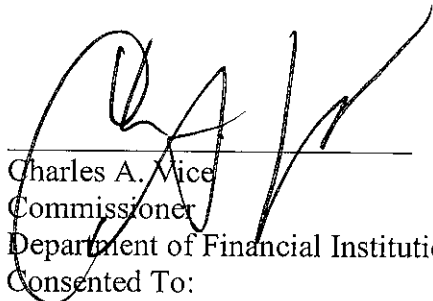
The Department of Financial Institutions and LPL Financial, in the interest of economically and efficiently resolving the issues raised in the foregoing Background and Factual Findings, agree as follows:

1. LPL Financial agrees to pay a fine in the amount of Four Thousand Dollars (\$4,000) for failure to adequately supervise the licensing of one of its registered representatives in its Prestonsburg, Kentucky branch office as more fully set forth above. This fine shall be made payable to the “Kentucky State Treasurer” and mailed to the Department of Financial Institutions, Attn: William B. Owsley,

1025 Capital Center Drive, Suite 200, Frankfort, Kentucky 40601, simultaneously with the execution of this Settlement Agreement and Order.

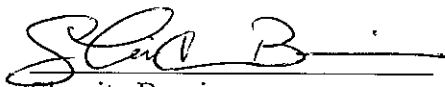
2. In regard to this matter, LPL waives its right to demand a hearing, at which it would be entitled to legal representation, to confront and cross examine witnesses for the Department of Financial Institutions, and to present evidence on its own behalf. Further, LPL consents to and acknowledges the jurisdiction of the Department of Financial Institutions over this matter and that this Agreement is a matter of public record and may be disseminated as such. In consideration of execution of this Agreed Order, LPL for itself, and for its successors and assigns, hereby releases and forever discharges the Commonwealth of Kentucky, Department of Financial Institutions, Office of Legal Services, and each of their members, agents, and employees in their individual capacities, from any and all manner of actions, causes of action, suits, debts, judgments, executions, claims and demands whatsoever, known and unknown, in law or equity, that Multi-State ever had, now has, may have or claim to have against any or all of the persons or entities named in this paragraph arising out of or by reason of this investigation, this disciplinary action, this settlement or its administration.
3. By signing below, the parties acknowledge that they are authorized to execute this Order and legally bind their respective parties.
4. This Settlement Agreement shall constitute the Final Order in this matter.

**IT IS SO ORDERED** on this the 10 day of March, 2010.

  
Charles A. Mice  
Commissioner  
Department of Financial Institutions  
Consented To:

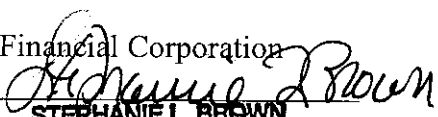
This 10<sup>th</sup> day of March, 2010

CONSENTED TO:

  
Shonita Bossier  
Director  
Division of Securities  
Kentucky Department of Financial Institutions

AND

This 24<sup>th</sup> day of February, 2010

LPL Financial Corporation  
BY:   
ITS: **STEPHANIE L. BROWN**  
**MANAGING DIRECTOR**  
**GENERAL COUNSEL**