

STATE OF NEW JERSEY
BUREAU OF SECURITIES
P.O. Box 47029
Newark, New Jersey 07101
Telephone: (973) 504-3600

IN THE MATTER OF:

LPL Financial, LLC
(CRD# 6413)

Respondent.

ADMINISTRATIVE CONSENT ORDER

BEFORE CHRISTOPHER W. GEROLD, BUREAU CHIEF

Pursuant to the authority granted to Christopher W. Gerold, Bureau Chief of the New Jersey Bureau of Securities ("Bureau Chief"), under the Uniform Securities Law (1997), N.J.S.A. 49:3-47 et seq. ("Securities Law"), and after investigation, careful review, and due consideration of the facts and statutory provisions set forth below, the Bureau Chief hereby finds that there is good cause and it is in the public interest to enter into an Administrative Consent Order ("Consent Order") with LPL Financial, LLC ("LPL"), and LPL hereby agrees to resolve any and all issues in controversy regarding the specific conduct described herein on the terms set forth in this Consent Order.

WHEREAS, the New Jersey Bureau of Securities (the "Bureau") is the State agency with the responsibility to administer and enforce the Securities Law;

WHEREAS, N.J.S.A. 49:3-67 authorizes the Bureau Chief from time to time to issue such Orders as are necessary to carry out the provisions of the Securities Law, upon a finding that the action is necessary

and appropriate in the public interest or for the protection of investors or consistent with the purposes fairly intended by the provisions of the Securities Law;

WHEREAS, the Bureau has conducted an investigation into certain activities of LPL as set forth in this Consent Order;

WHEREAS, LPL has cooperated with the Bureau's investigation and has responded to inquiries, providing documentary evidence and other materials, and providing access to facts relating to the investigations;

WHEREAS, prior to the completion of the Bureau's investigation, LPL voluntarily designed and implemented comprehensive supervisory system and control enhancements relative to its sale of alternative investments;

WHEREAS, LPL and the Bureau Chief wish to resolve these issues without the expense and delay that formal proceedings would involve;

WHEREAS, this Consent Order concludes the investigation and action by the Bureau Chief and any civil or administrative action that could be commenced, pursuant to the Securities Law, on behalf of the Bureau Chief, as it relates to seeking civil monetary penalties or other relief against LPL for the specific conduct described herein solely as it relates to LPL.

WHEREAS, LPL does not admit or deny the findings of facts and conclusions of law contained herein, but does voluntarily consent to the entry of this Consent Order and waives any right to a hearing or to judicial review regarding this Consent Order;

The Bureau Chief makes the following findings of fact and conclusions of law:

FINDINGS OF FACT

Respondent

1. LPL Financial, LLC, CRD No. 6413, has been registered with the Bureau as a broker-dealer since July 14, 1983. LPL is also an investment adviser registered with the U.S. Securities and Exchange Commission and notice filed in New Jersey. LPL maintains a main address of 75 State Street, 22nd Floor, Boston, Massachusetts 02109 and operates branch offices in New Jersey.

Background

2. As part of its business, LPL agents sold non-traded alternative investments (each an “AI” and collectively “AIs”) to LPL clients. AIs include non-traded real estate investment trusts (“non-traded REIT” or “non-traded REITs”), non-traded business development companies (“non-traded BDC” or “non-traded BDCs”), non-traded closed-end and interval funds, hedge funds, managed futures, private equities, and other illiquid pass through investments.

3. The Bureau’s investigation included a review of several years of AI transactions by LPL agents (the “Review Period”).¹ During the Review Period, LPL agents sold to its New Jersey clients securities in at least ninety-five (95) different AI offerings for a total of 7,823 transactions. The AI transactions were comprised of: 5,258 non-traded REIT transactions (67%); 2,120 non-traded BDC transactions (27%); 164 closed-end fund transactions (2%); one 1031-exchange transaction (.01%); five equipment leasing venture transactions (.06%); five exchange fund transactions (.06%); fifty-four hedge fund transactions (.69%); 176 managed futures transactions (2.2%); and forty private equity fund transactions (.5%). During the Review Period, these AI transactions represented sales to approximately 4,307 accounts held by New Jersey clients. LPL received a gross commission of up to ten percent (10%) from the sale of AIs by LPL agents to New Jersey clients.

