

# LPL Financial LLC (LPL) Relationship Summary

Effective June 30, 2020

LPL (referred to as “we” or “us”) is registered with the U.S. Securities and Exchange Commission as a broker-dealer and an investment adviser. We have a network of financial professionals (“Professionals”) who offer brokerage and investment advisory services. Brokerage and investment advisory services, and the fees we charge for them, differ, and it’s important that you understand the differences.

This relationship summary will explain the various services we offer, how we charge for those services, and conflicts of interest that exist when we provide our services. To help you research firms and financial professionals, you can access free and simple tools at [Investor.gov/CRS](https://www.investor.gov/crs), which also provides educational materials about broker-dealers, investment advisers, and investing.

## What investment services and advice can you provide me?

Our Professionals offer brokerage services, investment advisory services, or both, depending on their licenses. Each Professional generally provides access to a range of investment products, such as stocks, bonds, exchange-traded funds (ETFs), mutual funds, annuities, and alternative investments. Please note that the range of investment options available to you may be limited depending on the licenses your Professional holds or if he or she is located at a financial institution that does not offer certain options. Your Professional or account program may also have specific

requirements, such as account or investment minimums. We encourage you to ask your Professional whether any investment limitations or account requirements apply.

If your Professional offers you both brokerage and advisory services, your Professional will inform you when he or she offers an investment recommendation or advice, and whether the recommendation or advice is part of a brokerage or advisory service. Some of the key differences between brokerage and investment advisory services are described below.

### Brokerage Services

- Brokerage services include taking your orders and executing your securities transactions; making recommendations for you to buy, sell, or hold securities; and holding your securities for safekeeping (known as having “custody” of your securities).
- In most cases, we provide recommendations to you on specific investments, but you make the final investment decisions for your account. We also have a program available through a limited number of financial institutions in which you make investment decisions on your own without any recommendations from us.
- We don’t monitor brokerage account investments for you, unless we state otherwise in writing.
- We may provide brokerage services (but not investment recommendations) to you if your Professional is providing advisory services through a separate investment advisory firm.

### Investment Advisory Services

- Some of the investment advisory services we offer include wrap fee programs and non-wrap fee programs; mutual fund asset allocation programs; advisory programs offered by third-party investment advisory firms; financial planning services; retirement plan consulting; investment research; digital advice programs; and other custom advisory services.
- You’ll typically grant us discretion to buy and sell investments in your account without asking you in advance. You may limit our discretion, such as by imposing reasonable restrictions on investing in certain securities or groups of securities. In other investment advisory accounts, you grant investment discretion to another financial institution.
- Some of our investment advisory accounts are nondiscretionary, which means you are required to preapprove each investment transaction that we recommend.
- We’ll typically monitor accounts, and specific investments within accounts, on an ongoing basis to align with your investment goals. However, in limited-scope consulting or advisory relationships, we won’t provide ongoing monitoring.

**More detailed information** about our advisory services can be found in the [Form ADV for your advisory program](#). Detailed information about our brokerage services can be found at [Brokerage Compensation Information and Related Conflicts of Interest](#). If viewing a paper version of this form, please visit [lpl.com/CRS](http://lpl.com/CRS) for hyperlinks to these documents.

## **QUESTIONS TO ASK YOUR PROFESSIONAL:**

- Given my financial situation, should I choose an investment advisory service? Should I choose a brokerage service? Should I choose both types of services? Why or why not?
- How will you choose investments to recommend to me?
- What is your relevant experience, including your licenses, education, and other qualifications? What do these qualifications mean?

## What fees will I pay?

Investing is an individual journey, and we want to provide you with options. Below we outline the fees you could be charged for both brokerage and advisory accounts depending on your

investment choices. Fee Schedules for our brokerage and advisory programs can be found on [lpl.com](http://lpl.com).

### **Fees Associated with Brokerage Services**

- For brokerage services, we charge a transaction-based fee (sometimes referred to as a commission) every time you buy or sell an investment. The amount you pay as a transaction-based fee varies according to the particular investment and amount invested. The more trades you make, the more transaction-based fees we earn. This creates an incentive to encourage you to trade often.
- For investments in stocks or ETFs, the transaction-based fee is usually charged as a separate commission or sales charge. For investments in bonds, this fee is typically included as part of the price you pay for the investment (called a markup or markdown).
- For investments in certain products like mutual funds, annuities, and alternative investments, we receive transaction-based fees from the investment product sponsor in the form of asset-based sales charges (e.g., sales loads). These fees are based on the amount invested in a product and, depending on the product, may be based how long you hold the investment. Our receipt of asset-based sales loads creates an incentive to recommend products or sponsors that include such charges.

### **Fees Associated with Investment Advisory Accounts**

- For investment advisory services, we typically charge an ongoing quarterly fee (sometimes referred to as an asset-based fee). This fee is a percentage of the value of your account. You pay this fee even if you don't buy or sell investments. The more assets you have in an asset-based fee account, the more you'll pay us in fees. This creates an incentive to encourage you to increase the size of your account, including by transferring or rolling over assets from other accounts. For some types of accounts, there is a per transaction charge in addition to an asset-based fee. We may also charge an hourly fee or fixed fee for additional services such as financial planning and consulting services that are of limited duration or nature.
- For wrap fee program accounts, you will pay us a single asset-based fee for advisory services. This fee also covers most transaction costs and certain administrative and custodial costs associated with your investments. If you expect to trade infrequently or to pursue a "buy and hold" strategy, a wrap fee program may cost you more than paying for the program's services separately, and you may want to consider a brokerage relationship rather than an advisory relationship.
- The fee you pay to your Professional is generally negotiated with him or her directly, and subject to different maximums, depending on the advisory program selected.

### **Other Fees and Costs**

If applicable to your account, we'll charge you directly for other fees in addition to brokerage commissions and advisory fees, including: (1) account maintenance fees such as custody, trade confirmation processing, corporate actions, and transfer fees; (2) cash management fees such as cash sweep, checking, and wire fees; and (3) investment specific fees such

as those for administration of alternative investments or for foreign securities. See the Fee Schedules for our brokerage and advisory programs at [lpl.com](http://lpl.com) for more information. You should understand that these fees are not charged by us if your investment is in an account that is held directly with the sponsor, and not in an LPL investment account.

You may also incur fees charged by the particular investment product in which you are invested, including mutual funds, ETFs, and other pooled funds, in addition to brokerage commissions and advisory fees charged by us. Some of these fees may be shared, as described below in [Third-Party Payments](#). Certain investment products have significant fees triggered by particular events, e.g., annuities may include mortality, expense, and administrative fees, and fees for excessive transfers or early withdrawals.

You will pay fees and costs whether you make or lose money on your investments. Fees and costs will reduce any amount of money you make on your investments over time. Please make sure you understand what fees and costs you are paying.

Detailed information on our advisory fees can be found in the [Form ADV for your advisory program](#). Detailed information on our brokerage fees can be found at [Brokerage Compensation Information and Related Conflicts of Interest](#) and, depending on the investment product in which you invest, may be included in the product's prospectus or other offering document. If viewing a paper version of this form, please visit [lpl.com/CRS](http://lpl.com/CRS) for hyperlinks to these documents.

#### **QUESTIONS TO ASK YOUR PROFESSIONAL:**

Help me understand how these fees and costs might affect my investments. If I give you \$10,000 to invest, how much will go to fees and costs, and how much will be invested for me?

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## What are your legal obligations to me when providing recommendations as my broker-dealer or when acting as my investment adviser? How else does your firm make money and what conflicts of interest do you have?

*When we provide you with a recommendation as your broker-dealer or act as your investment adviser, we have to act in your best interest and not put our interest ahead of yours. At the same time, the way we make money creates some conflicts with your interests. You should understand and ask us about these conflicts because they can affect the recommendations and investment advice we provide you. Here are some examples to help you understand what this means. If you have questions about whether any of these situations could apply to your investments, ask your Professional.*

### **Third-Party Payments**

We receive compensation from third parties related to investments you make in certain products, including mutual funds, ETFs, annuities, alternative investments, and other investments. This compensation includes ongoing distribution charges (e.g., 12b-1 fees or trail payments), which an investment product charges you and then pays to us. We also receive fees from investment products and/or their sponsors for recordkeeping and other administrative services we provide in relation to your investments. In some accounts we offer, uninvested cash is automatically placed into interest-bearing federally insured bank accounts. We receive fees for your participation in these "cash sweep" programs from the banks sponsoring the programs. The fees we receive are typically higher than the interest you earn on the cash held in the bank accounts and are in addition to any fees you pay to us. This creates an incentive for LPL if you maintain a cash balance in your account. **Revenue sharing payments** are another type of third-party compensation we receive from sponsors who participate in our marketing programs. These programs support our product marketing to our Professionals and for education and training efforts, and facilitate communications between sponsors and our Professionals. Finally, certain sponsors pay us to make their investment products available on our platform. Because

we receive payments from these third parties, there is an inherent incentive for us to recommend or invest your assets in those investment products. Detailed information regarding third-party payments can be found in the [Third-Party Compensation and Related Conflicts of Interest](#) document on [lpl.com](http://lpl.com).

### **Principal Trading**

In brokerage accounts, we sometimes directly buy from you or sell to you investments including bonds or certain shares of mutual funds, unit investment trusts (UITs), or alternative investments. These are called principal trades. If the principal trade involves a bond, we receive a markup or markdown by either buying the bond from you at a lower price than we will sell it for or by selling the bond to you at a higher price than we bought it for. That creates an incentive for us to either buy the bond from you at the lowest price possible or sell the bond to you at the highest price possible and maximize our profit on the principal trade. In advisory accounts, purchases of mutual funds, UITs, or alternative investments may be processed through our proprietary account, but we do not receive a markup or markdown in these trades. Also, in certain advisory accounts where a third-party investment advisory firm has discretion, we trade as principal and receive a markup or markdown.

Detailed information on our conflicts of interest can be found in the [Form ADV for your advisory program](#) and in [Brokerage Compensation Information and Related Conflicts of Interest](#). If viewing a paper version of this form, please visit [lpl.com/CRS](http://lpl.com/CRS) for hyperlinks to these documents.

#### **QUESTIONS TO ASK YOUR PROFESSIONAL:**

How might your conflicts of interest affect me, and how will you address them?

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## How do your financial professionals make money?

Our Professionals are primarily independent contractors, although a portion are employees or employees of an affiliated company. The agreement between each Professional and LPL sets out the payments we make to them. Those who provide investment advisory services receive a portion of the advisory fee you pay. Professionals who provide you brokerage services receive a portion of the commissions or markups/markdowns from your trades. Receiving a portion of the advisory or brokerage fees you pay to us creates an incentive for them to encourage you to increase your investment account size or trade more frequently. We also compensate Professionals based on production, including payments based on the amount of client assets they service and the products they sell. In addition, our Professionals receive different levels of compensation for selling different types of investments or services. This could include, for example, a share of the 12b-1 fees, trail payments, or sales loads paid to us by an investment product. Although your Professional must recommend investment products or manage your account in your best interest, these additional forms of compensation create an incentive for them to recommend specific financial products.

Our Professionals may receive compensation from us in other ways, including:

- Transition assistance if he or she moves to LPL from another company. This assistance can include forgivable loans, advance payment of advisory fees, and/or waving or reducing

other costs associated with transitioning the advisor's business. This assistance creates an incentive to migrate and maintain business on our platform from another investment platform, and to sell or recommend the sale of investments held in an account if we do not offer those investments.

- Waived or reduced costs and fees (e.g., for administrative services that we provide for your accounts, attending our conferences and events, and free or reduced-cost marketing materials). These waived and reduced costs and fees create an incentive for advisors to associate with us instead of other financial firms.
- Equity awards in our parent company, LPL Financial Holdings Inc., which give your Professional an incentive to remain with us during the vesting period applicable to his or her stock holdings (the period of time before the stock is unconditionally owned). This also gives the Professional a financial interest in the success of our business.

Your Professional is legally required to act in your best interest and not put his or her interests ahead of your own. We have systems in place to mitigate the conflicts of interest that arise from the way he or she makes money, including systems to review whether a recommendation is in your best interest. More information on compensation can be found at [Brokerage Compensation Information and Related Conflicts of Interest](#). If viewing a paper version of this form, please visit [lpl.com/CRS](http://lpl.com/CRS) for a hyperlink to this document.

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## Do your financial professionals have legal or disciplinary history?

Yes, some of them do. You can access the legal and disciplinary histories of LPL and our Professionals using a free and simple search tool at [Investor.gov/CRS](http://Investor.gov/CRS).

### **QUESTIONS TO ASK YOUR PROFESSIONAL:**

As a financial professional, do you have any disciplinary history? For what type of conduct?

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## Additional Information

Please visit the [Disclosures page on lpl.com](#) for more information, including a copy of the agreement for the account and/or program you are considering, the Form ADV Brochure for any advisory program you are considering, detailed information on our brokerage services under Brokerage Compensation and Related Conflicts of Interest, and more information regarding our brokerage and advisory programs under Third Party Compensation and Related Conflicts of Interest.

Please visit the Investor Regulatory & Educational Resources page on [lpl.com](http://lpl.com) to learn more about how to determine your investment objective and risk tolerance, among other items.

We are affiliated with other investment firms. If your Professional works with Fortigent, LLC or Allen & Company of Florida, LLC, you can find the relationship summaries for those firms at [lpl.com/CRS/documents](http://lpl.com/CRS/documents). More information on our affiliations can be found in the [Form ADV for your advisory program](#).

If viewing a paper version of this form, please visit [lpl.com/CRS](http://lpl.com/CRS) for hyperlinks to cross-referenced documents.

**To request up-to-date information or a copy of this relationship summary, please call us at (800) 558-7567.**

We also encourage you to review the general information provided by the U.S. Securities and Exchange Commission regarding investing, choosing an investment professional, and related considerations, available by visiting [www.investor.gov](http://www.investor.gov).

### **QUESTIONS TO ASK YOUR PROFESSIONAL:**

Who is my primary contact person? Is he or she a representative of an investment adviser or a broker dealer? Who can I talk to if I have concerns about how this person is treating me?

## FINANCIAL PLANNING & CONSULTING SERVICES PROGRAM AGREEMENT

This Financial Planning & Consulting Services Program Agreement ("Agreement") is entered into by and among LPL Financial LLC ("LPL"), a registered investment advisor, the LPL Investment Advisor Representative ("Advisor") identified in Section 2 of the Financial Planning & Consulting Program Profile attached hereto as Schedule A ("Profile"), and the client identified in Section 1 of the Profile ("Client"), whereby Client desires to receive (i) financial planning services and/or (ii) hourly consulting services, as designated within the Profile (collectively, the "Services"), subject to the terms outlined below.

### 1. SERVICE

LPL, through its Advisors, provides the Services consistent with a client's financial situation and investment needs and objectives. Advisor will obtain various personal, financial and investment related information from the Client to assist with providing the Services. The scope of Services may range from comprehensive financial planning to consulting on a particular issue, including focus on topics such as retirement planning, education planning, estate planning, cash flow/budget planning, risk management planning, personal wealth planning, tax planning, business planning, investment planning/asset allocation, or such other financial planning or consulting services needs as designated in the Profile.

Client may choose to periodically update the scope of the Services being provided in consultation with the Advisor from time to time. In such case, updates will be designated within the invoice provided to Client in connection with the Services.

