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# State of New Hampshire

## Department of State Bureau of Securities Regulation

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**FOR IMMEDIATE RELEASE**

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### **NH SECURITIES BUREAU SETTLES ACTION AGAINST LPL OVER NON-TRADED REITS FOR \$750,000**

**CONCORD, NH (December 15, 2015)** – Today, the New Hampshire Bureau of Securities Regulation entered into a Consent Order with LPL Financial, LLC (“LPL”), a broker-dealer based in Boston, Massachusetts, related to the unsuitable and unlawful sale of non-traded Real Estate Investment Trusts (“REITs”) to New Hampshire investors and LPL’s failure to supervise the agents who sold them. REITs are highly risky real estate investment products that are not traded on any exchange with a very limited secondary market, meaning that it is very difficult for investors to sell the product at their discretion. Non-traded REITs also have significant front-end fees including high commissions for the selling broker. Due to the heightened risk associated with non-traded REITs, brokers are required to disclose these risks and to conduct a thorough analysis of the prospective investor’s financial situation before any sale occurs. Sales of non-traded REITs should not exceed preset percentages of an investor’s liquid net worth. These percentages decrease when an investor’s age increases and risk tolerance decreases.

The Bureau initiated its investigation in this matter based on a complaint from an elderly New Hampshire resident who suffered significant losses after purchasing several non-traded REITs through LPL. As part of the Consent Order and in addition to the payment of \$750,000, LPL has agreed to offer remediation to any New Hampshire client that was sold a non-traded REIT since 2007 if the sale exceeded either LPL’s own guidelines or product-specific restrictions. Additionally, LPL has agreed to undertake to enhance its technical and supervisory systems and procedures as they relate to the processing and supervision of alternative investment sales, including sales of non-traded REITs.

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“Based on the issues uncovered during the Bureau’s investigation, we are hopeful that the enhancements LPL will make to its systems and procedures as part of the Consent Order will help prevent this kind of thing from happening again,” said Bureau Staff Attorney Adrian LaRochelle.

According to Bureau Deputy Director, Jeffrey Spill, “as part of the Consent Order, LPL has also agreed to review for remediation all sales identified by the Bureau. The result is that numerous New Hampshire investors will be given an offer to recoup their investment and will be notified by LPL of the offer by mail.”

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