4. In addition to other violative conduct discussed below, the Bureau’s review identified AI transactions during the Review Period that violated either the product’s prospectus requirement and/or LPL’s own policies governing the offer and sale of AIs.

AIs Are Complex Illiquid Investment Products

5. A “REIT” is an entity that generally owns and often manages, income-producing real estate.

6. A “BDC” is an entity that generally invests in small and mid-sized businesses.

¹ The “Review Period” is defined in the Memorandum of Understanding Re: LPL Non-Traded REIT and Non-Traded BDC Re-Purchase Offer Calculation Methodology, between the Bureau and LPL (“MOU”). The MOU is incorporated by reference into this Consent Order.

7. REITs and BDCs are listed and publically-traded on a public securities exchange, non-traded with limited disclosures, or offered and sold through entirely private offerings.

8. Non-traded REITs and non-traded BDCs, those which are not traded on public securities exchanges, have certain characteristics that make them riskier for investors. For instance:

a. Non-traded REITs and non-traded BDCs are generally illiquid as they have no public trading market and a liquidity event typically occurs within five to seven years of an offering's inception. While the prospectuses contain repurchase provisions, the non-traded REIT or non-traded BDC may not be able to satisfy all repurchase requests, and typically, there is a limitation on the number of repurchases per year. Additionally, repurchase provisions are restrictive. Typically, there is a one year holding period, requests that are satisfied in the first several years are done so at a price below the original offering price, and repurchase programs can be suspended or terminated.

b. Many non-traded REITs and non-traded BDCs pay distributions from invested capital back to investors, or from debt, as opposed to providing distributions on earnings. Once an investor has invested, distributions commence, which some investors may confuse for a yield on the investment. These distributions are often a return of investor capital, which may reduce the investor's return on investment or borrowings, which must later be repaid.

9. Non-traded REITs and non-traded BDCs have higher sales commissions and offering fees that may add up to as much as fifteen percent (15%) being paid from offering proceeds.

LPL Failed to Reasonably Supervise the Sale of AIs

(A) LPL Agents Sold AIs in Violation of the New Jersey Prospectus Suitability Standards

10. At least fifty-six (56) of the ninety-five (95) AI offerings sold by LPL agents during the Review Period were registered with the Bureau conditioned upon heightened suitability standards for sales to New Jersey residents ("New Jersey Prospectus Suitability Standards"). These New Jersey Prospectus

Suitability Standards are required to be disclosed in, among other places, the prospectus and the subscription agreement standards. The New Jersey Prospectus Suitability Standards for each issuer were similar, but had some slight variations. Generally, the New Jersey Prospectus Suitability Standards restricted the sale of the AI's based on a client's Net Worth ("NW") or a combination of a client's income and NW and the total percentage of AIs that client held or a client's Liquid Net Worth² ("LNW").

11. For example, the New Jersey Prospectus Suitability Standard for Carey Watermark Investors II, a non-traded REIT, that was cleared by the Bureau, mandated the following:

"New Jersey — New Jersey investors must have either, (a) a minimum liquid net worth of at least \$100,000 and a minimum annual gross income of not less than \$85,000, or (b) a liquid net worth of at least \$350,000. For these purposes, "liquid net worth" is defined as that portion of net worth (total assets exclusive of home, home furnishings and automobiles, minus total liabilities) that consists of cash, cash equivalents and readily marketable securities. In addition, a New Jersey investor's investment in CWI 2, our affiliates and other non-publicly traded direct investment programs (including real estate investment trusts, business development companies, oil and gas programs, equipment leasing programs and commodity pools, but excluding unregistered, federally and state exempt private offerings) may not exceed 10% of his or her liquid net worth."

12. The New Jersey Prospectus Suitability Standard for FS Energy & Power Fund, a non-traded BDC, that was cleared by the Bureau on May 12, 2011 and amended on May 14, 2013, mandated the following:

² LPL's Written Supervisory Procedures 16.8.3 "Suitability and Required Disclosures" state that, "LPL Financial considers liquid net worth to include all assets that can be liquidated within thirty (30) days, exclusive of real estate holdings" and that "[t]he liquid net worth reported on the new account form should include the assets being used to fund the LPL Financial account but should exclude any existing alternative investment holdings."

