Award
FINRA Dispute Resolution Services

In the Matter of the Arbitration Between:

Claimant
Lee Douglas Hooks

Case Number: 21-00653

vs.

Respondent
LPL Financial LLC

Hearing Site: Nashville, Tennessee

Awards are rendered by independent arbitrators who are chosen by the parties to issue final, binding decisions. FINRA makes available an arbitration forum—pursuant to rules approved by the SEC—but has no part in deciding the award.

Nature of the Dispute: Associated Person vs. Member

The evidentiary hearing was conducted by videoconference.

REPRESENTATION OF PARTIES

For Claimant Lee Douglas Hooks: Harris Freedman, Esq. and Dochtor Kennedy, MBA, J.D., AdvisorLaw LLC, Westminster, Colorado.

For Respondent LPL Financial LLC ("LPL"): Matthew Bohenek, Esq., LPL Financial LLC, Boston, Massachusetts.

CASE INFORMATION

Statement of Claim filed on or about: March 10, 2021.
Lee Douglas Hooks signed the Submission Agreement: March 10, 2021.

Statement of Answer filed by Respondent on or about: April 29, 2021.
LPL Financial LLC signed the Submission Agreement: April 30, 2021.

CASE SUMMARY

In the Statement of Claim, Claimant asserted a claim seeking expungement of customer dispute information from registration records maintained by the Central Registration Depository ("CRD").

In the Statement of Answer, Respondent did not oppose Claimant's expungement request.

RELIEF REQUESTED

In the Statement of Claim, Claimant requested expungement of Occurrence Numbers 1829910and 2072520, and any and all other relief that the Arbitrator deems just and equitable.

In the Statement of Answer, Respondent did not delineate a specific relief request

OTHER ISSUES CONSIDERED AND DECIDED

The Arbitrator acknowledges having read the pleadings and other materials filed by the parties.

On April 8, 2021, the parties filed with FINRA Dispute Resolution Services a Joint Stipulation to have this matter heard by one arbitrator, instead of the three-arbitrator panel prescribed under the Code of Arbitration Procedure (the "Code"). Accordingly, only one arbitrator was appointed to decide this matter.

On October 14, 2021, Claimant advised that the customers in Occurrence Number 1829910 ("Customer A") and 2072520 ("Customer B") were respectively served with the Statement of Claim and notice of the date and time of the expungement hearing.

The Arbitrator conducted a recorded hearing by videoconference on November 16, 2021, so the parties could present oral argument and evidence on Claimant's request for expungement.

Respondent participated in the expungement hearing and, as stated in the Statement of Answer, did not oppose the request for expungement.

Customers A and B did not participate in the expungement hearing. Customer B's son submitted a written statement in opposition to the request for expungement for the Arbitrator's consideration, which the Arbitrator considered and questioned Claimant on. The Arbitrator found that Customers A and B had notice of the expungement request and hearing.

The Arbitrator reviewed Claimant's BrokerCheck® Report. The Arbitrator noted that a prior arbitration panel or court did not previously rule on expungement of the same occurrences in the CRD.

The Arbitrator also reviewed the settlement documentation related to Occurrence Number 1829910, considered the amount of payment made to any party to the settlement, and considered other relevant terms and conditions of the settlement. The Arbitrator noted that the settlement was not conditioned on any party to the settlement not opposing the expungement request and that Claimant did not contribute to the settlement amount.

The Arbitrator noted that the dispute related to Occurrence Number 2072520 was not settled and, therefore, there was no settlement document to review.

In recommending expungement, the Arbitrator relied upon the following documentary or other evidence: Claimant's live testimony; the written statement of Customer B; verified notices to all relevant underlying customers; settlement agreement in underlying arbitration case No. 15-02200 (Occurrence Number 1829910); Claimant's exhibits 1, 2, 3, 5 and 7 (Customer A-related); Claimant's exhibits 9, 10, 11, 12 and 13 (Customer B-related).

AWARD

After considering the pleadings, the testimony and evidence presented at the expungement hearing, and any post-hearing submissions, the Arbitrator has decided in full and final resolution of the issues submitted for determination as follows:

1. The Arbitrator recommends the expungement of all references to Occurrence Numbers 1829910 and 2072520 from registration records maintained by the CRD for Claimant Lee Douglas Hooks (CRD Number 4905055) with the understanding that, pursuant to Notice to Members 04-16, Claimant must obtain confirmation from a court of competent jurisdiction before the CRD will execute the expungement directive.

   Unless specifically waived in writing by FINRA, parties seeking judicial confirmation of an arbitration award containing expungement relief must name FINRA as an additional party and serve FINRA with all appropriate documents.

   Pursuant to Rule 13805 of the Code of Arbitration Procedure ("Code"), the Arbitrator has made the following Rule 2080 affirmative findings of fact:

   The claim, allegation, or information is factually impossible or clearly erroneous.

   The claim, allegation, or information is false.

   The Arbitrator has made the above Rule 2080 findings based on the following reasons:

   Occurrence Number 1829910 – Customer A

   Claimant explained to Customer A in detail the terms, risks, costs, fees, advantages and disadvantages, features, and benefit of his investment decisions. Customer A was a serious investor with approximately twenty (20) years of experience. Claimant obtained from Customer A his goals and assisted him to meet the goals. Customer A sought growth investments and stated he would accept some risk. Customer A acknowledged that, to achieve higher return, he would have to accept higher risk. This risk tolerance was evidenced on his account-opening form where he checked the second-most aggressive goal on the form, out of five options.

