

# Knott's Berry Farm heiress files \$8.5M claim against LPL

Unsuitable trading, fraudulent auto-loan scheme alleged by former client

By **Dan Jamieson**

Mar 26, 2013



An heiress to the Knott's Berry Farm theme park has filed an \$8.5 million arbitration claim against **LPL Financial LLC**.

The claimant, Maureen Sloan, 63, of Newport Beach, Calif., claims former LPL broker Alberto Neira stole \$4.5 million from her through a fraudulent auto-financing scheme called Silver Oak Leasing. Ms. Sloan said she lost another \$4 million in unsuitable trading of preferred stock.

Ms. Sloan is the granddaughter of Walter Knott, founder of the Buena Park, Calif.-based Knott's Berry Farm.

Her daughter, Cynthia von Hoffman, 46, is also part of the case, which was filed last Thursday with the Financial Industry Regulatory Authority Inc. Ms. Hoffman alleges she lost \$700,000 in Silver Oak, plus another \$1 million from inappropriate trading.

LPL terminated Mr. Neira in January 2011 for failing to fully disclose participation in outside business activity and selling away in violation of firm policies, according to Finra records. In a statement, LPL spokeswoman Betsy Weinberger noted that Mr. Neira “failed to fully disclose his outside business activities and transactions to LPL, including that he was a director of Silver Oak or that he recommended the purchase of its stock or promissory notes. These transactions were conducted privately and not through LPL Financial.”

The arbitration comes at a difficult time for LPL, which was the subject of a **story in last Friday's New York Times** that questioned the adequacy of LPL's compliance.

Last November, Finra barred Mr. Neira from the industry after he failed to respond to Finra's request for information regarding \$2 million in Silver Oak investments made by 14 LPL clients. Finra said Mr. Neira failed to disclose that he was a paid director of Silver Oak, rather than just a passive investor, as he had claimed.

Ms. Sloan's attorney, Andrew Stoltmann of the Stoltmann Law Offices, said that \$4 million of the \$4.5 million that Ms. Sloan put into Silver Oak came directly from a margin loan LPL made to Ms. Sloan.

“Talk about a red flag,” Mr. Stoltmann said. “There was no margin in the account, then all of the sudden there's a \$4 million loan [with] all of that flowing out of LPL into an entity that the broker already disclosed as an outside business activity.”

Mr. Stoltmann said LPL never contacted his client about the transfer.

He added that he has filed three other arbitration claims relating to Mr. Neira's activity, and has six more coming. All told, his clients are claiming about \$25 million in damages.

Over the past 13 years, Mr. Stoltmann has filed about 60 arbitration claims against LPL, more than any other firm except Morgan Keegan & Co. Inc., which has faced numerous claims over failed bond funds. Most of LPL's alleged problems stem from selling away and theft, he said.

“It's a disturbing trend we've seen over and over again,” Mr. Stoltmann added. “So long as they have that decentralized model of supervision [LPL will] continue to have these problems.”



**Dan Jamieson**

Dan Jamieson covers investment advisers, the brokerage industry, regulation--and anything else advisers might want to know about.