“New Jersey—In addition to the suitability standards above, the state of New Jersey requires that each New Jersey investor limit his or her investment in non-traded business development companies, including his or her investment in our common shares and in our affiliates, to not more than 10% of his or her liquid net worth. Liquid net worth is that portion of an investor’s net worth that is comprised of cash, cash equivalents and readily marketable securities.”

13. The New Jersey Prospectus Suitability Standard for Hines Global REIT, a non-traded REIT, that was cleared by the Bureau on August 5, 2009 and amended on April 30, 2013, mandated the following:

“*New Jersey*—A New Jersey investor’s total investment in this offering and other non-listed REITs shall not exceed 10% of his or her liquid net worth. “Liquid net worth” is defined as that portion of net worth (total assets exclusive of home, home furnishings, and automobiles minus total liabilities) that is comprised of cash, cash equivalents, and readily marketable securities.”

14. The New Jersey Prospectus Suitability Standard for Northstar Real Estate Income II, a non-traded REIT, that was cleared by the Bureau on May 6, 2013, mandated the following:

“*New Jersey*—A New Jersey investor must have a net worth of at least \$350,000 or, in the alternative, an annual gross income of at least \$70,000 and a net worth of \$150,000, and the aggregate investment in us, shares of our affiliates and other direct participation investments may not exceed 10% of the investor’s liquid net worth.”

15. LPL Written Supervisory Procedures (“WSPs”) 16.8.2. - LPL Financial Policy, during the Review Period required that, “[i]n all instances, prospectus limitations and directives supersede LPL guidelines and methodologies.” Additionally, LPL’s Complex Product Supervision Desktop Procedures (“Desktop Procedures”), Appendix Item D, stated that, “[e]xceptions to state suitability guidelines are not permitted under any circumstances.”

16. Notwithstanding, the Bureau found that LPL agents effected sales to New Jersey clients in violation of the New Jersey Prospectus Suitability Standards.

17. For example, LPL Client One purchased \$15,000 units of Northstar Healthcare Income, Inc., a non-traded REIT. Client One reported a LNW of \$350,000 on the LPL Alternative Investment Form ("AI1 Form") and three currently held non-traded REITs in the amounts of \$4,000, \$40,000, and \$10,000. Including the pending purchase, Client One would ultimately have \$69,000 in non-traded REITs, constituting 19.71% of LNW.

18. The New Jersey Prospectus Suitability Standard for Northstar Healthcare Income, Inc. applicable at the time of this transaction stated, "*New Jersey*—A New Jersey investor must have a net worth of at least \$350,000 or, in the alternative, an annual gross income of at least \$70,000 and a net worth of \$150,000, and the aggregate investment in our offering and other similar offerings may not exceed 10% of the investor's liquid net worth."

19. This transaction resulted in Client One's portfolio containing non-traded REITs totaling more than \$69,000, or 19.71% of Client One's LNW, 9.71% (\$34,000) more than the New Jersey Prospectus Suitability Standard permitted.

20. In another example, LPL Client Two purchased \$18,000 of units of CION Investment Corporation, a non-traded BDC. Client Two reported a LNW of \$388,000 on the AI1 Form and two currently held AIs, CNL Corporate Capital, a non-traded BDC, for \$33,000 and Healthcare Trust of America, a non-traded REIT, for \$5,800.

21. The New Jersey Prospectus Suitability Standard for CION Investment Corporation applicable at the time of this transaction stated,

"*New Jersey* — Investors who reside in the State of New Jersey must have either (i) a liquid net worth of \$85,000 and annual gross income of \$85,000 or (ii) liquid net worth of \$300,000. Additionally, a New Jersey investor's total investment in us and other non-traded business development companies shall not exceed 10% of his or her liquid net worth."

22. This transaction resulted in Client Two's portfolio containing \$51,000 of non-traded BDCs or 13.14% of Client Two's LNW, 3.14% (\$12,200) more than the New Jersey Prospectus Suitability Standard permitted.

