



William Francis Galvin
Secretary of the Commonwealth

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**SECRETARY GALVIN BEGINS INVESTIGATORY SWEEP OF THE SALES
OF HIGH RISK ALTERNATIVE INVESTMENTS TO SENIORS**

Secretary of the Commonwealth William F. Galvin today began an investigation into broker dealers' sales practices in connection with the sales of "Alternative Investments" to seniors.

Alternative Investments - as they are commonly known - are non-traditional securities including such products as REITs, oil and gas partnerships, 506 private placements, structured products, tenancy-in-common and other securities carried on the broker dealers' non-traditional product platforms. The products are attractive to seniors as they provide a return considerably higher than that of traditional investment options. With this higher return, however, come higher risks. The complexity of the products also makes them difficult for the average investor to understand.

Secretary Galvin recently settled with five independent broker dealers for improper sales of REITs to seniors returning over \$11 million to Massachusetts investors. (REITs are a type of alternative investments.)

"My office's recent REIT investigation has only heightened my concern that the senior market place is being targeted for the sales of these high-risk, esoteric products," Galvin said. "While these products are not unsuitable in and of themselves, they are accidents waiting to happen when they are sold to inexperienced investors by untrained agents who push the products to score the large commissions associated with alternative investments."

The investigation targets various types of broker dealers - investment banks, discount brokers, and independent brokers. “Being included on the list is not an indication of wrongdoing at this time,” the Secretary said.

The Massachusetts Securities Division’s subpoenas asked for information concerning the firms’ sales of the alternative investment products to seniors in the Commonwealth as well as other materials to determine the firms’ supervision, compliance and training associated with the sales of these products to retail investors in the Commonwealth.

Subpoenas have gone out to Morgan Stanley & Co. LLC, Merrill Lynch, Pierce Fenner & Smith Incorporated Securities LLC, UBS Securities LLC, Fidelity Brokerage Services LLC, Charles Schwab & Co., Inc., Well Fargo Advisors, TD Ameritrade, INC, ING Financial Partners, Inc., LPL Financial LLC, Commonwealth Financial Network, MML Investor Services, LLC, Investors Capital Corp, Signator Investors, Inc., Meyers Associates, L.P., and WFG Investments.

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