

WHEREAS, by means of the Stipulation, LPL acknowledges, without admitting or denying the truth thereof, that the following allegations shall be adopted as the Secretary of State's Findings of Fact:

1. Respondent LPL Financial Corporation ("LPL" or "Respondent") is a securities broker-dealer located at One Beacon Street, 22nd Floor, Boston, Massachusetts 02108-3106.
2. Stephen Walker ("Walker") is an individual whose address is 4412 39th Avenue, Rock Island, IL 61201. Walker was registered with the Secretary of State from August 19, 1999 to July of 2007, as an investment adviser representative and securities salesperson of the Respondent.
3. Walker conducted business as an investment adviser representative and securities salesperson for the Respondent in a branch office located at 2040 Weldon Road in Sterling, Illinois.

Aspen Exploration

4. Aspen Exploration, Inc. ("Aspen") is a Texas company with a last known address of 2901 Dallas Parkway, Suite 380, Plano, Texas 75093. Beginning approximately in November of 2005, Aspen sold securities in what have since been alleged to have been fraudulent offerings.

Stephen Walker

5. Between October of 2005 and December 2006, Walker offered and sold participations in Aspen oil and gas-drilling projects while associated with LPL as a registered representative. These securities had not been presented to or approved by LPL for sale to customers and LPL was not aware of Walker's activities.
6. Walker did not fully disclose the risks of investing in Aspen oil and gas participations to investors.
7. Although Aspen's offering materials disclosed some pending actions against Aspen by creditors and investors, Walker failed to disclose to investors material facts that he knew or should have known including that creditors had filed liens against Aspen, and that both creditors and investors had filed lawsuits against Aspen and its directors.
8. The activities described above constitute an offer and sale of a security, as those terms are defined in Sections 2.1, 2.5, and 2.5a of the Illinois Securities Law of 1953 [815 ILCS 5/1 *et. seq.*] (the "Act").
9. Section 12.F of the Act provides, *inter alia*, that it shall be a violation of the Act for any person to engage in any transaction, practice or course of business in conjunction 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, *inter alia*, that it shall be a violation of the 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 the light of the circumstances under which they were made, not misleading.
11. By virtue of the foregoing, Walker violated Sections 12.F and 12.G of the Act.

AS RESULT OF OMISSIONS IN ITS SUPERVISION OF WALKER, LPL MISSED SEVERAL OPPORTUNITIES TO DETECT HIS INVOLVEMENT IN THE SALE OF ASPEN SECURITIES

12. The Respondent had several opportunities to detect Walker's fraudulent sales of Aspen oil and gas participations.

Walker Used His LPL E-mail Address to Conduct Business for Aspen

13. Respondent's Written Supervisory Procedures had policies detailing its review of the email of registered representatives.
14. One email address Walker used for his LPL business was Swalker@qcbt.com. On a number of occasions, Walker used this email address to communicate with individuals about investments in Aspen oil and gas drilling projects.
15. Despite its Written Supervisory Procedures for reviewing emails, the Respondent relied on Walker to submit securities related emails to them for review. As a result, the Respondent failed to review emails sent to and from Walker regarding investments in Aspen.

Walker Informed LPL of Possible Involvement in Oil and Gas Investments

16. Respondent's Compliance Manual and Written Supervisory Procedures detailed the Respondent's procedures for review and approval of the proposed outside business activities of registered representatives.
17. Respondent's Compliance Manual stated that "financial advisers must give prior written notice to the LPL Compliance Department of the intended outside business activity and/or DBA name on an Outside Business Activity Notification form and await written approval from the Compliance Department before engaging in the proposed activity or using the DBA name."
18. Walker filed more than one Outside Business Activity Notification form that informed the Respondent of his desire to become involved in several outside business activities, including involvement in oil and gas participations. For example:

- a. March 5, 2000 – Walker sought approval to become involved in Investment Trend Analytics, an LLC formed to pool investment dollars to make larger investments. LPL disapproved this application for outside business activity.
- b. December 20, 2001 – Walker sought approval to use Investment Trend Analytics, Inc. as a d/b/a name for his branch office. LPL approved this application for outside business activity.
- c. January 10, 2004 – Walker sought approval to become involved in an LLC that invested in natural gas interests through a Regulation D offering. LPL disapproved this application for outside business activity.
- d. December 8, 2006 – Walker sought approval to become involved in Investment Trend Analytics, an LLC formed to engage in real estate and oil and gas development. LPL disapproved this application for outside business activity.