(B) LPL Failed to Follow its Own Supervisory Procedures Regarding the Offer and Sale of Alternative Investments

23. LPL maintained written policies governing all aspects of the offer and sale of AIs during the Review Period: LPL's WSP 16.8 - Alternative Investment Policy ("WSPs"); LPL's Advisor Compliance Manual - Chapter 9 ("Compliance Manual"); and LPL's Desktop Procedures (collectively referenced as, "Supervisory Procedures").

24. The Supervisory Procedures provided specific guidelines for the sale of alternative investments ("AI Guidelines"). The Supervisory Procedures were amended and updated over time, but generally provided similar mandates, principally that AI "[p]ercentages... may not exceed the... guidelines."

25. The AI Guidelines contained within the WSPs and the Compliance Manual required the completion of three forms:

- a. The "New Account Application and Agreement" ("Account Application") required LPL clients to provide, among other information, specific financial information regarding investment objectives, income, NW, LNW, time horizons, and investment experience.
- b. The AI Form required LPL clients to provide financial information that was used to determine, among other things, whether the proposed AI sale would result in a concentration of AIs in violation of the New Jersey Prospectus Suitability Standard and LPL AI Guidelines. Information obtained on this form included other currently held AI holdings, and the client's NW and LNW. The AI Form outlined the percentage of a client's LNW that may be invested in AIs based on:
(i) the client's age at the time of investment; (ii) the client's LNW at the time of investment; and (iii) the client's investment objective at the time of investment.

- c. The Subscription Agreement contained information regarding the sale of the specific AI including, among other things, the name of the issuer and the amount of the sale in both units and dollars. Further, the Subscription Agreement required the LPL client to acknowledge that the New Jersey Prospectus Suitability Standard, if applicable, was being complied with.

26. The Bureau identified sales of AIs during the Review Period that were made in violation of the AI Guidelines.

27. For example, on January 15, 2009, LPL Client Three purchased \$20,000 units of Hines REIT, Inc., a non-traded REIT. Client Three reported a LNW of \$245,000 on the AI1 Form and currently owned \$22,357 of units of Wells REIT and \$37,280 of Hines REIT. Client Three was 54 years old with an investment objective of "Growth."

28. LPL's AI Guideline for clients under seventy (70) years of age, with an investment objective of "Growth" and a LNW under \$999,999, allowed a concentration of 20% in AIs.

29. This transaction resulted in Client Three owning \$79,638, or 32.50%, of LNW in AIs, 12.50% (\$30,638) more than LPL's AI Guidelines provided.

(C) LNW on AI1 Forms Did Not Account For Prior Holdings

30. LPL routinely sends its agents, "Advisor Policy Alerts." LPL Advisor Policy Alert 2013-17, states, "[i]f a client has existing AI holdings, the Net Worth should be higher than the Liquid Net Worth by at least the amount of those holdings."

31. The Bureau identified instances during the Review Period in which LPL's agents failed to ensure AI1 Forms completed on behalf of their client accounts properly accounted for existing holdings.

32. For example, LPL Client Four purchased \$11,420 units of Northstar Real Estate Income II, Inc. On the AI1 Form associated with this transaction, Client Four's LNW and NW are listed as the same amount of \$1,200,000. The AI1 Form also states that Client Four owned one other non-traded BDC (Sierra Income Corp, \$102,540) at the time of this purchase.

33. Because of the illiquid nature of AIs discussed in paragraph 9(a), if a client already owned AIs, then the LNW and NW could not be the same.

LPL Failed to Make and Keep Adequate Books and Records

(A) Failure to Update Client Profiles

34. The Securities Law provides that, “[e]very registered broker-dealer and investment adviser shall make and keep those accounts, correspondence, memoranda, papers, books and other records as the bureau chief by rule prescribes...” N.J.S.A. 49:3-59(b).

35. N.J.A.C. 13:47A-1.10 prescribes, “[a]ll broker-dealers shall keep at their principal place of business, open to inspection of the Bureau of Securities of the State of New Jersey, all books and records required to be kept by the Securities and Exchange Commission or by the Bureau of Securities.”