The scope of contemplated Services under this Agreement may consist of:

- a) **Financial Planning.** The Advisor will create and provide a customized financial plan containing a detailed analysis of the Client's financial goals and objectives, together with recommendations for the Client to consider. The analysis may include consideration of a range of financial related matters as designated in the Profile. A written financial plan may be provided at the completion of this process.
- b) **Consulting.** The Advisor will provide financial advice on one or more particular topics among a range of financial matters.
- c) **WealthVision.** This is a proprietary LPL online tool that Advisors may make available to clients to assist with gathering and storing client financial related information and documents, and for generating financial planning and consulting recommendations and reports. Clients will be required to separately enter a Maintenance Agreement for purposes of using WealthVision to gather and store their financial related information, whereas this Agreement will apply to all financial planning and consulting services and reports provided to clients by the Advisor through this tool.

To the extent that LPL or its Advisors provide Client with a report or any recommendations in connection with the Services, Client shall remain solely responsible for determining whether or not to implement the recommendations, and neither LPL nor its Advisors assume any responsibility for initiating recommendations or providing ongoing monitoring of such on Client's behalf under this Agreement. Moreover, the financial plan will not include information or analysis with respect to liability risks or tax planning. Client will have the ability to discuss questions with the Advisor and to periodically meet with frequency as mutually agreed upon.

### 2. CLIENT PROFILE

The Profile (Schedule A), which is incorporated herein by reference and made a part of this Agreement, must be completed in full by Client and the accuracy of its contents is hereby acknowledged by Client. Client further acknowledges that LPL and Advisor have the right to rely on this information, agrees to promptly advise LPL and Advisor of any changes to this information.

In addition to the information provided in the Profile, the Client is responsible for supplying certain personal, financial and investment related information to the IAR to assist in providing the Services. Depending upon the Services, this data may include, but is not limited to: annual income, net worth, proposed retirement date and information regarding existing investments. Client acknowledges that he/she will verify the accuracy of this information which will be included for consideration by Advisor in providing the Services. In addition, certain other information such as rate of return assumptions, market value of existing investments and inflation rate assumptions, among others, will be considered in providing the Services and



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recommendations thereunder. Client acknowledges that he/she will review these assumptions and will advise Advisor immediately if he/she does not concur with their accuracy.

#### 3. FEES

Fees for the Services are negotiable with the Advisor and shall be payable in an amount and frequency as indicated within the Profile, with the option of payments occurring either: (i) at the outset of the relationship, (ii) monthly, (iii) quarterly, (iv) semi-annually, or (v) annually. A portion of the fee charged by Advisor for providing you the Services is shared with LPL for its administration and support of the program.

#### 4. POTENTIAL CONFLICTS OF INTEREST

The Services may include generic recommendations as to general types of investment products and/or specific securities which may be appropriate for the Client to purchase given his/her financial situation and objectives. The Client is under no obligation to purchase such securities through LPL and the Advisor. However, if the Client desires to purchase securities or advisory services in order to implement investment recommendations provided by the Advisor to Client, LPL may make a variety of products and services available through its Advisors. This results in the payment of normal and customary commissions, advisory fees and other types of direct and indirect compensation to LPL and the Advisor, depending upon the program you enroll in, and creates a conflict of interest since we benefit financial by recommending that you enroll in our programs. Please consult the Form ADV Part 2A "brochure" provided to you with this Agreement for additional details regarding potential conflicts of interest regarding the Services. If you decide to implement any investment recommendations you receive through an LPL account, we encourage you to also review conflict disclosures on [www.lpl.com/disclosures.html](http://www.lpl.com/disclosures.html) and the Form ADV Part 2A brochure as applicable for advisory accounts.

#### 5. CONFIDENTIALITY

LPL and Advisor will keep Client information confidential and will not use or disclose it to others without Client's prior consent except as described in LPL's privacy policy below. Client acknowledges, understands and agrees that for our mutual protection, LPL may electronically record telephone conversations. Client agrees not to record any telephone conversation without the express written authorization of LPL and the individual(s) engaged in the conversation.

#### 6. TERM/TERMINATION

This Agreement may be terminated by any party effective upon receipt of written notice to the other parties ("Termination Date"). Client will be entitled to a refund of unearned fees, if any, based upon the time, effort and scope of Services completed prior to termination of the Agreement. Termination of the Agreement will not affect the liabilities or obligations of the parties for activity initiated prior to termination.

#### 7. LIMITATION OF LIABILITY

Neither LPL, Advisor, nor any of LPL's officers, directors, employees, or affiliates shall be liable for any loss incurred with respect to this agreement, except where such loss directly results from such party's negligence or misconduct. Nothing in this Agreement shall in any way constitute a waiver or limitation of any rights which Client may have under federal or state securities laws.

LPL shall not be liable for any loss or loss of profits caused, directly or indirectly, by government restrictions, exchange or market rulings, suspension of trading, lack of access to or latency of trading systems, rioting, mayhem, acts of terrorism, war, outbreak of disease or sickness, strikes, fire, flood, ransomware attack, network failure, system outage or other conditions beyond LPL's control.

#### 8. PRACTICE OF LAW, TAX AND ACCOUNTING; OUTSIDE BUSINESS ACTIVITIES

LPL is not licensed to engage in the practice of law, authoritative tax advice, or accounting and, consequently, will offer no legal, tax or accounting advice when providing the Services through the Advisor. None of the fee for services under this Agreement



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relates to accounting or legal services. If such services are necessary, it shall be the responsibility of the Client to obtain these independently of the Services provided under this Agreement.

If Client engages a third party professional (including but not limited to, an accountant or an attorney) in connection with the Services or any recommendations provided under this Agreement, LPL and Advisor are not responsible for the selection of such professional or the services provided by such professional, regardless of any role by LPL or Advisor as a referral source or liaison between Client and such professional. Further, in acting as a liaison, LPL or Advisor shall act only in accordance with instructions from the Client on investment matters and shall not exercise judgment or discretion. Client acknowledges that Client is responsible for the diligence review, engagement and ongoing oversight of such professional.

Additionally, certain Advisors may engage in outside business activities through a separate legal entity from LPL, including without limitation, the provision of legal, tax or accounting, or other services recommended in connection with the financial planning or consulting services provided under this Agreement. In such case, these services are provided by an independent and separate business entity from LPL, and LPL does not endorse or assume any responsibility for such services.

#### **9. SEVERABILITY**

If any provision of this Agreement shall be held or made non-enforceable by a statute, rule, regulation, decision of a tribunal or otherwise, such provision shall be automatically reformed and construed so as to be valid, operative and enforceable to the maximum extent permitted by law or equity while most nearly preserving its original intent. The invalidity of any part of this Agreement shall not render invalid the remainder of this Agreement and, to that extent, the provision of this Agreement shall be deemed to be severable.

#### **10. GOVERNING LAW**

This Agreement shall be construed under the laws of the Commonwealth of Massachusetts in a manner consistent with the Investment Advisers Act of 1940, as amended ("Advisers Act") and the rules and regulations of the Securities and Exchange Commission thereunder.

#### **11. RIGHT TO ADVOCATE AND REFUSAL TO ACCEPT ORDERS**

LPL shall have the right at its sole discretion to advocate administratively or judicially on your behalf where LPL suspects exploitation of any kind, dementia and/or undue influence. LPL shall have at its sole discretion the authority to pause or refuse to obey any instructions or orders for, including but not limited to, transactions, disbursements, or account transfers.

#### **12. RECEIPT OF LPL'S FORM ADV PART 2**

Client acknowledges receipt of LPL's Form ADV Part 2 and Advisor's Brochure Supplement as required by Rule 204-3 under the Advisers Act. Client understands the fees associated with the Services as indicated in the Profile.

#### **13. ENTIRE AGREEMENT/AMENDMENT & ASSIGNMENT**

This Agreement represents the entire agreement between the parties with respect to the subject matter contained herein. The Agreement may be amended by LPL upon thirty (30) days' notice to all parties. This Agreement may not be assigned or transferred in any manner by any party without the written consent of all parties receiving or rendering services hereunder; provided that LPL or Advisor may assign this Agreement upon consent of the Client in accordance with the Advisers Act.

#### **14. NOTICES**

All written notices to any party under this Agreement shall be sent to such party by first class mail or facsimile transmission at the address set forth on the Profile or such other address as such party may designate in writing to the other.

#### **15. ARBITRATION**

Client agrees to direct any complaints regarding the handling of Client's account to Advisor and the LPL Legal Department in writing.



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This agreement contains a pre-dispute arbitration clause. By signing an arbitration agreement the parties agree as follows:

- All parties to this agreement are giving up the right to sue each other in court, including the right to a trial by jury, except as provided by the rules of the arbitration forum in which a claim is filed.
- Arbitration awards are generally final and binding; a party's ability to have a court reverse or modify an arbitration award is very limited.
- The ability of the parties to obtain documents, witness statements and other discovery is generally more limited in arbitration than in court proceedings.
- The arbitrators do not have to explain the reason(s) for their award, unless, in an eligible case, a joint request for an explained decision has been submitted by all parties to the panel at least 20 days prior to the first hearing date.
- The Panel of Arbitrators will typically include a minority of arbitrators who were or are affiliated with the securities industry.
- The rules of some arbitration forums may impose time limits for bringing a claim in arbitration. In some cases, a claim that is ineligible for arbitration may be brought in court.
- The rules of the arbitration forum in which the claim is filed, and any amendments thereto, shall be incorporated into this agreement.

In consideration of opening one or more accounts for you, you agree that any controversy between you and LPL and/or your Advisor arising out of or relating to your account, transactions with or for you, or the construction, performance, or breach of this agreement whether entered into prior, on or subsequent to the date hereof, shall be settled by arbitration in accordance with the rules, then in effect, of the Financial Industry Regulatory Authority (FINRA). If the claim is not arbitrable before FINRA, then arbitration will be conducted by, and in accordance with the rules and procedures of Judicial Arbitration and Mediation Services, Inc. (JAMS). If arbitration before JAMS is unavailable or impossible for any reason, then you agree to arbitrate in another forum to which the parties otherwise agree. This agreement does not prohibit or restrict you from requesting arbitration of a dispute in the FINRA arbitration forum as specified in FINRA rules. Notwithstanding any provision of JAMS Rules (or other applicable arbitration forum rules), any such arbitration shall occur on an individual basis only, and not on a class or collective basis, and you waive the right to initiate, participate in, or recover through, any class or collective action in any claims that are not arbitrable before FINRA. To the extent any claim on a class or collective or representative basis is nonarbitrable under the law, then such claims shall be filed and adjudicated in a court of competent jurisdiction, and not in arbitration. A court of competent jurisdiction (and not an arbitrator) shall resolve any dispute about the formation, validity, or enforceability of any provision of this Agreement. Any arbitration award hereunder shall be final, and judgement upon the award rendered may be entered in any court, state or federal, having jurisdiction. Nothing in this this Agreement requires arbitration of any claim that under the law cannot be made subject to a pre-dispute agreement to arbitrate claims, including any dispute or controversy nonarbitrable under federal law.

No person shall bring a putative or certified class action to arbitration, nor seek to enforce any pre-dispute arbitration agreement against any person who has initiated in court a putative class action; or who is a member of a putative class who has not opted out of the class with respect to any claims encompassed by the putative class action until: (i) the class certification is denied; or (ii) the class is decertified; or (iii) the customer is excluded from the class by the court. Such forbearance to enforce an agreement to arbitrate shall not constitute a waiver of any rights under this agreement except to the extent stated herein.



Facts	What Does LPL Financial Do with Your Personal Information?
Why?	Financial companies choose how they share your personal information. Federal law gives consumers the right to limit some but not all sharing. Federal law also requires us to tell you how we collect, share and protect your personal information. Please read this notice carefully to understand what we do.
What?	The types of personal information we collect can include: <ul style="list-style-type: none"> <li>▪ Social Security number</li> <li>▪ Investment experience</li> <li>▪ Income</li> <li>▪ Account transactions</li> <li>▪ Assets</li> <li>▪ Retirement assets</li> </ul> When you are <i>no longer</i> our customer, we will continue to hold your information and share it as described in this notice.
How?	All financial companies need to share customers' personal information to run their everyday business. In the section below, we list the reasons why financial companies can share their customers' personal information, the reasons LPL chooses to share personal information and whether you can limit this sharing.

Reasons We Can Share Your Personal Information	Does LPL Financial Share?	Can You Limit This Sharing?
For our everyday business purposes, such as to process your transactions, maintain your account(s), respond to court orders and legal investigations, or report to credit bureaus	Yes	No
For our marketing purposes to offer our products and services to you	No	We don't share
For joint marketing with other financial companies	Yes	No
For our affiliates' everyday business purposes—information about your transactions and experiences	Yes	No
For our affiliates' everyday business purposes—information about your creditworthiness	No	We don't share
For non-affiliates to market to you—for clients with accounts established with LPL representatives at banks or credit unions	No	We don't share
For non-affiliates to market to you—for clients with accounts established with LPL independent representatives  * If your independent representative terminates his or her relationship with us and moves to another brokerage or investment advisory firm, we or your independent representative may disclose your personal information to the new firm, unless you instruct us not to by returning the completed Privacy Choices Notice form attached to this notice.	Yes*	Yes

<b>Questions?</b>	Go to <a href="http://www.lpl.com">www.lpl.com</a>
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## Who We Are

Who is providing this notice?	LPL Financial LLC and its affiliates (collectively, LPL Financial). Our affiliates include the following: <ul style="list-style-type: none"><li>Fortigent LLC</li><li>LPL Insurance Associates, Inc.</li><li>PTC Holdings, Inc.</li><li>The Private Trust Company, N.A.</li></ul>
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## What We Do

How does LPL Financial protect my personal information?	<p>To protect your personal information from unauthorized access and use, we use security measures that comply with federal law. These measures include computer safeguards and secured files and buildings.</p> <p>Our online environment uses security technologies, including layered security and access controls over personal information. For further information, please visit the page <a href="#">How LPL Financial Secures Your Information</a>.</p>
How does LPL Financial collect my personal information?	<p>We collect your personal information, for example, when you:</p> <ul style="list-style-type: none"><li>Open an account</li><li>Apply for insurance</li><li>Seek advice about your investments</li><li>Enter into an investment advisory account</li><li>Tell us about your investment or retirement portfolio</li></ul> <p>We also collect your personal information from others such as credit bureaus, affiliates or other companies.</p>
Why can't I limit all sharing?	<p>Federal law gives you the right to limit only:</p> <ul style="list-style-type: none"><li>Sharing for affiliates' everyday business purposes—information about your creditworthiness</li><li>Affiliates from using your information to market to you</li><li>Sharing for non-affiliates to market to you</li></ul> <p>State laws and individual companies may give you additional rights to limit sharing. See below for more on your rights under state law.</p>
What happens when I limit sharing for an account I hold jointly with someone else?	Your choices will apply to everyone on your account.