Walker Disclosed Some Outside Business Activities During LPL Compliance Interviews

19. Respondent conducted compliance interviews of Walker at least once every year starting in December of 2000 until the time he was terminated from LPL in 2007.
20. As a part of these compliance interviews, Walker was required to complete a Branch Manager and Financial Advisor Questionnaire that was to be reviewed and used during the interview.
21. On multiple occasions, Walker informed the Respondent on his Branch Manager and Financial Advisor Questionnaires that he was involved in oil and gas investments despite never being approved for such activity by the Respondent's Compliance Department. For example:
 - a. December 14, 2005 – Walker disclosed his involvement with “a direct participation in an oil and gas production project.”
 - b. November 12, 2006 – Walker disclosed that he was involved with a company called Investment Trend Analytics, which was described as a company that developed real estate and oil and gas properties.
 - c. June 1, 2007 – Walker once again disclosed his work with developing real estate and oil and gas properties.
22. Despite these notifications, the Respondent did not discipline Walker or otherwise direct him to stop engaging in these business activities or conduct further inquiry of these activities, which might have led to discovery of Walker's involvement in the sale of Aspen Securities.

Several of Walker's LPL Customers Moved Assets Out of Their LPL Accounts

23. Several of Walker's LPL customers moved significant amounts of their assets out of their LPL accounts and into investments with Aspen.
24. For example, on October 13, 2006, an LPL customer of Walker's, submitted an IRA & ESA Distribution Request form that requested a total distribution of his LPL IRA account. This form also reflected that the assets from the customer's IRA account were to be deposited into Aspen's bank account at Plains Capital Bank with account number 3300005315.
25. Based on the facts described in Paragraphs 13-24, the Respondent should have known of facts that could have led it to discover Walker's fraudulent conduct sooner than it did.
26. Section 8.E(1)(e)(i) of the Act provides, *inter alia*, that the registration of a dealer may be denied, suspended or revoked 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.
27. Section 8.E(1)(e)(iv) of the Act provides, *inter alia*, that the registration of a dealer may be denied, suspended or revoked 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 acknowledges, without admitting or denying the truth thereof, 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] (the "Act").
2. The Illinois Securities Department finds that the above conduct subjects LPL to sanctions under Sections 8.E(1)(e)(i) and 8.E(1)(e)(iv), of the Act.
3. The Illinois Securities Department finds the following relief appropriate and in the public interest.


WHEREAS, by means of the Stipulation, LPL has acknowledged and agreed that it shall pay Three Hundred Thousand Dollars (\$300,000.00) to the Office of the Secretary of State, Securities Audit and Enforcement Fund within ten (10) days of the entry of this Order.

WHEREAS, LPL has acknowledged and agreed that it shall pay restitution to certain Illinois investors according to terms approved by the Illinois Securities Department.

NOW THEREFORE, IT IS HEREBY ORDERED THAT:

1. LPL Financial Corporation shall pay Three Hundred Thousand Dollars ("300,000.00) to the Office of the Secretary of State, Securities Audit and Enforcement Fund within ten (10) days of the entry of this Order.
2. LPL Financial Corporation shall pay restitution to certain Illinois investors according to terms approved by the Illinois Securities Department.
3. The Notice of Hearing dated July 12, 2010 is dismissed without further proceedings.

Entered: This 12th day of July, 2010.


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:
Bernadette Cole
James Gleffe
Office of the Secretary of State
Illinois Securities Department
69 West Washington Street, Suite 1220
Chicago, Illinois 60602
Telephone: (312) 793-3384