36. 17 CFR 240.17a-3 dictates what books and records are required to be made by broker-dealers. It states:

For each account with a natural person as a customer or owner ...

An account record including the customer’s or owner’s name... employment status (including occupation and whether the customer is an associated person of a member, broker or dealer), annual income, net worth (excluding value of primary residence), and the account’s investment objectives...17 CFR 240.17a-3(a)(17)(i)(A).

It further states:

A record indicating that... [t]he member, broker or dealer has furnished to each customer or owner within three years of the effective date of this section, and to each customer or owner who opened an account after the effective date of this section within thirty days of the opening of the account, and thereafter at intervals no greater than thirty-six months, a copy of the account record or an alternate document with all information required by paragraph (a)(17)(i)(A) of this section...The member, broker or dealer shall include with the account

record or alternative document provided to each customer or owner an explanation of any terms regarding investment objectives. The account record or alternate document furnished to the customer or owner shall include or be accompanied by prominent statements that the customer or owner should mark any corrections and return the account record or alternate document to the member, broker or dealer, and that the customer or owner should notify the member, broker or dealer of any future changes to information contained in the account record. 17 CFR 240.17a-3(a)(17)(i)(B).

37. During the Review Period, LPL failed to furnish the required documentation and request their clients confirm (through negative consent) or provide updated account record information, including investment objectives, every thirty-six (36) months as required by 17 CFR 240.17a-3(a)(17)(i)(B)(1).

38. For example, LPL Client Five opened an account on July 5, 2001 and selected an investment objective of "Growth." The account was updated in December 2008. Client Five purchased a non-traded REIT in 2014. LPL was unable to produce either account statements or specific letters timely confirming the client's investment objective or any change made, no more than thirty-six (36) months prior to the transaction.

39. LPL identified and self-reported this issue to certain regulators, and voluntarily undertook to remediate by sending the required documentation to impacted accounts, including Client Five.

(B) AI Forms Contained Potentially Erroneous Information

40. The Bureau identified instances in which client financial information initially entered onto forms for AI sales were adjusted so as to comply with LPL AI Guidelines for sales of AIs.

41. In these instances, after a transaction was rejected by LPL, the form was resubmitted with changed information which complied with LPL's Supervisory Procedures. After resubmission with the changed information, the sales were approved by a LPL supervisory principal. Although many of the changes were apparently initiated by the client, LPL did not retain any additional documentation regarding the change in the customer's account profile.

42. For example, on April 11, 2012, LPL Client Six completed the forms necessary to purchase \$100,000 units of Hines Global REIT, a non-traded REIT. Client Six's NW and LNW were listed as \$450,000 on the AI1 Form.

43. The Account Application form dated December 21, 2009, indicated that Client Six had an investment objective of "Income with Capital Preservation," the most conservative investment objective. There is no documentation that shows Client Six directed LPL to update or change his investment objective between December 2009 and April 2012.

44. On April 23, 2012, Client Six's transaction was flagged for review and subsequently rejected after being reviewed by LPL Operations. The transaction was rejected because Client Six's investment objective and LNW did not comply with the LPL AI Guidelines for the transaction. The rejection stated, "[a]ggregate alternative investment holdings exceed LPL policy for the investment objective or do not meet prospectus/offering memorandum suitability guidelines" and "Investment Objective cannot be "Income with Capital Preservation" or "Trading." For 1031 Exchanges, investment objective must be "Growth" or "Aggressive Growth.""

45. On April 25, 2012, the registered representative resubmitted the transaction to LPL Operations and indicated the investment objective had been updated to "Growth." "Growth" is the second most aggressive investment objective available. Changes to Investment Objective such as this generate a negative consent letter to the client confirming the change has been made. That same day, LPL Operations again rejected the transaction as still exceeding the permissible amount for a person with the stated LNW.

46. On April 26, 2012, the registered representative resubmitted the AI1 Form stating Client Six's LNW as \$550,000. This amount is \$100,000 more than it was on the previous day's AI1 Form and is within LPL AI Guidelines. This change also was apparently initialed by the client on the form. However, there is no further explanation provided as to the source of the client's increase in LNW. On April 26, 2012, the forms were reviewed by a supervisory principal and the transaction was approved.