## Definitions

Affiliates	<p>Companies related by common ownership or control. They can be financial and non-financial companies.</p> <ul style="list-style-type: none"><li>Our affiliates include companies with an LPL Financial name; financial companies such as The Private Trust Company, N.A; non-financial companies and others.</li></ul>
Non-Affiliates	<p>Companies not related by common ownership or control. They can be financial and non-financial companies.</p> <ul style="list-style-type: none"><li>Non-affiliates we may share information with include an independent representative's new brokerage or an investment advisory firm.</li></ul>
Joint marketing	<p>A formal agreement between non-affiliates financial companies that together market financial products or services to you:</p> <ul style="list-style-type: none"><li>This may include banks, credit unions or other financial institutions with which we have a joint marketing agreement</li></ul>

## Other Important Information

### Information for California, North Dakota, and Vermont Customers

In response to applicable state law, if the mailing address provided for your account is in California, North Dakota, or Vermont, we will automatically treat your account as if you do not want us to disclose your personal information to non-affiliated third parties for purposes of them marketing to you, except as permitted by the applicable state law.

### Additional Information Regarding the LPL Financial Privacy Notice

#### For clients of LPL advisors also affiliated with a bank, credit union or other financial institution

If your account was opened in our offices located at a financial institution, such as a bank or credit union; and that financial institution decides to enter into a relationship with a new financial services provider, we may share your information with that new financial services provider so that your account can continue to be serviced.

### Mail-In Form

#### Privacy Choices Notice

(To be used by clients of LPL Financial *independent* advisors only—not clients of advisors associated with a bank or credit union)

If you would like to limit the personal information that your financial advisor could disclose or take if he or she moved to another brokerage or investment advisory firm and terminated the relationship with LPL, please complete and mail the following form to:

LPL Financial  
Attn: Privacy Office  
1055 LPL Way  
Fort Mill, SC 29715

You can withdraw your opt-out choice at any time by contacting us in writing at the address provided above.

If your primary address is in a state that requires your affirmative consent to share your personal information with the New Firm, then you must give your written consent before we will allow your financial advisor to take any of your personal information to that New Firm.

Please be aware that LPL Financial entered into the Protocol for Broker Recruiting (Protocol) on September 4, 2008, with certain other brokerage firms, and if LPL remains a signatory to the Protocol as of the effective date of your advisor's termination from LPL, then LPL will permit your financial advisor to take your name, address, phone number, email address and the account title of the accounts serviced (or additional information as permitted if the Protocol is amended) while your financial advisor was associated with LPL if your advisor joins one of these Protocol firms. The retention of this limited information by your advisor under the Protocol may occur even if you have exercised your rights to limit information sharing as described above.

By completing and returning this form as described, I am instructing LPL Financial to limit the personal information about me that my financial advisor could disclose or take if he or she moves to another brokerage or investment advisory firm and terminates the relationship with LPL Financial. However, I understand that LPL may disclose my name, address, telephone number, email and the account title of the accounts serviced by my advisor to the new brokerage or investment advisory firm as allowed under federal and certain state laws and the Protocol.

Please note that for accounts held jointly by two or more persons, the privacy choices made by any account holder apply to all joint holders with respect to the account. In order for your opt-out election to be effective, you must complete ALL of the following information:

**In order for your opt-out election to be effective, you must complete ALL of the following information:**

Name (please print clearly) \_\_\_\_\_

Address \_\_\_\_\_

City \_\_\_\_\_ State/Zip \_\_\_\_\_ Phone Number \_\_\_\_\_

Name of LPL Financial Advisor \_\_\_\_\_

Signature \_\_\_\_\_ Date \_\_\_\_\_

**ACCOUNT PACKET**

**LPL FINANCIAL FIRM BROCHURE**

LPL Financial LLC  
1055 LPL Way, Fort Mill, SC 29715  
[www.lpl.com](http://www.lpl.com) (704) 733-3482

March 30, 2020

This brochure provides information about the qualifications and business practices of LPL Financial. If you have any questions about the contents of this brochure, please contact your LPL Financial representative or LPL Financial at [lplfinancial.adv@lpl.com](mailto:lplfinancial.adv@lpl.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.

Additional information about LPL Financial also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

**ITEM 1 COVER PAGE**

**ITEM 2 MATERIAL CHANGES**

The following is a summary of certain changes made to this Brochure from the time of the most recent annual update dated March 29, 2019. The Brochure was updated generally to include the availability of non-hourly and ongoing financial consulting services. Items 8 and 11 were updated to provide more information regarding collateralized lending available through LPL and related risks and conflicts of interest if a client decides to participate, as well as to include disclosure regarding the ability to seek secured loans with banks outside of LPL's program. Item 9 was also updated to provide information regarding disciplinary events, involving (i) a consent order with the Commonwealth of Massachusetts ("MA"), Securities Division, in connection with LPL's failure to timely register (or maintain the registration of) certain agents in MA and failure to amend Forms U4 and U5 for certain agents registered in MA, and (ii) FINRA sanctions in connection with LPL's failure to establish, maintain, and enforce supervisory systems and procedures to take into account changes in the authority of custodians of accounts established under the Uniform Gifts to Minors Act and/or the Uniform Transfers to Minors Act. Item 11 was updated to indicate compensation LPL receives when a customer opens a credit card through a partner bank.

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## ACCOUNT PACKET

### LPL FINANCIAL FIRM BROCHURE

#### ITEM 4 ADVISORY BUSINESS

##### Introduction

LPL Financial LLC ("LPL") is an investment advisor registered with the Securities and Exchange Commission ("SEC") pursuant to the Investment Advisers Act of 1940 (the "Advisers Act"). LPL has provided advisory services as a registered investment advisor since 1975. Note that registration as an investment advisor with the SEC does not imply a certain level of skill or training. As of December 31, 2019, LPL managed approximately \$207,162,500,000 of client assets on a discretionary basis and approximately \$630,700,000 of client assets on a non-discretionary basis. LPL is owned 100% by LPL Holdings, Inc., which is owned 100% by LPL Financial Holdings Inc., a publicly held company.

LPL's advisory services are made available to clients primarily through individuals associated with LPL as investment advisor representatives ("IARs"). For more information about the IAR providing advisory services, client should refer to the Brochure Supplement for the IAR. The Brochure Supplement is a separate document that is provided by the IAR along with this Brochure before or at the time client engages the IAR. If client did not receive a Brochure Supplement for the IAR, the client should contact the IAR or LPL at [lplfinancial.adv@lpl.com](mailto:lplfinancial.adv@lpl.com). IARs are required by applicable rules and policies to obtain licenses and complete certain training in order to recommend certain investment products and services. You should be aware that your IAR, depending on the licenses or training obtained, may or may not be able to recommend certain investments, models or services. In addition, your IAR may be located at a financial institution that does not offer certain products, investments, models or services. Please ask your IAR whether any limitations apply.

##### Types of Advisory Services

LPL offers various types of advisory services and programs, including wrap programs, mutual fund asset allocation programs, advisory programs offered by third party investment advisor firms, financial planning and consulting services, retirement plan consulting services, investment research, an advisor-enhanced digital advice program, and other customized advisory services. This Brochure provides information about LPL and the following types of advisory services that LPL provides: financial planning and consulting services, advisory and consulting services to participants on retirement plan assets, third party asset management program services, customized advisory services, investment research, overlay portfolio management services, and referral services related to advisory programs of third party asset management firms.

LPL provides information in separate disclosure brochures for its services offered through the following LPL advisory programs: Strategic Asset Management, Strategic Asset Management II, Manager Select, Manager Access Select, Personal Wealth Portfolios, Optimum Market Portfolios, Model Wealth Portfolios, Guided Wealth Portfolios, Retirement Plan Consulting and Small Market Solution programs. If clients would like more information on such programs, clients should contact the IAR for a copy of the program brochure that describes such program or go to [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

LPL is also a broker-dealer registered with the Financial Industry Regulatory Authority ("FINRA"), and IARs are typically also registered with LPL as a broker-dealer registered representative. Therefore, in such case, IARs are able to offer a client both investment advisory and brokerage services. Before engaging with an IAR, clients should take time to consider the differences between an advisory relationship and a brokerage relationship to determine which type of service best serves the client's investment needs and goals. All recommendations regarding advisory accounts will be in an advisory capacity, and any recommendations regarding any brokerage account a client opens with LPL will be in a brokerage capacity, unless a client is expressly told otherwise. Clients should speak to the IAR to understand the different types of services available through LPL.

As further discussed in this Brochure, certain programs are offered either on a non-discretionary or discretionary basis. "Non-discretionary" services require clients to initiate or pre-approve investment transactions in their accounts before they can occur, whereas "discretionary" services authorize the IAR or other designated third party investment advisor to buy, sell or hold investment positions without obtaining pre-approval from clients for each transaction.

Following is a summary description of advisory services covered by this Brochure. Please consult the applicable client account agreement and fee schedules for additional information and details regarding these programs.



## **ACCOUNT PACKET**

### **LPL FINANCIAL FIRM BROCHURE**

#### **Financial Planning & Consulting Services**

Under our Financial Planning & Consulting Services Program, LPL, through its IARs, provides personal financial planning and consulting services tailored to the individual needs of the client. The scope of Services is determined between the client and IAR and may range from comprehensive financial planning to consulting on a particular issue, including focus on topics such as retirement planning, education planning, estate planning, cash flow/budget planning, risk management planning, personal wealth planning, tax planning, business planning, investment planning/asset allocation, or such other financial planning or consulting services needs as designated in the Financial Planning & Consulting Services Program Agreement, and may include delivery of a written financial plan depending upon the scope of agreed upon services.

LPL and IAR will not have any discretionary investment authority when offering financial planning or consulting services nor do these services include implementing or monitoring of any recommendations provided by the IAR to client.

#### **Participant Consulting Advice Program (PCAP)**

As part of PCAP, LPL, through its IARs, provides written asset allocation and/or specific investment recommendations for client retirement plan assets based on the investment options available within the retirement plan and based on the financial and other information provided by the client. The PCAP services will be limited to recommendations for the following investment options: mutual funds, exchange traded funds, collective investment trusts, pooled separate accounts, allocations among annuity sub-accounts, publicly traded employer stock ("company stock") and other securities that may be available in brokerage windows or other similar plan arrangements that enable participants to select investments beyond those designated by the Plan. The IAR tailors the recommendation to the individual needs of the client based upon the investment objective chosen by the client. The engagement terminates upon delivery of the written recommendation.

The client retains the sole responsibility for determining whether to implement any recommendations made by the IAR and for placing any resulting transactions. LPL and the IAR do not provide ongoing consulting or management services, and do not have discretionary authority with respect to the client's retirement plan assets. In addition, LPL and IAR do not provide any advice or recommendations regarding any participant loans from client's retirement plan assets.

#### **Individual Participant Advice (IPA)**

Under the IPA program, LPL through its IARs provides management of a participant's self-directed retirement plan account. IAR will provide advice regarding securities made available as investment options through the plan or through a self-directed brokerage account. These services will be offered through an agreement between LPL, the IAR, and the client. In connection with such services, IAR will obtain the necessary financial data from the client, assist the client in setting an appropriate investment objective for the account, and provide investment advice with respect to the assets in the account based on the investment objective selected. Clients may impose reasonable restrictions on investing in certain securities or a group of securities. IAR will typically have discretionary authority to trade the participant's account directly at the custodian. The IAR will not provide advice or recommendations regarding any participant loans, as part of the IPA program.

#### **Other Participant Advice Services**

LPL, through its IARs, may also provide ongoing management of a participant's self-directed retirement plan account through a centralized management platform using investment models designed by LPL and third party investment strategists. Under such engagements, clients may authorize LPL and/or IARs to purchase and sell securities on a discretionary or non-discretionary basis pursuant to an investment objective chosen by the client. In addition, clients also may have access to other services available through LPL for participants, including automated rebalancing features. Discretionary or non-discretionary authority is set out in the advisory agreement between LPL, IAR and the client, as well as any additional access to tools described above. The IAR obtains the necessary financial data from the client, assists the client in determining the suitability of the advisory services and assists the client in setting the appropriate investment objective. LPL and IAR provide ongoing investment advice and management that is tailored to the individual needs of the client based on the investment objective chosen by the client. Clients generally may impose reasonable restrictions on investing in certain securities or groups of securities.



## ACCOUNT PACKET

### LPL FINANCIAL FIRM BROCHURE

#### Third-Party Asset Management Program (TAMP) Services

LPL provides access to asset management programs offered by third party investment advisors (referred to as “TAMP sponsors”) with which LPL has entered an agreement to make their services available. These TAMP sponsors are subject to review by LPL’s standards for inclusion as a TAMP and are subject to future change. Currently, available TAMP sponsors include: Loring Ward and SEI.

TAMP services generally begin with the IAR obtaining the necessary financial data from the client to assist with setting an appropriate investment objective, determining the suitability of the program and in opening an account with the TAMP sponsor. Depending on the particular program, the IAR may also assist the client with selecting a model portfolio of securities designed and managed by either the TAMP sponsor or a selected portfolio management firm available through the TAMP sponsor responsible for providing discretionary asset management services. The TAMP sponsor or other third party investment advisor is granted client authority in its client agreement to purchase and sell securities on a discretionary or non-discretionary basis pursuant to investment objective chosen by the client. In doing so, the TAMP sponsor or other third party investment advisors typically construct various model investment portfolios that are managed according to specific investment strategies associated with the respective models, and that are not generally customized for individual clients (subject to the client’s ability to request reasonable investment restrictions on investing in securities or other special accommodations that may be made). In addition to portfolio management services, the TAMP sponsor will also generally arrange for custody of client assets, trade execution, cashiering services, and such other services as outlined in their separate client agreement and Brochure. In limited cases involving certain retirement plans, LPL and the IAR may undertake to provide plan-level investment advisory and education services under a consulting arrangement specifying such additional services.

Since the TAMP services provided by each TAMP sponsor or other third party investment advisor in the TAMP program are unique, clients should request and carefully review the applicable Brochure, client agreement and other account paperwork for each TAMP for more detailed information about the services provided by the TAMP sponsor, including without limitation, a description of the TAMP sponsor’s background, investment strategies, fees, custody arrangements, conflicts of interest, and other relevant information regarding the TAMP sponsor’s services and business practices. Clients may request a copy of their Brochure from the IAR or by visiting [www.adviser.in.sec.gov](http://www.adviser.in.sec.gov). Clients may also request the advisor’s Form ADV 2B Supplemental Brochure from their IAR for detailed information about the management personnel responsible for managing client investment portfolios.

#### Customized Advisory Services

LPL, through its IARs, offers advisory services to clients outside of an LPL advisory program or any TAMP program described above. Under such customized engagements, clients authorize IARs to purchase and sell securities on a discretionary or non-discretionary basis pursuant to an investment objective chosen by the client. This authority is set out in an advisory agreement between LPL, IAR and the client. The IAR obtains the necessary financial data from the client, assists the client in determining the suitability of the advisory services and assists the client in setting the appropriate investment objective. The IAR provides ongoing investment advice and management that is tailored to the individual needs of the client based on the investment objective chosen by the client. Depending on the specific engagement, the types of securities that the IAR may purchase and sell include mutual funds, ETFs, equities, fixed income securities, and/or variable annuity subaccounts. Clients generally may impose reasonable restrictions on investing in certain securities or groups of securities. The assets managed as part of a customized engagement typically are held at a custodian other than LPL.