   Claimant met with Mr. Taylor in-person at least twice each year and spoke by telephone "often." Customer A was "happy" with his portfolio and Claimant's services but continued to seek even higher returns. Customer A agreed to a Strategic Managed Account ("SAM"), a discretionary, growth-oriented account consisting of exchange-traded funds ("ETFs") that tracked major market indices. While performance met expectations, Customer A pushed for even better returns, so Claimant recommended, and Customer A agreed to open, another account. This Optimum Market Portfolio ("OMP") allowed Respondent LPL to determine what investments were used and tracked Customer A's goals. During Customer A's maintaining accounts with Claimant, the value rose significantly, increasing 18.05% overall from late 2011 to late 2014.

   When Customer A complained about performance in his SAM account, as evidenced by his filing a Statement of Claim (not naming Claimant as a Respondent), Respondent LPL

conducted a thorough investigation. Customer A sought damages of $25,000.00. Respondent LPL concluded Claimant acted appropriately in all respects and his recommendations were suitable; Respondent LPL denied the complaint. The arbitration case was settled, primarily to avoid further litigation expense. Claimant was not asked to contribute and did not contribute to the settlement.

Claimant determined Customer A's goals, then performed appropriately, ethically, and professionally in the customer's continuing effort to seek higher returns. In each case, he advised Customer A of the risks and prospects. Claimant provided Customer A with sufficient information and selected suitable investments. Respondent LPL regularly sent Customer A confirmations and statements.

Customer A's goals of not needing immediate funds, a growth portfolio and accepting risk were appropriately met by Claimant. Claimant is therefore entitled to a recommendation of expungement in this matter, as the underlying claim meets the requirements of FINRA Rule 2080(b)(1)(A) and (C).

Occurrence Number 2072520 – Customer B (complaint letter sent by Customer B's son)

Customer B was Claimant's customer for many years, following him to a second and finally a third investment firm, Respondent LPL. She expressed high levels of satisfaction with Claimant over the years until she died. Her initial investment goal was "moderate growth." She requested information on alternative investments. Her accounts consisted of 94.5% mutual funds, stocks, bonds, and an annuity; the latter featured growth and guaranteed income, as requested by Customer B. Only about 5.5% of her total investments with Claimant consisted of "illiquid" investments, well below the company's upper limit of 20% for a person her age.

Customer B understood illiquid in these products meant her funds might be tied up for as long as ten years but could be liquidated in 5-7 years. As for the illiquid investments, Customer B was well-versed. She was a particular and highly inquisitive customer who "never invested in any product that she did not thoroughly understand." She signed and acknowledged, for every illiquid investment, an issuer's Subscription Agreement which stated the particular investment was "not liquid" and Respondent LPL's Alternative Investment Purchase form which confirmed the percentage of illiquid investments she held – in this case less than 6%. Customer B never expressed concern or unhappiness with Claimant. She spoke to Claimant "more than any other customer" and demanded to be well-versed on every investment. Customer B subsequently died.

Customer B's accounts were profitable: overall up 61.02% in seven years, averaging 6.55% annually. Her son had Power of Attorney on her accounts and was employed by Wells Fargo, who required him to move all accounts in-house. Customer B's son encountered difficulty moving four investments which accounted for less than 6% of her funds due to Wells Fargo's policies. He then complained to Respondent LPL that the products were illiquid and should not have been sold to his mother. Respondent LPL denied his complaint. Customer B's son took no further action.

Claimant herein acted appropriately, fully informing his inquisitive long-term customer of all relevant information. As for every "illiquid" investment, he and Customer B discussed the

pros and cons, fees, risk, illiquidity, features, and benefits. His recommendation for a very small percentage of her portfolio in four products at issue was suitable for her age and stated goals. Her under-6% of these investments are well-below the company's limit for a person her age. She affirmed her understanding of each alternative investment's parameters. The Arbitrator, therefore, recommends expungement of this occurrence per FINRA Rule 2080(b)(1)(A) and (C).

2. Any and all claims for relief not specifically addressed herein are denied.

FEES

Pursuant to the Code, the following fees are assessed:

Filing Fees
FINRA Dispute Resolution Services assessed a filing fee* for each claim:

Expungement Filing Fee	=$ 1,575.00

*The filing fee is made up of a non-refundable and a refundable portion.

Member Fees
Member fees are assessed to each member firm that is a party in these proceedings or to the member firm(s) that employed the associated person(s) at the time of the event(s) giving rise to the dispute. Accordingly, as a party, Respondent LPL is assessed the following:

Member Surcharge	=$ 1,900.00
Member Process Fee	=$ 3,750.00

Hearing Session Fees and Assessments
The Arbitrator has assessed hearing session fees for each session conducted. A session is any meeting between the parties and the Arbitrator, including a pre-hearing conference with the Arbitrator, which lasts four (4) hours or less. Fees associated with these proceedings are:

One (1) pre-hearing session with a single Arbitrator @ $1,125.00/session			=$ 1,125.00
Pre-Hearing Conference:	June 28, 2021	1 session	
One (1) hearing session on expungement request @ $1,125.00/session			=$ 1,125.00
Hearing:	November 16, 2021	1 session	
Total Hearing Session Fees			=$ 2,250.00

The Arbitrator has assessed the total hearing session fees to Claimant.

All balances are payable to FINRA Dispute Resolution Services and are due upon receipt.

ARBITRATOR

Karl A. Vogeler, III - Sole Public Arbitrator

I, the undersigned Arbitrator, do hereby affirm that I am the individual described herein and who executed this instrument, which is my award.

Arbitrator's Signature

Karl A. Vogeler, III **11/23/2021**

Karl A. Vogeler, III
Sole Public Arbitrator

Signature Date

Awards are rendered by independent arbitrators who are chosen by the parties to issue final, binding decisions. FINRA makes available an arbitration forum—pursuant to rules approved by the SEC—but has no part in deciding the award.

November 23, 2021
Date of Service (For FINRA Dispute Resolution Services use only)