CONCLUSIONS OF LAW

47. LPL's failure to ensure that its clients investing in AIs satisfied the New Jersey Prospectus Suitability Requirements constitutes a failure to reasonably supervise pursuant to N.J.S.A. 49:3-58(a)(2)(xi).

48. LPL's failure to ensure that its clients investing in AIs satisfied LPL's own AI Guidelines constitutes a failure to reasonably supervise pursuant to N.J.S.A. 49:3-58(a)(2)(xi).

49. LPL's failure to ensure client's LNW was accurately calculated on AII Forms constitutes a failure to reasonably supervise pursuant to N.J.S.A. 49:3-58(a)(2)(xi).

50. LPL's failure to properly document changes to account profile information as reflected on revised AII Forms constitutes a failure to make and keep accurate books and records pursuant to N.J.S.A. 49:3-59(b).

51. LPL's failure to confirm the accuracy of client's investment profiles every thirty- six months as required constitutes a failure to make and keep accurate books and records pursuant to N.J.S.A. 49:3-59(b).

52. Pursuant to N.J.S.A. 49:3-70.1, each violation described above constitutes a basis for the assessment of a civil monetary penalty against LPL.

The Bureau Chief finds the following relief appropriate and in the public interest. **THEREFORE**, it is on this 24th day of Oct. 2017, **ORDERED** and **AGREED** that:

53. LPL cease and desist from further violations of N.J.S.A. 49:3-58(a)(2)(xi) and N.J.S.A. 49:3-59(b).

54. LPL is hereby assessed and shall pay a civil monetary penalty in the amount of Nine Hundred Fifty Thousand Dollars (\$950,000.00), and shall remit Twenty-Five Thousand Dollars (\$25,000) to the State's Investor Education Fund, both payments are due and payable within 10 days of the execution of this Consent Order to "State of New Jersey, Bureau of Securities" 153 Halsey Street, 6th Floor, Newark, New Jersey 07102, or to be mailed to "New Jersey Bureau of Securities", P.O. Box 47029, Newark, New Jersey 07101. The civil monetary payment shall be deposited in the Securities Enforcement Fund, pursuant to N.J.S.A. 49:3-66.1. Upon payment LPL relinquishes all rights to the funds used to pay the civil monetary

penalty and the contribution to the Investor Education Fund notwithstanding any other provision in this Consent Order.

55. LPL is required to undertake a remediation program through which it will review the non-traded REIT and non-traded BDC transactions that were the subject of the Bureau's investigation and it will offer to repurchase non-traded REITs and non-traded BDCs that were sold to New Jersey investors in contravention of LPL's AI Guidelines and/or New Jersey prospectus requirements ("NJ Investors"). The repurchase offer calculation methodology is set forth in the MOU, which is incorporated into this Consent Order by reference. The remediation program shall include the following parameters:

- a. Within nine months of the execution of this Consent Order, LPL shall review all relevant transactions involving New Jersey clients to determine whether those transactions complied with the concentration limits set forth in LPL's AI Guidelines and the products' prospectus requirements;
- b. The methodology for this review and for calculating the amount of repurchase offers was agreed to by the Bureau and LPL prior to the entry of this Consent Order and set forth in the MOU. Upon completion of the review, LPL shall report to the Bureau, which transactions have been identified for remediation and what the offer of remediation will consist of. LPL and the Bureau shall agree to cooperate in good faith to resolve on a timely basis any objection raised during the remediation process. Once the Bureau has indicated it has no objections to LPL's determinations, LPL shall offer remediation to the NJ Investors through the use of a customized form letter not unacceptable to the Bureau (the "Offer Letter"). The offer will remain open for 90 days;
- c. LPL shall mail Offer Letters to NJ Investors within thirty (30) days after the Bureau has confirmed that it has no objections to the identified remediation population. For any NJ Investors whose Offer Letter is returned as undeliverable

for any reason, within thirty (30) days of receipt, LPL shall alert the Bureau of that fact and shall send an additional Offer Letter to a current address if the Bureau provides such address to LPL;