#### Research Services

LPL’s Research Department makes available investment research materials, which include recommendations on asset allocation and mutual funds, variable annuity subaccounts, and ETFs. When LPL provides investment research, LPL makes no analysis of and does not consider clients’ individual circumstances or objectives, and does not tailor any model asset allocation to any specific client’s needs, circumstances or objectives.



## ACCOUNT PACKET

### LPL FINANCIAL FIRM BROCHURE

LPL's Research Department provides investment consulting services to the investment advisor of the Optimum Funds mutual fund family. These services include assisting the investment advisor in determining whether to engage, maintain or terminate sub-advisors for the Optimum Funds.

#### Bank Wealth Program

LPL provides several wealth management tools, such as technology, research, and advisory services, through a platform called the Bank Wealth Program ("BWP"). BWP is available to clients that are banks, corporate trustees, thrifts, trust companies, broker-dealers, investment advisors, and other financial institutions ("Institutions"). BWP's tools and services include client acquisition and management tools, data reconciliation services, portfolio monitoring and rebalancing technologies, reporting services, research services, and money manager due diligence.

Not all services are provided to every Institution on the BWP platform. For instance, LPL's research may or may not be offered to each Institution. Furthermore, LPL does not currently custody the assets for BWP, though it may in the future. LPL also does not integrate LPL's brokerage services, and Institutions, in most cases, direct trades to third party broker-dealers, as directed by the Institution.

Institutions may use active discretionary investment management services from independent investment managers researched by LPL. LPL provides due diligence on some independent investment managers offered on BWP. LPL may also offer asset allocation analysis. LPL primarily evaluates money managers and managers of separate accounts, but may also evaluate mutual funds and other security types.

#### Solicitor Referral Services for Investment Advisors

LPL and its IARs act as referral agents or "solicitors" on behalf of third party investment advisors pursuant to a referral agreement. In such case, LPL provides services to the third party investment advisor related to the referred client. The IAR provides the referred client a disclosure statement regarding the role of LPL and the IAR as a referral agent and related referral fees, but the IAR does not enter into an agreement with the client to provide ongoing investment management. Instead, the client engages the third party investment advisor for management services. In limited cases involving certain retirement plans, LPL and the IAR may undertake to provide plan-level investment advisory and education services under a consulting arrangement specifying such additional services. Please see Item 14 below for more information about these referral services and the related compensation.

## ITEM 5 FEES AND COMPENSATION

#### Financial Planning & Consulting Services

For these services, the fee is negotiated between the IAR and client and the amount of the fee is as stated in the client agreement. The fee is paid to LPL, and LPL shares up to 100% (typically between 90% and 100%) of the fee with the IAR based on the agreement between LPL and the IAR.

For financial planning and consulting services, clients pay either on a flat fee basis, an hourly basis or on an ongoing fee basis, and will be billed at such frequency (e.g., upfront, monthly, quarterly, semi-annually or annually) as negotiated with the IAR and indicated in Schedule A to the client agreement. The maximum hourly charge is \$500 per hour and the flat rate fee generally ranges from \$0 to \$20,000. The IAR may elect to provide these services on a complimentary basis for no fee, and on a case-by-case basis may charge a higher fee depending upon the complexity of the plan. Clients should understand that the fee client negotiates with IAR for these services may be higher than the fees charged by other investment advisors for similar services. This is the case, in particular, if the fee is at or near the maximum fees set out above. The IAR is responsible for determining the fee to charge each client based on factors such as total amount of assets involved in the relationship, the complexity of the planning services, and the number and range of supplementary advisory and client-related services to be provided. Clients should consider the level and complexity of the planning services to be provided when negotiating the fee with IAR.



## **ACCOUNT PACKET**

### **LPL FINANCIAL FIRM BROCHURE**

Clients may pay the financial planning fee by check made payable to LPL Financial LLC. In the alternative, clients may instruct and authorize LPL to debit the fee on a one-time or reoccurring basis either (i) from a non-retirement account of the client held at LPL or (ii) through an LPL approved third party payment processing service.

The client may terminate the client agreement at any time, and may request a refund of unearned fees, if any, based on the time and effort completed prior to termination of the agreement. No refunds will be made after completion of the plan or delivery of the consulting services, except when the number of actual hours is less than the estimated number of hours quoted in the client agreement.

#### **Participant Consulting Advice Program (PCAP)**

For these services, the fee is negotiated between the IAR and client and the amount of the fee is as stated in the PCAP agreement. The fee is paid to LPL, and LPL shares up to 100% (typically between 90% and 100%) of the fee with the IAR based on the agreement between LPL and the IAR. Client pays either on an hourly basis or flat rate basis. The hourly charge is a maximum of \$400 per hour and the flat rate fee ranges from \$0 to \$5,000. On a case-by-case basis, LPL also may charge a higher fee depending upon the complexity of the service. The client may elect to pay the fee upon execution of the PCAP agreement or upon delivery of the recommendation.

Clients should understand that the fee client negotiates with IAR may be higher than the fees charged by other investment advisors for similar services. This is the case, in particular, if the fee is at or near the maximum fees set out above. The IAR is responsible for determining the fee to charge each client based on factors such as total amount of assets involved in the relationship and the complexity of the PCAP services. Clients should consider the level and complexity of the services to be provided when negotiating the fee with IAR.

Clients pay the fee by check made payable to LPL Financial LLC. In the alternative, clients also may instruct and authorize LPL to debit the fee from a non-retirement account of the client held at LPL.

The client may terminate the PCAP agreement at any time, and may request a refund of unearned fees, if any, based on the time and effort completed prior to the termination of the agreement. The PCAP agreement terminates upon delivery of the written recommendation. No refunds will be made after delivery of the written recommendation, except when the number of actual hours is less than the estimated number of hours quoted in the PCAP agreement.

#### **Third-Party Asset Management Programs**

For TAMPs, clients pay an advisory fee as set out in the client agreement with the TAMP sponsor. The fee is typically negotiated among the TAMP sponsor, the IAR and the client. The TAMP sponsor may establish a fee schedule or set a minimum or maximum fee. The TAMP fee schedule will be set out in the Disclosure Brochure provided by the TAMP sponsor. The advisory fee typically is based on the value of assets under management as valued by the custodian of the assets for the account and will vary by program. The advisory fee typically will be deducted from the account by the custodian and generally paid quarterly in arrears or in advance, although some arrangements may deduct fees in this manner monthly. The advisory fee is often paid to the TAMP sponsor, who in turn pays a portion to LPL. The maximum fee typically paid to LPL is 2%, but may be higher or lower in certain circumstances, of which LPL shares between 90% and 100% of the portion of the fee with the IAR based on the agreement between LPL and the IAR. A TAMP account may be terminated by a party pursuant to the terms outlined in the TAMP client agreement. The TAMP Brochure or client agreement will explain how clients can obtain a refund of any pre-paid fee if the agreement is terminated before the end of a billing period.

There are other fees and charges imposed by third parties that apply to investments in TAMP accounts. Some of these fees and charges are described below, and should be outlined in the TAMP sponsors' respective Brochures as applicable. The client will be charged commissions, markups, markdowns, or transaction charges by the broker-dealer who executes transactions in the TAMP account. There also are custodial related fees imposed by the custodian of assets for the program account. These additional fees and charges will be set out in the TAMP Form ADV Disclosure Brochure and the agreements executed by the client at the time the account is opened.



## ACCOUNT PACKET

### LPL FINANCIAL FIRM BROCHURE

If assets are invested in mutual funds, ETFs or other pooled funds, there are two layers of advisory fees and expenses for those assets. Client will pay an advisory fee to the fund manager and other expenses as a shareholder of the fund. Client will also pay the TAMP advisory fee with respect to those assets. The mutual funds and ETFs available in the programs often may be purchased directly. Therefore, clients could avoid the second layer of fees by not using the advisory services of the TAMP and IAR and by making their own decisions regarding the investment.

A mutual fund in a TAMP program account may pay an asset based sales charge or service fee (e.g., 12b-1 fee) that is paid to the broker-dealer on the account. LPL and IARs generally are not paid these fees for TAMP program accounts.

If client transfers into a TAMP account a previously purchased mutual fund, and there is an applicable contingent deferred sales charge on the fund, client will pay that charge when the mutual fund is sold. If the account is invested in a mutual fund that charges a fee if a redemption is made within a specific time period after the investment, client will be charged a redemption fee. If a mutual fund has a frequent trading policy, the policy can limit a client's transactions in shares of the fund (e.g., for rebalancing, liquidations, deposits or tax harvesting).

If client holds a variable annuity that is managed as part of a TAMP account, there are mortality, expense and administrative charges, fees for additional riders on the contract and charges for excessive transfers within a calendar year imposed by the variable annuity sponsor. If client holds a UIT in a program account, UIT sponsors charge creation and development fees or similar fees. Further information regarding fees assessed by a mutual fund, variable annuity or UIT is available in the appropriate prospectus, which clients may request from IAR.

If the TAMP program is a wrap fee program, clients should understand that the wrap fee may cost the client more than purchasing the program services separately, for example, paying fees for the advisory services of the TAMP and IAR, plus commissions for each transaction in the account. Factors that bear upon the cost of the account in relation to the cost of the same services purchased separately include the:

- type and size of the account
- types of securities in the account
- historical and or expected size or number of trades for the account, and
- number and range of supplementary advisory and client-related services provided to the client.

The investment products and services available to be purchased in TAMP program accounts can be purchased by clients outside of a TAMP program account, through LPL or through broker-dealers or other investment firms not affiliated LPL or the TAMP.

Client should be aware that securities transferred into an account may have been subject to a commission or sales load when the security was originally purchased. After transfer into an advisory account, client should understand that an advisory fee will be charged based on the total assets in the account, including the transferred security. When transferring securities into an account, client should consider and speak to IAR about whether:

- a commission was previously paid on the security;
- client wishes for the security to be managed as part of the account and be subject to an advisory fee; or
- client wishes to hold the security in a brokerage account that is not managed and not subject to an advisory fee.

### Customized Advisory Services, IPA and Other Participant Advice Services

Fees for customized and participant advisory services are typically based on the value of assets under management and will vary by engagement. The amount of the fee will be set out in the client agreement executed by the client at the time the relationship is established. The maximum advisory fee is generally 1.5%, the advisory fee is negotiable between the IAR and the client or plan sponsor on behalf of the plan participant, and is payable either in advance or in arrears as described in the client agreement. The advisory fee will be paid to LPL, and LPL shares between 70% and 100% of the advisory fee with the IAR based on the agreement between LPL and the IAR. A custom program account may be terminated according to the client agreement. If the client agreement provides for payment in advance, the agreement will state how the client can obtain a refund of any pre-



## **ACCOUNT PACKET**

### **LPL FINANCIAL FIRM BROCHURE**

paid fee if the agreement is terminated before the end of the billing period. LPL also offers its participant advice platforms to separately registered investment advisers. In such situations, LPL does not serve in an advisory or brokerage capacity to plan sponsors or participants.

In certain cases, LPL serves as the broker-dealer on transactions in a customized advisory account. In such case, LPL charges the client transaction charges in connection with trade execution through LPL. The transaction charges will be clearly stated in the client agreement executed by the client at the time the relationship is established. If the custom advisory services apply to variable annuities for which the IAR receives trail compensation, such trail fees generally will be used to offset the advisory fee. In most cases, however, a third party broker dealer will provide trade execution. In such case, the broker-dealer charges clients commissions, markups, markdowns and/or transaction charges.

Clients should refer to the information provided above for TAMP programs regarding other fees and charges imposed by third parties that apply to a custom advisory, IPA or other participant advice account. For the services described above, LPL and IAR share in the advisory fees charged to the client. The portion of the advisory fee received by IAR may be more than what the IAR would receive at another investment advisor firm.

#### **Research Services**

LPL generally does not charge a separate fee for its Research services. The services are typically part of a bundled service offering to other investment firms. As compensation for the investment consulting services LPL provides to the investment advisor to the Optimum Funds, LPL receives an investment consulting fee of up to 0.22% of assets from such investment advisor.

#### **Bank Wealth Program**

For BWP, Institutions pay an advisory fee set forth in the agreement between Institution and LPL. The base fee is typically a percentage of the assets held in each SMA or UMA account, as applicable. The fee varies depending on which investment model the Institution chooses, for example, its own model or a third party manager model. If the base fee falls below a minimum amount, which is set forth in the agreement and varies by Institution, the Institution is still responsible for paying the minimum amount. Additional fees may or may not be charged for additional services, such as tax management services or strategist services. BWP also may provide reporting services on brokerage accounts, and a flat annual fee is charged for such services.

#### **ITEM 6 PERFORMANCE BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

This Item is not applicable. LPL and its IARs do not accept performance-based fees.

#### **ITEM 7 TYPES OF CLIENTS**

LPL's advisory services are available for individuals, individual retirement accounts ("IRAs"), banks and thrift institutions, pension and profit sharing plans, including plans subject to Employee Retirement Income Security Act of 1974 ("ERISA"), participants in such plans, trusts, estates, charitable organizations, state and municipal government entities, corporations and other business entities.

LPL does not require a minimum asset amount for financial planning and consulting services, participant consulting or research services. For customized advisory services, any required minimum account value will be set out in the client agreement.

For TAMPs, the TAMP sponsor typically establishes a minimum account value, which will be set out in the account opening documents and Form ADV Part 2A of the TAMP sponsor.

#### **ITEM 8 METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

The IAR has access to various research reports and model portfolios to which he or she may refer in determining investment advice IAR provides to clients. The IAR chooses his or her own research methods, investment style and management philosophy. It is important to note that no methodology or investment strategy is guaranteed to be successful or profitable.

LPL's Research Department makes recommendations regarding asset allocation, mutual funds, variable annuity subaccounts and money managers. IARs may or may not follow these recommendations in providing investment advice. LPL Research also



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constructs asset allocation model portfolios and provides recommendations on the funds to populate those models. In constructing these models, LPL Research uses the following investment strategies: Diversified and Alternative Strategy. Although these descriptions are written in terms of individual equities and/or bonds, they include mutual funds or ETFs whose portfolios consist of the type of equities or bonds referenced.

- *Diversified.* The Diversified investment strategy seeks to promote capital appreciation while taking a reasonable amount of risk to achieve that goal. The strategy is subject to minimal constraints, which allows for a relatively pure implementation of LPL Research's investment advice. In general, Diversified portfolios should be considered by investors seeking investments in primarily stocks and bonds, along with the occasional non-traditional asset class to take advantage of potential market opportunities. Diversified portfolios will hold primarily traditional asset classes. Secondly, if a non-traditional asset class represents the investment that provides the most appropriate means of taking advantage of a market opportunity, it will be included in the recommendation. The non-traditional investments included in Diversified portfolios are more standard, such as conservative balanced strategies. Diversified portfolios tend to be steady in their number of positions. These portfolios tend to remain consistently diversified.
- *Alternative Strategy.* The Alternative Strategy investment strategy seeks to promote capital appreciation while taking a reasonable amount of risk to achieve that goal. Unlike the other two strategies that may have an allocation to alternative strategy or non-traditional assets classes, this portfolio typically has an allocation to non-traditional asset classes. This strategy extends the diversification beyond the core style box asset classes into strategies with lower correlation to stocks and bonds in order to lower risk, as defined by standard deviation and maximum drawdown (peak to trough loss), while attempting to maintain long-term performance similar to other portfolios in the same investment objective.

