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Office of the Montana State Auditor,
Commissioner of Securities and Insurance (CSI)
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Attorneys for the CSI

**BEFORE THE COMMISSIONER OF SECURITIES AND INSURANCE
MONTANA STATE AUDITOR**

IN THE MATTER OF:)	Case No.: SEC-2013-59
REX ROY HARRIS, JR.,)	CONSENT AGREEMENT AND FINAL
Respondent.)	ORDER

This Consent Agreement (Agreement) is entered into by the Office of the Montana State Auditor, Commissioner of Securities and Insurance (CSI), acting pursuant to the authority of the Securities Act of Montana, Mont. Code Ann. § 30-10-101 et seq. (Act), and Rex Roy Harris, Jr. (Respondent) (collectively, the parties). The Final Order (Order) is issued by the authority of the Commissioner of Securities and Insurance, Office of the Montana State Auditor (Commissioner) pursuant to the Act.

RECITALS

WHEREAS, Respondent is a registered securities salesperson and investment adviser representative of LPL Financial LLC (LPL);

WHEREAS, the CSI issued an examination report of Respondent on October 15, 2012;

WHEREAS, the report found that Respondent sold shares of non-traded Real Estate Investment Trusts (REITs) in 39 transactions (REIT transactions) between January 1, 2009, and April 26, 2012,

WHEREAS, the report identified potential violations of § 30-10-301 regarding the REIT transactions, including: a) failing to adequately disclose the illiquid nature of non-traded REITs, the difference between dividends and distributions, and the nature of the risk of non-traded REITs; b) recommending unsuitable transactions, based on clients' net worth and income requirements; and c) failing to provide REIT prospectuses at least five days in advance of making the transactions;

WHEREAS, the report identified potential violations of § 30-10-301 regarding investment advisory account activity, including: a) over diversification of mutual funds; and b) management of client accounts;

WHEREAS the clients involved in the REIT transactions are receiving restitution as part of another matter;

WHEREAS, LPL is responsible for supervising Respondent; and

WHEREAS, the parties agree that the best interests of the public would be served by entering into this Agreement;

NOW, THEREFORE, in consideration of the mutual undertakings contained in this Agreement, the parties agree to settle this matter with the following terms and conditions:

STIPULATIONS AND CONSENTS

- I. Respondent stipulates and agrees as follows:
 - A. The allegations set forth in the Recitals, above, are true and correct.
 - B. Respondent shall pay an administrative fine in the amount of \$25,000 no later than February 1, 2016. The fine must be made payable to the State of Montana and sent to:

Montana State Auditor
c/o Darla Sautter
840 Helena Avenue
Helena, MT 59601

C. Respondent and LPL agree to the following additional terms of supervision and continuing education for two years following the effective date of this Agreement:

1. Respondent shall use and completely fill out all relevant portions of LPL's newly revised AI-1 form when effecting any alternative investment transactions;
2. Respondent will contact or make reasonable efforts to contact clients at least once every four months to discuss their accounts;
3. Respondent shall not open any new investment advisory accounts for any clients with less than \$100,000 in assets for such an account, unless Respondent receives written consent from the CSI;
4. LPL will conduct a branch exam of Respondent at least once every six months, which shall include LPL reviewing whether Respondent has followed the previous three requirements, and shall provide the results of each exam to the CSI;
5. LPL shall provide the name and contact information of Respondent's supervisor to the CSI within ten days of the effective date of this Agreement, and within ten days of any change in Respondent's supervisor;
6. LPL shall contact at least ten randomly chosen clients of Respondent every four months, and confirm their knowledge and understanding of their current investments with Respondent; and
7. Respondent shall take and pass an ethics course approved by the CSI within six months of the effective date of this Agreement.

D. Respondent will comply with the terms and conditions of this Agreement, the Act, and all other regulations of the State of Montana.

E. With respect to the Recitals, Respondent specifically and affirmatively waives a contested case hearing and his right to appeal under the Montana Administrative Procedure Act, Mont. Code Ann. § 2-4-101 et seq. (MAPA), and elects to resolve this matter on the terms and conditions set forth herein.

F. Respondent acknowledges that his representation by his legal counsel was satisfactory.

G. Respondent acknowledges that he has read and understands each term of this Agreement.

H. Respondent enters into this Agreement voluntarily and without reservation.

I. Respondent fully and forever releases and discharges the CSI from any and all actions, claims, causes of action, demands, or expenses for damages or injuries, whether asserted or unasserted, known or unknown, foreseen or unforeseen, arising out of the Recitals.

II. All parties to this Agreement stipulate and agree as follows:

A. This Agreement resolves the matter set forth in the Recitals, and the CSI has no intention to impose any additional penalty, fine, or other disciplinary action for this conduct.

B. This Agreement is entered without adjudication of any issue, law, or fact. It is entered solely for the purpose of resolving the matter described in the Recitals and is not intended to be used for any other purpose. For any person or entity not a party to this Agreement, this Agreement does not alter, limit, or create any private rights or remedies against the parties.

C. This Agreement constitutes the entire agreement between the parties on this matter. No other promises or agreements, either express or implied, have been made between the CSI, or any member, officer, agent, or representative of the CSI, and Respondent related to this matter.

D. This Agreement may not be modified orally. Any subsequent modifications to this Agreement must be in a mutually-agreed writing with the same formality as this Agreement.

E. This Agreement shall be incorporated into and made part of the attached Final Order issued by the Commissioner.

F. This Agreement shall be effective upon signing of the Final Order.

G. This Agreement and Final Order are public records under Montana law and as such may not be sealed or otherwise withheld from the public.

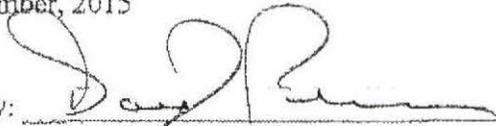
DATED this 13th ^{January} day of ~~December~~, 2015 ⁶

**OFFICE OF THE MONTANA STATE
AUDITOR, COMMISSIONER OF
SECURITIES AND INSURANCE**

By: 

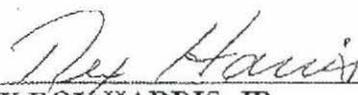
NICK MAZANEC
MICHAEL A. KAKUK
Attorneys for the CSI

APPROVED AS TO FORM on this 29th day of December, 2015

By: 

DAVID J. FRENIERE
Attorney for Respondent

DATED this 14th day of December, 2015

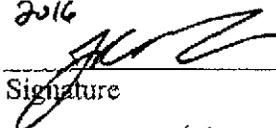
By: 

REX ROY HARRIS, JR.
Respondent

APPROVED and AGREED to additional terms of supervision contained in Paragraph I(C) on behalf of LPL FINANCIAL LLC, this 7th day of ~~December, 2015~~

January, 2016

By:


Signature

James Vannak
Printed Name

Senior Vice President & Assoc. General Counsel
Title

FINAL ORDER

Pursuant to the authority vested by Mont. Code Ann. §§ 2-4-603 and 30-10-101 et seq. and upon review of the foregoing Consent Agreement and good cause appearing,

IT IS HEREBY ORDERED that the foregoing Consent Agreement between the Office of the Montana State Auditor, Commissioner of Securities and Insurance, and Respondent Rex Roy Harris, Jr., is adopted as set forth fully herein.

DATED this 13th day of January, 2016



MONICA J. LINDEEN
Commissioner of Securities and Insurance
Montana State Auditor

cc: Nick Mazanec and Michael A. Kakuk, CSI
David Freniere, Respondent
Jamie Vannah, LPL