- d. NJ Investors who choose to accept the offer of remediation must agree to tender their existing units in the AI to LPL or its designee, as a precondition to receipt of payment by LPL. The offer of remediation shall be in the form of a credit to an existing LPL account or a check as elected by existing LPL clients, or a check for former LPL clients;
- e. LPL will have a claims team of individuals dedicated to assisting New Jersey Investors with LPL's remediation ("Claims Team"). The Claims Team shall establish a dedicated phone number and be the central point of contact for any person seeking information about AI transactions or any inquiry or remediation claim covered by this Consent Order, until fifteen months from the date of this Consent Order, or such time as the Bureau confirms that the Claims Team is no longer necessary, whichever comes first. LPL shall maintain, and produce to the Bureau upon request, a log of all communications related to this Order sent or received by the Claims Team from any person. If requested for production, the log shall include, but shall not be limited to, the contact information of the person, the date and time of the call, and a brief description of the purpose of the call; and
- f. At the request of LPL and for good cause shown, the Bureau may extend any of the procedural dates set forth herein.

56. LPL agrees that it shall not claim, assert, or apply for a tax deduction or tax credit with regard to any state, federal, or local tax for the penalty amount that LPL shall pay pursuant to this Consent Order, unless otherwise required by law.

57. In addition to the reports outlined above, LPL agrees to submit two reports to the Bureau regarding compliance with all undertakings outlined herein. The first report will be due no later than twelve

(12) months after the execution of this Consent Order and will detail LPL's progress in satisfying all undertakings outlined herein. The second and final report shall be received by the Bureau no later than fifteen (15) months after the execution of this Consent Order and shall detail full compliance with each undertaking outlined herein.

ADDITIONAL PROVISIONS

58. This Consent Order shall not bind any person not a party hereto, except as provided herein.

59. Each of the undersigned has read this Consent Order, understands it, and agrees to be bound by its terms.

60. This Consent Order is not intended to subject any Covered Person (defined below) to any disqualifications under the laws of the United States, any state, the District of Columbia, Puerto Rico, or the U.S. Virgin Islands, or under the rules or regulations of any securities or commodities regulator or self-regulatory organization, including, without limitation, any disqualification from relying upon the state or federal registration exemptions or safe harbor provisions. "Covered Person," means LPL or any of its affiliates and their current or former officers or former officers, directors, employees, or other persons that would otherwise be disqualified as a result of this Consent Order.

61. LPL has read this Consent Order, understands it, and agrees to be bound by its terms. LPL understands that they had the right and opportunity to consult with an attorney regarding this Consent Order.

62. Except in an action by the Bureau to enforce the obligations of this Order, the Order or, any acts performed or documents executed in furtherance of this Order; (a) may not be deemed or used as an admission of, or evidence of, the validity of any alleged wrongdoing, liability, or (b) may not be deemed or used as an admission of, or evidence of, any such alleged fault or omission of LPL in any civil, criminal, arbitration, or administrative proceeding in any court, administrative agency, or other tribunal.

63. No employee, official of or person representing the Bureau or the State of New Jersey has made any additional promise or representation to LPL regarding this Consent Order. Nothing contained

herein shall in any manner be construed to limit or affect any position that the Bureau, any other government, or any person, including investors, may take in any future or pending action not specifically encompassed herein.

64. LPL consents to the form, content, and entry of this Consent Order. Accordingly, LPL waives the following rights:

- a. To be afforded an opportunity for hearing on the Bureau Chief's findings of fact and conclusions of law in this Consent Order; and
- b. To seek judicial review of, or otherwise challenge or contend, the validity of this Consent Order.

65. This Consent Order shall be deemed a final order and have the same effect as if proven and ordered after a full hearing held pursuant to N.J.S.A. 52:14B-1 et seq.

66. In the event that LPL violates this Consent Order, the Bureau Chief may vacate this Consent Order and take further action against LPL under the Securities Law.

NEW JERSEY BUREAU OF SECURITIES

By: 

CHRISTOPHER W. GEROLD
BUREAU CHIEF

LPL FINANCIAL, LLC

By: 

Name: Tracy E. Calder
Title: MD, Deputy Chief Legal
and Risk Officer

DATED: 10/24/17