#### Types of Investments and Risks

Depending on the type of service being provided, LPL and IARs can recommend different types of securities, including mutual funds, unit investment trusts ("UITs"), closed end funds, interval funds, ETFs, collective investment trusts, variable annuity subaccounts, equities, fixed income securities, options, hedge funds, managed futures, and structured products. Investing in securities involves the risk of loss that clients should be prepared to bear. Described below are some risks associated with investing and with some types of investments that an IAR can recommend depending on the service provided.

- *Market Risk.* This is the risk that the value of securities owned by an investor may go up or down, sometimes rapidly or unpredictably, due to factors affecting securities markets generally or particular industries.
- *Interest Rate Risk.* This is the risk that fixed income securities will decline in value because of an increase in interest rates; a bond or a fixed income fund with a longer duration will be more sensitive to changes in interest rates than a bond or bond fund with a shorter duration.
- *Credit Risk.* This is the risk that an investor could lose money if the issuer or guarantor of a fixed income security is unable or unwilling to meet its financial obligations.
- *Issuer-Specific Risk.* This is the risk that the value of an individual security or particular type of security can be more volatile than the market as a whole and can perform differently from the value of the market as a whole.
- *Investment Company Risk.* To the extent a client account invests in ETFs or other investment companies, its performance will be affected by the performance of those other investment companies. Investments in ETFs and other investment companies are subject to the risks of the investment companies' investments, as well as to the investment companies' expenses. If a client account invests in other investment companies, the client account may receive distributions of taxable gains from portfolio transactions by that investment company and may recognize taxable gains from transactions in shares of that investment company, which would be taxable when distributed.
- *Concentration Risk.* To the extent a client account concentrates its investments by investing a significant portion of its assets in the securities of a single issuer, industry, sector, country or region, the overall adverse impact on the client of adverse developments in the business of such issuer, such industry or such government could be considerably greater than if they did not concentrate their investments to such an extent.



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- *Sector Risk.* To the extent a client account invests more heavily in particular sectors, industries, or sub-sectors of the market, its performance will be especially sensitive to developments that significantly affect those sectors, industries, or sub-sectors. An individual sector, industry, or sub-sector of the market may be more volatile, and may perform differently, than the broader market. The several industries that constitute a sector may all react in the same way to economic, political or regulatory events. A client account's performance could be affected if the sectors, industries, or sub-sectors do not perform as expected. Alternatively, the lack of exposure to one or more sectors or industries may adversely affect performance.
- *Alternative Strategy Mutual Funds.* Certain mutual funds invest primarily in alternative investments and/or strategies. Investing in alternative investments and/or strategies may not be suitable for all investors and involves special risks, such as risks associated with commodities, real estate, leverage, selling securities short, the use of derivatives, potential adverse market forces, regulatory changes and potential illiquidity. There are special risks associated with mutual funds that invest principally in real estate securities, such as sensitivity to changes in real estate values and interest rates and price volatility because of the fund's concentration in the real estate industry. These types of funds tend to have higher expense ratios than more traditional mutual funds. They also tend to be newer and have less of a track record or performance history.
- *Closed-End/Interval Funds.* Clients should be aware that closed-end funds available within the program may not give investors the right to redeem their shares, and a secondary market may not exist. Therefore, clients may be unable to liquidate all or a portion of their shares in these types of funds. While the fund may from time to time offer to repurchase shares, it is not obligated to do so (unless it has been structured as an "interval fund"). In the case of interval funds, the fund will provide limited liquidity to shareholders by offering to repurchase a limited amount of shares on a periodic basis, but there is no guarantee that clients will be able to sell all of the shares in any particular repurchase offer. The repurchase offer program may be suspended under certain circumstances.
- *Exchange-Traded Funds (ETFs).* ETFs are typically investment companies that are legally classified as open end mutual funds or UITs. However, they differ from traditional mutual funds, in particular, in that ETF shares are listed on a securities exchange. Shares can be bought and sold throughout the trading day like shares of other publicly-traded companies. ETF shares may trade at a discount or premium to their net asset value. This difference between the bid price and the ask price is often referred to as the "spread." The spread varies over time based on the ETF's trading volume and market liquidity, and is generally lower if the ETF has a lot of trading volume and market liquidity and higher if the ETF has little trading volume and market liquidity. Although many ETFs are registered as an investment company under the Investment Company Act of 1940 like traditional mutual funds, some ETFs, in particular those that invest in commodities, are not registered as an investment company. ETFs may be closed and liquidated at the discretion of the issuing company.
- *Exchange-Traded Notes (ETNs).* An ETN is a senior unsecured debt obligation designed to track the total return of an underlying market index or other benchmark. ETNs may be linked to a variety of assets, for example, commodity futures, foreign currency and equities. ETNs are similar to ETFs in that they are listed on an exchange and can typically be bought or sold throughout the trading day. However, an ETN is not a mutual fund and does not have a net asset value; the ETN trades at the prevailing market price. Some of the more common risks of an ETN are as follows: The repayment of the principal, interest (if any), and the payment of any returns at maturity or upon redemption are dependent upon the ETN issuer's ability to pay. In addition, the trading price of the ETN in the secondary market may be adversely impacted if the issuer's credit rating is downgraded. The index or asset class for performance replication in an ETN may or may not be concentrated in a specific sector, asset class or country and may therefore carry specific risks. ETNs may be closed and liquidated at the discretion of the issuing company.
- *Leveraged and Inverse ETFs, ETNs and Mutual Funds.* Leveraged ETFs, ETNs and mutual funds, sometimes labeled "ultra" or "2x" for example, are designed to provide a multiple of the underlying index's return, typically on a daily basis. Inverse products are designed to provide the opposite of the return of the underlying index, typically on a daily basis. These products are different from and can be riskier than traditional ETFs, ETNs and mutual funds. Although these products are designed to provide returns that generally correspond to the underlying index, they may not be able to exactly replicate the performance of the index because of fund expenses and other factors. This is referred to as tracking error. Continual re-setting of returns within the product may add to the underlying costs and increase the tracking error. As a result, this may



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prevent these products from achieving their investment objective. In addition, compounding of the returns can produce a divergence from the underlying index over time, in particular for leveraged products. In highly volatile markets with large positive and negative swings, return distortions may be magnified over time. Some deviations from the stated objectives, to the positive or negative, are possible and may or may not correct themselves over time. To accomplish their objectives, these products use a range of strategies, including swaps, futures contracts and other derivatives. These products may not be diversified and can be based on commodities or currencies. These products may have higher expense ratios and be less tax-efficient than more traditional ETFs, ETNs and mutual funds.

- **Options.** Option trading is permitted in certain programs. Clients should be aware that the use of options involves additional risks. The risks of covered call writing include the potential for the market to rise sharply. In such case, the security may be called away and the account will no longer hold the security. When purchasing options there is the risk that the entire premium paid (the purchase price) for the option can be lost if the option is not exercised or otherwise sold prior to the option's expiration date. When selling (or "writing") options, the risk of loss can be much greater if the options are written uncovered ("naked"). The risk of loss can far exceed the amount of the premium received for an uncovered option and in the case of an uncovered call option the potential loss is unlimited.
- **Structured Products.** Structured products are securities derived from another asset, such as a security or a basket of securities, an index, a commodity, a debt issuance, or a foreign currency. Structured products frequently limit the upside participation in the reference asset. Structured products are senior unsecured debt of the issuing bank and subject to the credit risk associated with that issuer. This credit risk exists whether or not the investment held in the account offers principal protection. The creditworthiness of the issuer does not affect or enhance the likely performance of the investment other than the ability of the issuer to meet its obligations. Any payments due at maturity are dependent on the issuer's ability to pay. In addition, the trading price of the security in the secondary market, if there is one, may be adversely impacted if the issuer's credit rating is downgraded. Some structured products offer full protection of the principal invested, others offer only partial or no protection. Investors may be sacrificing a higher yield to obtain the principal guarantee. In addition, the principal guarantee relates to nominal principal and does not offer inflation protection. An investor in a structured product never has a claim on the underlying investment, whether a security, zero coupon bond, or option. There may be little or no secondary market for the securities and information regarding independent market pricing for the securities may be limited. This is true even if the product has a ticker symbol or has been approved for listing on an exchange. Tax treatment of structured products may be different from other investments held in the account (e.g., income may be taxed as ordinary income even though payment is not received until maturity). Structured CDs that are insured by the FDIC are subject to applicable FDIC limits.
- **High-Yield Debt.** High-yield debt is issued by companies or municipalities that do not qualify for "investment grade" ratings by one or more rating agencies. The below investment grade designation is based on the rating agency's opinion of an issuer that it has a greater risk to repay both principal and interest and a greater risk of default than those issuers rated investment grade. High yield debt carries greater risk than investment grade debt. There is the risk that the potential deterioration of an issuer's financial health and subsequent downgrade in its rating will result in a decline in market value or default. Because of the potential inability of an issuer to make interest and principal payments, an investor may receive back less than originally invested. There is also the risk that the bond's market value will decline as interest rates rise and that an investor will not be able to liquidate a bond before maturity.
- **Hedge Funds and Managed Futures.** Hedge and managed futures funds may be purchased by clients meeting certain qualification standards. Investing in these funds involves additional risks including, but not limited to, the risk of investment loss due to the use of leveraging and other speculative investment practices and the lack of liquidity and performance volatility. In addition, these funds are not required to provide periodic pricing or valuation information to investors and may involve complex tax structures and delays in distributing important tax information. Client should be aware that these funds are not liquid as there is no secondary trading market available. At the absolute discretion of the issuer of the fund, there may be certain repurchase offers made from time to time. However, there is no guarantee that client will be able to redeem the fund during the repurchase offer.



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- *Business Development Companies (BDCs)*. BDCs are typically closed-end investment companies. Some BDCs primarily invest in the corporate debt and equity of private companies and may offer attractive yields generated through high credit risk exposures amplified through leverage. As with other high-yield investments, such as floating-rate/leveraged loan funds, private real estate investment trusts ("REITs") and limited partnerships, investors are exposed to significant market, credit and liquidity risks. In addition, fueled by the availability of low-cost financing, BDCs run the risk of over-leveraging their relatively illiquid portfolios. Due to the illiquid nature of non-traded BDCs, investors' exit opportunities may be limited only to periodic share repurchases by the BDC at high discounts.
- *Variable Annuities*. If client purchases a variable annuity that is part of the program, client will receive a prospectus and should rely solely on the disclosure contained in the prospectus with respect to the terms and conditions of the variable annuity. Client should also be aware that certain riders purchased with a variable annuity may limit the investment options and the ability to manage the subaccounts. Additionally, the decision to liquidate an annuity prior to its maturity date may result in surrender charges and a complete loss of certain benefits for which significant fees may have previously paid to the annuity issuer.
- *Company Stock*. If company stock is available as an investment option to client in a retirement plan, and if client chooses to invest in company stock, client should understand the risks associated with holding company stock in a retirement plan. These risks may include, but are not necessarily limited to, lack of liquidity, over-dependency on client's employer, and less flexibility to change the allocation of plan assets. Client should pay careful consideration to the benefits of a diversified portfolio. Although diversification is not a guarantee against loss, it can be an effective strategy to help manage investment risk.
- *Pledging Assets*. LPL has partnered with certain banks to help facilitate clients' access to collateralized non-purpose lines of credit; however, clients are not required to use the banks in LPL's program, and can work directly with other banks ("non-partner banks") to negotiate loan terms or obtain other financing arrangements. Clients who choose to use non-partner banks should notify their IARs of the amount of the line of credit. In these collateralized lending arrangements, clients borrow from the bank and pay interest to the bank. In some cases, an IAR may recommend that a client seeking to access funds (for purposes other than purchasing securities) hold his securities investments and instead utilize a non-purpose line of credit collateralized by the assets in his advisory account. Unless an IAR specifically recommends that a client hold his securities investments and instead utilize a collateralized line of credit to access funds, the decision regarding whether to arrange for a collateralized loan and the decision to draw down on such a loan are not covered by a client's advisory relationship with LPL or his IAR. While an IAR may assist the client with facilitating a line of credit, clients are responsible for independently evaluating the terms of the loan and deciding whether the loan meets their needs. Clients also should be aware that pledging assets in an account to secure a loan involves additional risks. The bank holding the loan has the authority to liquidate all or part of the securities at any time without your prior notice in order to maintain required maintenance levels, or to call the loan at any time. As a practical matter, this may cause you to sell assets and realize losses in a declining market. Moreover, an IAR's ability to make investment decisions or recommendations for the account may be restricted by collateral requirements imposed by the bank. These restrictions or a forced liquidation may interfere with your long term investment goals and/or result in adverse tax consequences. Further, you should note that the returns on accounts or on pledged assets may not cover the cost of loan interest and advisory fees. Clients should be aware that LPL's collateralized loan program is one way, among many, for clients to raise necessary cash. Before pledging assets in an account, clients should carefully review the loan agreement, loan application and any forms required by the bank and any other forms and disclosures provided by LPL. For a list of the banks currently participating in LPL's collateralized lending program, please visit [lpl.com/disclosures.html](http://lpl.com/disclosures.html), click on "Account Disclosures, Agreements, Fee Schedules & Conflicts of Interest," and then "Third Party Compensation and Related Conflicts of Interest."

### ITEM 9 DISCIPLINARY INFORMATION

As part of a voluntary self-reporting initiative in 2019, LPL entered into a settlement with the SEC in which the SEC found that LPL willfully violated Section 206(2) and 207 of the Advisers Act in connection with inadequate disclosure to clients of its and its associated persons' conflicts of interest related to its receipt of 12b-1 fees and/or its selection of mutual fund share classes that pay such fees. The SEC ordered LPL to cease and desist from committing or causing any violations of Sections 206(2) and 207 of



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the Advisers Act, censured it for its conduct, and ordered the payment of disgorgement and prejudgment interest to affected investors totaling \$9,333,516.

LPL, as a broker-dealer, is a member of FINRA and has found to be in violation of FINRA's rules related to its brokerage activities. In particular, LPL consented to sanctions related to the following matters:

- LPL's supervisory systems and procedures relating to changes in the authority of custodians of accounts established under the Uniform Gifts to Minors Act and/or the Uniform Transfers to Minors Act, resulting in a censure, a fine of \$300,000, and an undertaking to review and enhance its policies, systems, and procedures related to supervision of such accounts (2019).
- The effectiveness of LPL's anti-money laundering program, LPL's failure to amend certain Forms U4 and U5, and LPL's systems and supervisory procedures relating to Forms U4 and U5 reporting requirements, resulting in a censure and a fine of \$2,750,000 and an undertaking to review the process used to disclose customer complaints on Forms U4 and U5 (2018).
- LPL's brokerage supervisory and disclosure procedures related to the sale of certain brokered certificates of deposit in brokerage accounts, resulting in a censure and a fine of \$375,000 (2018).
- LPL's systems and supervisory procedures relating to the creation and distribution of certain required account notices, resulting in a censure, a fine of \$900,000, and an undertaking to review affected processes (2016).
- LPL's systems and supervisory procedures relating to the format in which certain electronic records were retained, resulting in a censure and a fine of \$750,000 (2016).
- LPL's various brokerage supervisory procedures, including those related to the sale of complex non-traditional ETFs, variable annuity ("VA") contracts, REITs and other products in brokerage accounts, as well as LPL's failure to monitor and report trades and deliver trade confirmations, resulting in a censure and a fine of \$10,000,000, and restitution of \$1,664,592 (2015).
- LPL's processing and supervision of the sale of alternative investments, including non-traded REITs, resulting in a censure and a fine of \$950,000 (2014).
- LPL's systems and procedures related to the review and retention of email, resulting in a censure, a fine of \$7.5 million, and establishment of a fund of \$1.5 million to cover payments to eligible former brokerage customer claimants who may not have received all emails in connection with their claim (2013).
- LPL's supervisory systems to monitor and ensure the timely delivery of mutual fund prospectuses, resulting in a censure and a fine of \$400,000 (2012).
- LPL's procedures regarding its review of e-mail communications, resulting in a censure and a fine of \$100,000 (2011).
- LPL's procedures on transmittals of cash and securities from customer accounts to third party accounts, resulting in a censure and a fine of \$100,000 (2011).
- LPL's procedures on supervision of VA exchanges, resulting in a censure and a fine of \$175,000 (2010).

