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State fines LPL Financial for failing to supervise stockbroker

(Salem) – The Oregon Department of Consumer and Business Services entered into a consent order with LPL Financial and fined the company \$100,000 for failing to properly supervise one of its brokers. LPL Financial is a nationwide brokerage firm with branch offices throughout Oregon.

Jack Kleck, branch manager for LPL Financial in La Grande, sold investments in high-risk oil and gas partnerships to nearly three dozen Oregon residents, including many elderly people. The partnership interests were not suitable investments for Kleck's clientele, given their age and investment objectives.

"This case underscores the importance of investing with individuals and firms licensed by the State of Oregon," said David Tatman, administrator of the department's Division of Finance and Corporate Securities (DFCS). "The state examines licensed brokerage firms and the division will take appropriate action against firms that do not comply with the law."

The division found LPL Financial, a licensed firm in Oregon, violated several securities laws, such as failing to diligently supervise the actions of its broker and failing to ensure company policies and procedures were enforced. Many of Kleck's clients were in their 70s and 80s, and some were not capable, due to poor health, of making sound investment decisions.

LPL Financial has taken numerous steps to improve its compliance and supervisory practices. The company has increased the number of employees devoted to compliance and supervision related functions, increased its pre-sale review of transactions, and enhanced branch office examinations.

DFCS previously revoked Kleck's securities license, barring him from doing business in Oregon. The enforcement action against Kleck led to the investigation into supervision provided by LPL Financial.

Tatman urges consumers to ask questions before making any investment. Those who sell investments must be licensed in Oregon, and all securities must be registered. Call the Division of Finance and Corporate Securities at 1-866-814-9710 (toll-free) or visit www.dfcs.oregon.gov.

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The Division of Finance and Corporate Securities (DFCS) helps ensure that a wide range of financial products and services are available to Oregonians and protects consumers from financial fraud and abuse. It does that by licensing financial institutions and service providers, regulating the sale of securities in Oregon, investigating complaints and alleged violations of financial-service laws, and providing education and other resources to consumers.

The Department of Consumer and Business Services is Oregon's largest business regulatory and consumer protection agency. For more information, visit www.dcbs.oregon.gov.