LPL, as a broker-dealer, is regulated by each of the 50 states and has been the subject of orders related to the violation of state laws and regulations in connection with its brokerage activities. In particular, LPL entered into consent orders related to the following matters:

- LPL's failure to timely register (or maintain the registration of) certain agents in Massachusetts ("MA") and failure to amend Forms U4 and U5 for certain agents registered in MA, resulting in a censure, a fine of \$1,100,000, and an undertaking to review and enhance its policies and procedures related to registering its agents in MA and filing reportable events (MA, 2019).
- LPL's brokerage supervisory procedures relating to email review and annual branch office examinations, resulting in a civil penalty of \$450,000 and an undertaking for third-party review of related processes (Indiana, 2018).
- The sale of unregistered, non-exempt securities in violation of state registration requirements, resulting (upon entry of the individual consent order) in payment to each participating state or jurisdiction of a civil penalty of \$499,000, reimbursement of certain investigative expenses, remediation through repurchase of certain securities and payment of losses to certain affected customers, and certain additional undertakings (Settlement with up to 53 members of the North American Securities Administrators Association (NASAA), 2018).



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- The sale of non-traded alternative investments in excess of prospectus standards or LPL's internal guidelines and the maintenance of related books and records, resulting in a censure, a fine of \$950,000, a \$25,000 contribution to an investor education fund and remediation of losses to impacted customers (New Jersey, 2017).
- LPL's supervisory practices for LPL representatives located on the premises of a credit union, resulting in a censure, a fine of \$1,000,000, and an undertaking to avoid investor confusion specific to the name under which the credit union does business and review LPL's related policies and procedures (MA, 2017).
- LPL's oversight of certain VA transactions, resulting in a censure, a fine of \$975,000, restitution to clients and former clients of an LPL representative, disgorgement of commissions retained by LPL in connection with such representative's VA sales, and an undertaking to review such representative's brokerage and advisory activities and LPL's related policies and procedures (MA, 2017).
- The sale in brokerage accounts of non-traded REITs in excess of prospectus standards, state concentration limits or LPL's internal guidelines, resulting in an aggregate civil penalty of \$1,425,000, reimbursement of certain investigative expenses and remediation of losses to impacted customers (Global settlement with certain members of NASAA, 2015).
- The sale of non-traded REITs in excess of prospectus standards, state concentration limits or LPL's internal guidelines, resulting in an administrative fine of \$250,000, reimbursement of investigative costs of \$250,000, a \$250,000 contribution to an investor education fund and remediation of losses to impacted customers (New Hampshire, 2015).
- The sale of leveraged and inverse leveraged ETFs ("Leveraged ETFs"), resulting in an administrative fine of \$50,000 (Delaware), a penalty of \$200,000 (MA), restitution to Delaware customers in an amount up to \$150,000, restitution to Massachusetts customers in an amount up to \$1,600,000, and an agreement to make certain changes in its supervisory system with respect to Leveraged ETFs (2015).
- Failure to implement procedures related to the use of senior-specific titles by LPL representatives as required under MA law, resulting in censure and a fine of \$250,000 (2015).
- Failure to detect improper and fraudulent conduct by an LPL representative, resulting in censure, a fine of \$500,000, and restitution to impacted customers; and failure to adequately enforce supervisory procedures and maintain certain books and records required under Illinois law in connection with certain variable annuity exchange transactions, resulting in a censure, a fine of \$2,000,000, and restitution to impacted customers (2014).
- The sale of non-traded REITs to MA residents in excess of MA concentration limits, resulting in a censure, a fine of \$500,000, and restitution to impacted customers (2013).

For more information about those state events and other disciplinary and legal events involving LPL and its IARs, client should refer to Investment Advisor Public Disclosure at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) or FINRA BrokerCheck at [www.finra.org](http://www.finra.org).

### ITEM 10 OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

LPL is a broker-dealer registered with FINRA and the SEC. As a broker-dealer, LPL transacts business in various types of securities, including mutual funds, stocks, bonds, commodities, options, private and public partnerships, variable annuities, real estate investment trusts and other investment products. LPL is registered to operate in all 50 states and has primarily an independent-contractor sales force of registered representatives and IARs dispersed throughout the United States. LPL has a dedicated team of employee IARs who service certain accounts in the absence of an IAR, and employees of LPL Employee Services, LLC, an LPL-affiliated company, are located on the premises of certain financial institutions. IARs may be registered representatives of LPL. If required for their positions with a registered broker-dealer. LPL's principal executive officers are securities licensed as registered representatives of LPL. LPL is also registered as a transfer agent with the SEC and as an introducing broker with the Commodity Futures Trading Commission. In addition, LPL is qualified to sell insurance products in all 50 states.

LPL and The Private Trust Company, N.A. ("PTC"), a federally chartered non-depository bank licensed to provide trust services in all 50 states, are related persons. PTC serves as IRA custodian for client accounts set up as IRAs and receives an annual maintenance fee for this service. PTC also provides personal trustee services to clients for a variety of administrative fiduciary services, which services may relate to an advisory account. PTC's IRA custodian and trustee services and related fees are established under a separate engagement between the client and PTC.



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LPL and Allen & Company of Florida, LLC ("Allen & Co."), an investment advisor firm, are affiliated companies. In addition, investment advisor representatives of Allen & Co. are typically brokerage registered representatives of LPL. Allen & Co. recommends LPL's advisory programs. Because of the affiliation, Allen & Co. has an incentive to recommend LPL advisory programs to clients over other programs and services.

Fortigent, LLC ("Fortigent") is a registered investment advisor and related person of LPL. From time to time, LPL registered representatives may enter into agreements with Fortigent for research and reporting services.

IARs are permitted to engage in certain LPL-approved business activities other than the provision of brokerage and advisory services through LPL, and in certain cases, an IAR could receive greater compensation through the outside business than through LPL. An IAR could also be an accountant, real estate agent, tax preparer, lawyer or refer customers to other service providers and receive referral fees, for example. As other examples, an IAR could provide advisory or financial planning and consulting services through an independent unaffiliated investment advisory firm, sell insurance through a separate business, or provide third-party administration to retirement plans through a separate firm. If an IAR provides investment services to a retirement plan as a representative of LPL and also provides administration services to the plan through a separate firm, this typically means the IAR is compensated from the plan for the two services. If you engage with an IAR for services separate from LPL, you may wish to discuss with him or her any questions you have about the compensation he or she receives from the engagement.

#### ITEM 11 CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

##### Code of Ethics and Personal Trading

LPL has adopted a code of ethics that includes guidelines regarding personal securities transactions of its employees and IARs. The code of ethics permits LPL employees and IARs to invest for their own personal accounts in the same securities that LPL and IARs purchase for clients in program accounts. This presents a conflict of interest because trading by an employee or IAR in a personal securities account in the same security on or about the same time as trading by a client can disadvantage the client. LPL addresses this conflict of interest by requiring in its code of ethics that LPL employees and IARs report certain personal securities transactions and holdings to LPL. LPL has procedures to review personal trading accounts for front-running. In addition, employees in LPL's Research Department are required to obtain pre-clearance prior to purchasing certain securities for a personal account. Employees and IARs are also required to obtain pre-approval for investments in private placements and initial public offerings. A copy of the code of ethics is available to clients or prospective clients upon request and is available at [lpl.com/disclosures.html](http://lpl.com/disclosures.html).

##### Participation or Interest in Client Transactions

LPL's parent company, LPL Financial Holdings Inc., is a publicly traded company. LPL does not permit its IARs to recommend or solicit orders of LPL Financial Holdings Inc. stock. However, LPL or an IAR may recommend or purchase for clients a mutual fund or ETF that holds LPL Financial Holdings Inc. stock as an underlying investment, for example, an ETF that seeks to replicate the performance of an investment services index that includes LPL Financial Holdings Inc.

As part of financial planning and consulting services, an IAR may or may not provide recommendations as to investment products or securities. To the extent that IAR recommends that client invest in products and services that will result in compensation being paid to LPL and the IAR, this presents a conflict of interest. The compensation to IAR and LPL may be more or less depending on the product or service that the IAR recommends. Therefore, the IAR has a financial incentive to recommend that a financial plan or consulting advice be implemented using a certain product or service over another product or service. The client is under no obligation to purchase securities or services through LPL and the IAR.

If the client decides to implement the recommendations received pursuant to a financial plan or consulting services through an LPL advisory program or service, the IAR will provide client at the time of engagement with a Brochure, client agreement and other account paperwork that contain specific information about fees and compensation that the IAR and LPL will receive in connection with that program. The Brochures are also available at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).



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### LPL FINANCIAL FIRM BROCHURE

If the client desires instead to purchase securities in a brokerage account through IAR acting as a registered representative of LPL, LPL and IAR will receive brokerage-related compensation for those services, such as commissions and/or trail fees. LPL provides information regarding such brokerage compensation at the time of a brokerage transaction and also on its website at [lpl.com/disclosures.html](http://lpl.com/disclosures.html). When considering whether to implement recommendations received pursuant to a financial plan or consulting services through IAR and LPL, clients should discuss with the IAR how LPL and IAR will be compensated for any recommendations in the plan.

It is important to note that clients are under no obligation to implement recommendations received pursuant to a financial plan or consulting services through LPL. Clients should understand that the investment products, securities and services that an IAR recommends as part of financial planning and consulting services are available to be purchased through broker-dealers, investment advisors or other investment firms not affiliated with LPL.

A portion of the fee to the IAR may be paid by the IAR to his or her LPL branch manager or another LPL representative for supervision or administrative support. There is a conflict of interest when a branch manager receives a portion of this fee for supervision because the fee affects his or her ability to provide objective supervision of the IAR.

#### Collateralized Lending Arrangements

LPL has partnered with certain banks to help facilitate clients' access to non-purpose lines of credit collateralized by their investment accounts. Because of LPL's arrangements with the banks participating in the program, clients may be limited in their ability to negotiate the most favorable loan terms. Clients are not required to use the banks in LPL's program, and can work directly with other banks to negotiate loan terms or obtain other, potentially more favorable, financing arrangements. If a Client obtains a loan from a non-partner bank, he should notify his IAR of the amount of the line of credit. Clients should understand that the interest and additional fees paid to the bank in connection with the loan are separate from and in addition to the advisory fees the client pays LPL for its advisory services on the account.

LPL receives third party compensation from participant banks based on the amount of outstanding loans. Compensation can be up to 0.75% of the outstanding loan amount. This compensation to LPL varies, and, therefore, LPL can earn more or less depending on the bank selected by the client. The receipt of compensation poses a conflict of interest to LPL because LPL has a financial incentive for the client to select a bank in the program, as well as a participating bank that pays LPL more than other participating banks. However, LPL does not share this compensation with its IARs, and therefore, an IAR does not have a financial incentive if one bank is selected over another. LPL and its IARs have an interest in continuing to receive investment advisory fees, which gives LPL and its IARs an incentive to recommend that clients borrow money rather than liquidate some of their assets managed by LPL and the IAR. This incentive creates a conflict of interest for LPL and its IARs when advising clients seeking to access funds on whether they should liquidate assets or instead hold their securities investments and utilize a line of credit secured by assets in their account. Because LPL and its IARs are compensated primarily through advisory fees paid on clients' accounts, LPL and its IARs also have an interest in managing an account serving as collateral for a loan in a manner that will preserve sufficient collateral value to support the loan and avoid a bank call. This may present a conflict of interest with clients because it could incentivize LPL's IARs to invest in more conservative, lower performing investments to maintain the stability of the account.

For additional disclosures regarding LPL's collateralized lending program, including a list of the banks currently participating in the program, please visit [lpl.com/disclosures.html](http://lpl.com/disclosures.html), click on "Account Disclosures, Agreements, Fee Schedules & Conflicts of Interest," and then "Third Party Compensation and Related Conflicts of Interest."

#### Credit Cards

As part of its cash management services, LPL makes available for its customers credit cards through a partner bank. LPL receives a flat fee for each new activated credit card that is used by the cardholder in the first 90 days. LPL also receives a portion of the transaction volume of the cardholder's account. LPL's portion of the transaction volume varies depending on the number of LPL active cardholder accounts.



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### **LPL FINANCIAL FIRM BROCHURE**

#### Rollovers

If a client is a participant in an employer-sponsored retirement plan such as a 401(k) plan, and decides to roll assets out of the plan into the account, LPL has a financial incentive to recommend that the client invest those assets in the account, because LPL will be paid on those assets, for example, through advisory fees. You should be aware that such fees likely will be higher than those a participant pays through a plan, and there can be maintenance and other miscellaneous fees. As securities held in a retirement plan are generally not transferred to the account, commissions and sales charges will be charged when liquidating such securities prior to the transfer, in addition to commissions and sales charges previously paid on transactions in the plan.

#### Other Clients

Client should understand that LPL and IAR perform advisory and/or brokerage services for various other clients, and that LPL and IAR may give advice or take actions for those other clients that differ from the advice given to the client. The timing or nature of any action taken for the account may also be different.

#### **ITEM 12 BROKERAGE PRACTICES**

LPL does not receive research or other products or services other than execution from a broker-dealer in connection with client securities transactions ("soft dollar benefits"). LPL does not consider, in selecting or recommending broker-dealers, whether LPL or a related person of LPL receives client referrals from a broker-dealer or third party.

In connection with TAMP programs, the TAMP sponsor may require that clients direct brokerage to a broker-dealer, including the TAMP sponsor or broker-dealer affiliated with the TAMP sponsor. In addition, in connection with customized advisory services, the client may direct that transactions be executed through LPL or specified third party broker-dealer. Clients should understand that not all advisors require their clients to direct brokerage. By directing brokerage to a broker, clients may be unable to achieve the most favorable execution of client transactions and may pay more in transaction charges than other broker-dealer firms. Therefore, directed brokerage may cost clients more money. For more information about the brokerage practices of a TAMP sponsor, clients should refer to the Disclosure Brochure for the applicable TAMP.

For customized advisory services, IARs may aggregate transactions in equity and fixed income securities for a client with other clients to improve the quality of execution. When transactions are so aggregated, the actual prices applicable to the aggregated transactions will be averaged, and the client account will be deemed to have purchased or sold its proportionate share of the securities involved at the average price obtained. For partially filled orders, the IAR generally will allocate trades pro-rata or on a random basis to treat clients fairly and not favor one client over another. IARs may determine not to aggregate transactions, for example, based on the size of the trades, the number of client accounts, the timing of the trades, the liquidity of the securities and the discretionary or non-discretionary nature of the trades. If IARs do not aggregate orders, some clients purchasing securities around the same time may receive a less favorable price than other clients. This means that this practice of not aggregating may cost clients more money. Please ask your IAR if you would like more information on the IAR's practices in this respect.

#### **ITEM 13 REVIEW OF ACCOUNTS**

For financial planning and consulting services, clients are encouraged to promptly inform the IAR of any changes to their financial circumstances and investment goals, and to consult and update their financial plans annually. Such consultations and annual reviews are conducted at the election of the client as determined with their IAR and may consist of an updated personal financial plan or recommendations if the client's circumstances and/or goals have changed. Alternatively, the review may be a comparison of the client's current assets and goals (in the form of a progress report or update).

For TAMP services, IARs review on an ongoing basis client accounts and meet with clients to review such items as accounts statements, quarterly performance information, and other information or data related to the client's account and investment objective. The TAMP sponsor or custodian of the TAMP account assets send clients regular written reports and statements regarding the account.



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### LPL FINANCIAL FIRM BROCHURE

For customized advisory services, IARs review client accounts on an ongoing basis to provide management services. IARs review monthly or quarterly account statements provided by the custodian. In addition, LPL reviews accounts using risk based criteria such as performance, trading activity, and concentration. The Advisory Chief Compliance Officer of LPL oversees the process for reviewing customized accounts. To the extent LPL acts as broker-dealer and has custody of assets in a customized program account, LPL will transmit to clients required trade confirmations and monthly or quarterly account statements. Such statements show all transactions in cash and securities and all deposits and withdrawals of principal and income during the preceding calendar month or quarter depending upon activity.

#### ITEM 14 CLIENT REFERRALS AND OTHER COMPENSATION

##### Other Compensation

LPL, LPL employees and IARs receive additional compensation from product sponsors. However, such compensation may not be tied to the sales of any products. Compensation includes such items as gifts valued at less than \$100 annually, an occasional dinner or ticket to a sporting event, or reimbursement in connection with educational meetings with IAR, client workshops or events, marketing events or advertising initiatives, including services for identifying prospective clients. Product sponsors also pay for, or reimburse LPL for the costs associated with, education or training events that are attended by LPL employees and IARs and for LPL-sponsored conferences and events. In particular, LPL receives marketing and educational support payments of up to \$260,000, depending on the anticipated nature and scope of the events, from retirement plan product sponsors to assist training and educating financial advisors across LPL's brokerage and advisory platforms, including RPCP. Such support payments are not tied to the sales of any products or client assets in the products. IARs do not receive any portion of these payments. For a current and complete list of the retirement plan product sponsors that pay such marketing and educational support payments, please see [lpl.com/disclosures.html](http://lpl.com/disclosures.html) or ask your IAR.

LPL employees provide sales support resources to IARs that use LPL advisory programs. The compensation that LPL pays to these employees varies based on the assets in LPL's different advisory programs. These sales employees have an incentive to promote certain advisory programs to IARs over other advisory programs.

The IAR recommending a TAMP program to the client receives compensation as a result of the client's participation in the program. This compensation includes a portion of the advisory fee or referral fee and other compensation, such as bonuses, awards or other things of value offered by the TAMP to the IAR. For example, some TAMPs pay additional marketing payments to LPL, its employees and/or IARs to cover fees to attend conferences or reimbursement of expenses for workshops, seminars presented to clients or advertising, marketing or practice management. The eligibility of an IAR to receive such reimbursements and the amount of such reimbursements are based on the amount of assets referred by the IAR to the TAMP. The amount of this compensation may be more or less than what the IAR would receive if the client participated in LPL advisory programs, programs of other investment advisors or paid separately for investment advice, brokerage and other client services. Therefore, in such case, the IAR has a financial incentive to recommend a TAMP program account over other programs and services.

LPL has entered into referral agreements with independent third party investment advisers, pursuant to which LPL and IARs receive referral fees from the third party investment advisers in return for referral of clients. LPL refers clients to such firms as AssetMark, BNY Mellon, Brinker Capital, CLS Investments, Flexible Plan, FTJ, Loring Ward, Rochdale Investment Management, SEI and Symmetry Partners, although the list of these firms is subject to change. Referrals to certain third party investment advisers are subject to restrictions imposed by LPL. Because LPL is engaged by and paid by the third party investment advisor for the referral, any recommendation regarding a third party investment advisor as part of a referral presents a conflict of interest. LPL addresses this conflict by providing the client with a disclosure statement explaining the role of LPL and IAR and the referral fee received by LPL and IAR. For more information regarding these arrangements, see Item 4 above.

LPL and its IARs may serve as broker-dealer of record on accounts managed by the independent third party investment advisor. In such case, LPL and its representatives receives normal and customary compensation (e.g., commissions, 12b-1 fees, trails) from the sale of mutual funds or variable annuities in such accounts. This compensation is in addition to the solicitor fee paid by the third party investment advisor.



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### LPL FINANCIAL FIRM BROCHURE

In addition, LPL enters into other agreements with TAMP sponsors or third party investment advisers to whom LPL refers clients, pursuant to which LPL provides (i) marketing services on behalf of the third party investment advisers to LPL representatives; or (ii) data technology services to integrate third party investment adviser account data on LPL's technology systems. LPL receives fees for these data technology services and such fees may be a flat upfront or annual fee or be based on the amount of assets (up to 20 basis points) recommended or referred by LPL to the TAMP or the third party investment adviser. Please refer to [lpl.com/disclosures.html](http://lpl.com/disclosures.html) for current information about any third party investment adviser that pays this compensation. The IAR does not share in these fees. Any agreements related to referrals are separate from the services provided by LPL or its IARs. In some cases, the third party investment advisers pay additional marketing payments to LPL, its employees and/or IARs to cover fees to attend conferences or reimbursement of expenses for workshops, seminars presented to IARs clients or advertising, marketing or practice management.

In some cases, the third party investment advisers pay additional marketing payments to LPL, its employees and/or IAR's to cover fees to attend conferences or reimbursement of expenses for workshops, seminars presented to IARs clients or advertising, marketing or practice management.

#### Client Referrals

From time to time, LPL and/or its IARs may enter into arrangements with third parties or other financial intermediaries for lead generation, client referrals or solicitation for program accounts (collectively, "solicitation arrangements"). These solicitation arrangements range from largely impersonal referrals to specific client introductions to LPL and its IARs. Under solicitation arrangements, the third parties and financial intermediaries are independent contractors. The compensation paid under the solicitation arrangements is structured in various ways, including a one-time fee, a flat fee per lead or referral, and sharing a portion of the ongoing Account Fee. Clients who are introduced to LPL and its IARs through a solicitation arrangement receive a specific description of the terms of that arrangement and the compensation paid to the solicitor at the time of the introduction. Depending on the solicitor's arrangement with LPL, a solicitor may not be compensated for referring a client who opens a brokerage account rather than an advisory account. Solicitation arrangements give rise to conflicts of interest because the referring party has a financial incentive to introduce new investment advisory clients to LPL and its IARs. LPL's participation in these referral arrangements does not diminish its fiduciary obligations to its clients.

#### Unaffiliated Financial Institutions

LPL and its IARs offer advisory services on the premises of unaffiliated businesses, including insurance companies, employee benefit companies, and financial institutions, such as banks or credit unions. When services are offered in a bank or credit union, the advisory services are offered by LPL and not the financial institution. Any securities recommended as part of the investment advice are not guaranteed by the financial institution, or insured by the Federal Deposit Insurance Corporation or any other federal or state deposit guarantee fund relating to financial institutions.

LPL has entered into agreements with financial institutions pursuant to which LPL typically shares compensation, including a portion of the advisory fee, with the financial institution for the use of the financial institution's facilities and for client referrals. Instead of paying the IAR the portion of the advisory fee as described above, LPL shares the advisory fee with the financial institution, and the financial institution pays part of that amount to the IAR. The financial institution establishes the compensation plan for the IAR, which is subject to approval by LPL. The compensation plan determines how the IAR's compensation is structured. The compensation plan determines the amount of compensation the IAR receives. IARs will have a financial incentive to recommend a particular service or product if under the compensation plan the recommended product will result in more compensation to the IAR than another product or service, including advisory versus brokerage services. If an IAR is recommending an advisory program or service, he or she must believe that the program or service is suitable and in the best interests of the client in accordance with the applicable standards under the Advisers Act. In a few situations, LPL has agreements to provide similar services at financial institutions in which compensation is not shared with the financial institution.

If IAR is an employee of the financial institution where it provides services to program accounts, LPL typically shares with the financial institution between 75% to 100% of the Account Fee, after LPL retains its portion of the Account Fee for its



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administrative services. IAR (an employee of the financial institution) will be compensated (e.g. in the form of salary, bonus, commissions, etc.) by the financial institution based on the specific agreement and/or compensation plan between the financial institution and the IAR. Some of these financial institutions may be affiliated with investment product sponsors (such as mutual fund sponsors) which would present a conflict of interest for an IAR employed by a financial institution to encourage customers to invest in that financial institution's proprietary investment products. If IAR is not an employee of the financial institution where it provides services to program accounts, LPL typically shares directly with IAR, after deduction of LPL's portion, between 25% to 100% of the Account Fee, and with the financial institution between 0% to 75%. All compensation paid to IAR or the financial institution will be the sole responsibility of LPL, and will not result in any increase in the Account Fees you pay to LPL.

LPL also provides other forms of compensation to financial institutions, such as bonuses, awards or other things of value offered by LPL to the institution. For example, LPL pays financial institutions based on production, in the form of repayable or forgivable loans, reimbursement of fees that LPL charges for items such as administrative services, and other things of value such as free or reduced-cost marketing materials, transition assistance for changing association from another broker-dealer or investment advisor firm to LPL, advances of advisory fees, and/or attendance at LPL's national conference or top producer forums and events. LPL pays this compensation based on overall business production and/or on the amount of assets serviced in LPL advisory programs. The amount of this compensation may be more than what the financial institution would receive if the client participated in other LPL programs, programs of other investment advisors or paid separately for investment advice, brokerage and other client services. As a result the financial institution and IAR have a financial incentive for the IAR to recommend the program account and services that will result in the greatest compensation to the financial institution and IAR. If LPL makes a loan to a new or existing financial institution, there is also a conflict of interest because LPL's interest in collecting on the loan affects its ability to objectively supervise an IAR at that financial institution.

In addition, financial institution employees who are not associated with LPL often refer prospective customers to IARs working in the financial institutions. Those employees frequently receive a nominal referral fee from the financial institution (typically up to \$25) as compensation for each referral.

Employees of trust departments at certain financial institutions are authorized under the terms of applicable trust arrangements to delegate investment management responsibility to LPL and to receive a portion of the compensation earned in connection with investment advisory services provided to these accounts through LPL. These amounts are negotiated and vary but often amount to a significant portion of the total fees paid for investment advisory services.

#### Conflicts Related to LPL Compensation to IAR

The IAR recommending an advisory service receives compensation from LPL. LPL compensates IARs pursuant to an independent contractor agreement, and not as an employee (although LPL has a dedicated team of employee IARs who service accounts in the absence of an IAR, and employees of LPL Employee Services, LLC, an LPL-affiliated company, are located on the premises of certain financial institutions). This compensation includes a portion of the advisory fee and, such portion received by IAR may be more than what IAR would receive at another investment advisor firm. Such compensation includes other types of compensation, such as bonuses, awards or other things of value offered by LPL to the IAR. In particular, LPL pays its IARs in different ways, for example:

- payments based on production
- equity awards from LPL's parent company, LPL Financial Holdings Inc., consisting of awards of either restricted stock units (a promise to deliver stock in the future) or stock options to purchase stock, in each case subject to satisfaction of vesting and other conditions
- reimbursement or credits of fees that IARs pay to LPL for items such as administrative services, or technology fees
- free or reduced-cost marketing materials
- payments in connection with the transition of association from another broker-dealer or investment advisor firm to LPL
- payments in the form of repayable or forgivable loans
- advances of advisory fees



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- attendance at LPL conferences and events.

LPL also charges IARs various fees under its independent contractor agreement, for example, for administrative, custody and clearing services to accounts, technology and licensing. In certain cases, LPL pays IARs this compensation, and charges IARs these fees, based on the IAR's overall business production and/or on the amount of assets serviced in LPL advisory relationships. When compensation or fees charged is based on the level of production or advisory assets of an IAR, the IAR has a financial incentive to meet those production or asset levels. The amount of this compensation from LPL could be more, and the amount of these fees charged by LPL could be less, than what the IAR would receive, or pay, if he or she associated with another investment advisor firm. The level of compensation and costs is an incentive for an IAR to become associated with LPL over another investment advisor firm. This compensation from LPL could be more than what the IAR receives than if the client participated in other LPL programs, programs of other investment advisors or paid separately for investment advice, brokerage and other client services, and likewise, the fees that IAR pays to LPL could be less for one program than other programs or services. In such cases, the IAR has a financial incentive to recommend advisory services in that program over other programs and services. However, IAR will factor in the fees charged to them by LPL in the overall Account Fee negotiated by the client. In addition an IAR may only recommend a program or service that he or she believes is suitable and in the best interest of a client in accordance with the applicable standards under the Advisers Act. LPL has systems in place to review IAR-managed accounts for suitability over the course of the advisory relationship.

LPL also provides various benefits and/or payments to IARs that are newly associated with LPL to assist the IAR with the costs (including foregone revenues during account transition) associated with transitioning his or her business to LPL (collectively referred to as "Transition Assistance"). The proceeds of such Transition Assistance payments are intended to be used for a variety of purposes, including but not necessarily limited to, providing working capital to assist in funding the IAR's business, satisfying any outstanding debt owed to the IAR's prior firm, offsetting account transfer fees (ACATs) as a result of the IAR's clients transitioning to LPL's custodial platform, technology set-up fees, marketing and mailing costs, stationary and licensure transfer fees, moving expenses, office space expenses, staffing support and termination fees associated with moving accounts.

The amount of the Transition Assistance payments are often significant in relation to the overall revenue earned or compensation received by the IAR at his or her prior firm. Such payments are generally based on the size of the IAR's business established at his or her prior firm, for example, a percentage of the revenue earned or assets serviced by the IAR at the prior firm. These payments are generally in the form of payments or loans to the IAR with favorable interest rate terms as compared to other lenders, which are paid by LPL or forgiven by LPL based on years of service with LPL (e.g., if the IAR remains with LPL for 5 years) and/or the scope of business engaged in with LPL. LPL does not verify that any payments made are actually used for such transition costs.

LPL also makes Transition Assistance payments to IARs in connection with the transition of certain advisory business to LPL from his or her prior firm that is not approved on LPL's platform, including without limitation, certain services of TAMP sponsors and third party investment advisors that are not offered through LPL. These payments are tied to the amount of client assets that are transitioned from an unapproved platform at the prior firm to LPL's advisory programs.

The receipt of Transition Assistance creates a conflict of interest in that an IAR has a financial incentive to recommend that a client open and maintain an account with the IAR and LPL for advisory, brokerage and/or custody services, and to recommend switching investment products or services where a client's current investment options are not available through LPL, in order to receive the Transition Assistance benefit or payment, and in cases of businesses not supported by LPL, to further recommend that a client's current holdings be reinvested in a program offering LPL does support. LPL and its IARs attempt to mitigate these conflicts of interest by evaluating and recommending that clients use LPL's services based on the benefits that such services provide to clients, rather than the Transition Assistance earned by any particular IAR. However, clients should be aware of this conflict and take it into consideration in making a decision whether to establish or maintain a relationship with LPL. If LPL makes a loan to a new or existing IAR, there is also a conflict of interest because LPL's interest in collecting on the loan affects its ability to objectively supervise the IAR.



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## LPL FINANCIAL FIRM BROCHURE

### ITEM 15 CUSTODY

For TAMP programs and generally for customized advisory services, client assets are maintained at a custodian other than LPL. In such case, the client will complete account paperwork with the outside custodian that will provide the name and address of the custodian. The client will receive statements and reports directly from the custodian, rather than from LPL. Clients should refer to the statements and reports that they receive from the custodian or TAMP sponsor. Clients should review these statements and reports carefully.

For BWP, PCAP, IPA and other participant advice services, client's retirement plan assets are maintained at a custodian other than LPL. For example, IARs provide management services for participant self-directed retirement plan accounts custodied at TIAA-CREF. The retirement plan sponsor (e.g., the client's employer) or the client is responsible for selecting the custodian for the retirement plan assets.

For certain services described in this brochure (e.g., hourly consulting services), LPL may receive prepayment of fees for 6 or more months in advance.

For LPL's Strategic Asset Management, Strategic Asset Management II, Manager Select, Manager Access Select, Personal Wealth Portfolios, Optimum Market Portfolios, and Model Wealth Portfolios programs, which are described in separate disclosure brochures, LPL is a qualified custodian as defined in Rule 206(4)-2 under the Advisers Act and maintains custody of SAM II client funds and securities in a separate account for each client under the client's name. LPL as a qualified custodian for those program accounts sends account statements showing all transactions, positions, and all deposits and withdrawals of principal and income. LPL sends account statements monthly when the account has had activity or quarterly if there has been no activity. Clients should carefully review those account statements. If clients would like more information on such programs, clients should contact the IAR for a copy of the program brochure that describes such program or go to [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

### ITEM 16 INVESTMENT DISCRETION

With respect to financial planning and consulting services, and retirement plan participant consulting services, LPL and the IAR do not have any discretionary investment authority, and do not implement or monitor any recommendations provided to clients. For services under the IPA program, the IAR typically is granted investment discretion in the advisory agreement. For customized advisory services, the IAR may provide management services on a discretionary or non-discretionary basis as stated in the client agreement. For its overlay portfolio management services, LPL has discretion to trade accounts based on investment models, and to manage accounts according to investment restrictions and tax efficient strategies. For LPL's Strategic Asset Management, Strategic Asset Management II, Manager Select, Manager Access Select, Personal Wealth Portfolios, Optimum Market Portfolios, and Model Wealth Portfolios programs, which are described in separate disclosure brochures, LPL has discretionary investment authority.

In a TAMP program, the client typically authorizes the third party investment advisor to purchase and sell securities on a discretionary or non-discretionary basis pursuant to the investment objective chosen by the client. This authorization will be set out in the TAMP client agreement. LPL and the IAR generally do not have discretion on TAMP program accounts.

### ITEM 17 VOTING CLIENT SECURITIES

LPL does not accept authority to vote client securities in connection with any of the services described in this Brochure. LPL does accept authority to vote client securities in connection with its Personal Wealth Portfolios program. Please see the brochure for such program for more information.

### ITEM 18 FINANCIAL INFORMATION

LPL is a qualified custodian as defined in Rule 206(4)-2, and is therefore not required to include a balance sheet for its most recent financial fiscal year.



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## LPL FINANCIAL FIRM BROCHURE

### Brochure Supplements

Accompanying this Brochure are Brochure Supplements for individual employees or officers of LPL. Note that although these individuals are responsible for investment advice provided by LPL, and may meet with clients from time to time, they are not the IARs responsible for the individualized investment advice provided to a particular client. For more information about the IAR servicing the client, client should refer to the Brochure Supplement for the IAR, which should have been provided by the IAR along with this Brochure at the time client opened the account. If client did not receive a Brochure Supplement for the IAR, the client should contact the IAR or LPL at [lplfinancial.adv@lpl.com](mailto:lplfinancial.adv@lpl.com).



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## LPL FINANCIAL FIRM BROCHURE

### BROCHURE SUPPLEMENTS

**George Burton White**  
**Kirby Horan-Adams**  
**Jason Hoody**

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March 30, 2020

These Brochure Supplements provide information about certain LPL employees or officers that supplements the LPL Financial Brochure that is attached to these Brochure Supplements. Please contact LPL Financial at the number above if you did not receive the LPL Financial Brochure or if you have any questions about the contents of these Brochure Supplements. You may also contact your LPL investment advisor representative with questions.

Additional information about these LPL employees or officers is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Note that although these LPL employees or officers included in these Brochure Supplements are responsible for investment advice provided by LPL they are not the IARs responsible for the ongoing individualized investment advice provided to a particular client. For more information about the IAR managing the account, client should refer to the Brochure Supplement for the IAR, which should have been provided by the IAR along with the LPL Financial Brochure and these Brochure Supplements at the time client opened the account. If client did not receive a Brochure Supplement for the IAR, the client should contact the IAR or LPL at [lplfinancial.adv@lpl.com](mailto:lplfinancial.adv@lpl.com).

### **George Burton White**

#### **Educational Background and Business Experience**

George Burton White was born in 1969. He has a BBA from the College of William and Mary. He is Managing Director, Investor and Investment Solutions and Chief Investment Officer and has served in that position as Managing Director and Chief Investment Officer since 2009. He joined LPL in 2007 as a Managing Director and Director of Research. Prior to joining LPL, he was Managing Director and Director of Research at Wachovia Securities from 2000 to 2007.

#### **Disciplinary Information**

There are no legal or disciplinary events to disclose in response to this item.

#### **Other Business Activities**

Mr. White is a registered representative of LPL and an investment adviser representative of Fortigent, LLC ("Fortigent"), a registered investment adviser and related person of LPL. Mr. White is also the Chief Investment Officer of Fortigent. LPL is a registered broker-dealer and member of FINRA. Although Mr. White is a registered representative of LPL, he does not engage in the sale of securities or receive commissions or other compensation based on the sale of securities or other investment products.



## **ACCOUNT PACKET**

### **LPL FINANCIAL FIRM BROCHURE**

#### **Additional Compensation**

Mr. White receives a regular salary and a discretionary bonus.

#### **Supervision**

Mr. White, as the Chief Investment Officer of LPL, is responsible for the advice provided by the LPL Research Department through LPL's advisory programs. The advice provided by Mr. White also is subject to LPL's policies and procedures and to any guidelines established for the applicable advisory program. The Chief Compliance Officer – Advisory Compliance is responsible for administering LPL's policies and procedures for investment advisory activities. The telephone number for the Advisory Compliance Department is 1-800-877-7210.

#### **Kirby Horan-Adams**

#### **Educational Background and Business Experience**

Kirby Lepak Horan-Adams was born in 1976. She has a BA in Math and Economics from Trinity College, an MBA and MSF from Boston College, and a JD from Boston College Law School. She is an Executive Vice President and Director of Research at LPL and joined the LPL Research Department in 2006. Prior to joining LPL, she was an analyst at Cerulli Associates.

#### **Disciplinary Information**

There are no legal or disciplinary events to disclose in response to this item.

#### **Other Business Activities**

Ms. Horan-Adams is a registered representative of LPL and an investment adviser representative of Fortigent, a registered investment adviser and related person of LPL. LPL is a registered broker-dealer and member of FINRA. Although Ms. Horan-Adams is a registered representative of LPL, she does not engage in the sale of securities or receive commissions or other compensation based on the sale of securities or other investment products.

#### **Additional Compensation**

Ms. Horan-Adams receives a regular salary and a discretionary bonus.

#### **Supervision**

Ms. Horan-Adams reports up to Mr. White, who as the Chief Investment Officer of LPL, is responsible for the advice provided by the LPL Research Department through LPL's advisory programs. The advice provided by Ms. Horan-Adams also is subject to LPL's policies and procedures and to any guidelines established for the applicable advisory program. The Chief Compliance Officer – Advisory Compliance is responsible for administering LPL's policies and procedures for investment advisory activities. The telephone number for the Advisory Compliance Department is 1-800-877-7210.

#### **Jason Hoody**

#### **Educational Background and Business Experience**

Jason Hoody was born in 1975. He has a BS in Political Science from Clarkson University, an MA in International Affairs from American University, an MS in Finance from Johns Hopkins University, and is a CFA charterholder. He is a Vice President in Research at LPL and joined LPL in 2015. Prior to joining LPL, he was a Vice President at BB&T and an analyst at KPMG.

#### **Disciplinary Information**

There are no legal or disciplinary events to disclose in response to this item.

#### **Other Business Activities**

There are no other business activities to disclose in response to this item.



## **ACCOUNT PACKET**

### **LPL FINANCIAL FIRM BROCHURE**

#### **Additional Compensation**

Mr. Hoody receives a regular salary and a discretionary bonus as a member of the LPL Research team. Such bonus for LPL Research personnel is based on the performance of certain portfolios managed by LPL Research. This bonus presents a conflict of interest because it could incentivize the LPL Research team to focus on short-term performance, take undue risk, or favor certain portfolios over others. However, LPL mitigates this conflict by basing the bonus calculation on short and long-term performance, capping the amount of compensation paid regardless of the return, and tying a portion of the compensation to the outperformance of all LPL managed portfolios.

#### **Supervision**

Mr. Hoody reports up to Mr. White, who as the Chief Investment Officer of LPL, is responsible for the advice provided by the LPL Research Department through LPL's advisory programs. The advice provided by Mr. Hoody also is subject to LPL's policies and procedures and to any guidelines established for the applicable advisory program. The Chief Compliance Officer – Advisory Compliance is responsible for administering LPL's policies and procedures for investment advisory activities. The telephone number for the Advisory Compliance Department is 1-800-877-7210.

#### **Jeffrey Alan Buchbinder**

#### **Educational Background and Business Experience**

Jeffrey Alan Buchbinder was born in 1971. He has a BA in Economics from Northwestern University and an MBA from Duke University. He is a Vice President, Equity Strategist and Portfolio Manager for LPL Financial Research and has been with the firm since 2003. Prior to joining LPL, he served as an Equity Research Associate at Sanford C. Bernstein. Prior to Bernstein, he was an Equity Research Associate at Deutsche Bank.

#### **Disciplinary Information**

There are no legal or disciplinary events to disclose in response to this item.

#### **Other Business Activities**

Mr. Buchbinder is a registered representative of LPL. LPL is a registered broker-dealer and member of FINRA. Although Mr. Buchbinder is a registered representative of LPL, he does not engage in the sale of securities or receive commissions or other compensation based on the sale of securities or other investment products.

#### **Additional Compensation**

Mr. Buchbinder receives a regular salary and a discretionary bonus as a member of the LPL Research team. Such bonus for LPL Research personnel is based on the performance of certain portfolios managed by LPL Research. This bonus presents a conflict of interest because it could incentivize the LPL Research team to focus on short-term performance, take undue risk, or favor certain portfolios over others. However, LPL mitigates this conflict by basing the bonus calculation on short and long-term performance, capping the amount of compensation paid regardless of the return, and tying a portion of the compensation to the outperformance of all LPL managed portfolios.

#### **Supervision**

Mr. Buchbinder reports up to Mr. White, who as the Chief Investment Officer of LPL, is responsible for the advice provided by the LPL Research Department through LPL's advisory programs. The advice provided by Mr. Buchbinder also is subject to LPL's policies and procedures and to any guidelines established for the applicable advisory program. The Chief Compliance Officer – Advisory Compliance is responsible for administering LPL's policies and procedures for investment advisory activities. The telephone number for the Advisory Compliance Department is 1-800-877-7210.



## **ACCOUNT PACKET**

### **LPL FINANCIAL FIRM BROCHURE**

#### **Barry Seth Gilbert**

##### **Educational Background and Business Experience**

Barry Seth Gilbert was born in 1967. He has a BA in Philosophy from Haverford College, an MA from the Pennsylvania State University, and a PhD from Boston University. He is a Vice President and Portfolio Manager for LPL Research and has been with the firm since 2013. Prior to joining LPL, he taught at Harvard University.

##### **Disciplinary Information**

There are no legal or disciplinary events to disclose in response to this item.

##### **Other Business Activities**

Mr. Gilbert is a registered representative of LPL. LPL is a registered broker-dealer and member of FINRA. Although Mr. Gilbert is a registered representative of LPL, he does not engage in the sale of securities or receive commissions or other compensation based on the sale of securities or other investment products.

##### **Additional Compensation**

Mr. Gilbert receives a regular salary and a discretionary bonus as a member of the LPL Research team. Such bonus for LPL Research personnel is based on the performance of certain portfolios managed by LPL Research. This bonus presents a conflict of interest because it could incentivize the LPL Research team to focus on short-term performance, take undue risk, or favor certain portfolios over others. However, LPL mitigates this conflict by basing the bonus calculation on short and long-term performance, capping the amount of compensation paid regardless of the return, and tying a portion of the compensation to the outperformance of all LPL managed portfolios.

##### **Supervision**

Mr. Gilbert reports up to Mr. White, who as the Chief Investment Officer of LPL, is responsible for the advice provided by the LPL Research Department through LPL's advisory programs. The advice provided by Mr. Gilbert also is subject to LPL's policies and procedures and to any guidelines established for the applicable advisory program. The Chief Compliance Officer – Advisory Compliance is responsible for administering LPL's policies and procedures for investment advisory activities. The telephone number for the Advisory Compliance Department is 1-800-877-7210.

#### **Marcus Ehlers**

##### **Educational Background and Business Experience**

Marcus Ehlers was born in 1960. He has a BA from the University of Iowa. He is Executive Vice President of Trading and Client Compensation at LPL and joined LPL in 2010. Prior to joining LPL, Mr. Ehlers was an internal business consultant at Fidelity Investments from 2009 to 2010, and a Vice President at Schwab Institutional prior to 2009.

##### **Disciplinary Information**

There are no legal or disciplinary events to disclose in response to this item.

##### **Other Business Activities**

Mr. Ehlers is a registered representative of LPL. LPL is a registered broker-dealer and member of FINRA. Although Mr. Ehlers is a registered representative of LPL, he does not engage in the sale of securities or receive commissions or other compensation based on the sale of securities or other investment products.

##### **Additional Compensation**

Mr. Ehlers receives a regular salary and a discretionary bonus.



**ACCOUNT PACKET**

**LPL FINANCIAL FIRM BROCHURE**

**Supervision**

As Executive Vice President of Trading and Client Compensation, Mr. Ehlers is responsible for trade execution in LPL's advisory programs, subject to LPL's policies and procedures and to any guidelines established for the applicable advisory program. The Chief Compliance Officer – Advisory Compliance is responsible for administering LPL's policies and procedures for investment advisory activities. The telephone number for the Advisory Compliance Department is 1-800-877-7210.

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