

MANAGER SELECT
PROGRAM BROCHURE

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This wrap fee program brochure provides information about the qualifications and business practices of LPL Financial ("LPL"). If you have any questions about the contents of this brochure, please contact your LPL financial advisor or LPL at 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 also is available on the SEC's website at 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 annual update of the Brochure dated March 29, 2019. Items 6 and 9 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 updated to indicate compensation LPL receives when a customer opens a credit card through a partner bank. 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, (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, and (iii) a consent order with the State of New Hampshire, Department of State, Bureau of Securities Regulation, in connection with LPL's supervision of an LPL representative under a heightened supervision plan.

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ITEM 4 SERVICES, FEES AND COMPENSATION

Services
LPL offers various types of advisory services and programs, including wrap fee programs, mutual fund asset allocation programs, advisory programs offered by third party investment advisor firms, financial planning services, an advisor-enhanced digital advice program, and retirement plan consulting services. This Brochure provides a description of the advisory services offered under LPL's Manager Select program. For more information about LPL's advisory services and programs other than Manager Select,



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please contact your investment advisor representative ("IAR") for a copy of a similar brochure that describes such service or program or go to [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). 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.

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 cases, an IAR is 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.

In the Manager Select program, LPL, through its IARs, makes available to clients the investment advisory services and/or model portfolios of third-party portfolio management firms. Within the Manager Select program, LPL offers two alternatives – the Separately Managed Account Platform (the "SMA Platform") and the Model Portfolio Platform (the "MP Platform" and collectively, the "Platforms"). In connection with the Platforms, LPL acts as an investment advisor, serves as the custodian of the assets, provides brokerage and execution services as a broker-dealer on transactions, and performs administrative services, such as reporting to clients. The IAR assists the client to determine the client's investment objectives and risk/return preferences, to identify any investment restrictions on the management of the account, and, in the case of the SMA Platform, to select an investment strategy and SMA Portfolio Manager, or in the case of the MP Platform, to select a model portfolio ("Model Portfolio") provided by LPL's Research Department or third-party investment advisors ("Model Advisors"). From time to time, LPL may make available Model Portfolios provided by Model Advisors with associated persons who are also associated persons of LPL; however, if a client selects one of these associated persons to act as IAR for their account, such Model Advisor will not receive a separate fee for its services as a model provider. The Manager Select program also permits clients to select a third party investment advisor firm associated with an LPL registered representative, in lieu of an LPL investment advisor representative ("IAR") to provide the advisory services of the IAR described in this brochure.

### *SMA Platform*

In the SMA Platform, the IAR assists the client to determine the client's investment objectives and risk/return preferences, to identify any investment restrictions on the management of the account, and to select an investment strategy and SMA Portfolio Manager. The IAR provides the client with ongoing advice and monitoring relating to the SMA Portfolio Manager's services and serves as the point of contact between the client and the SMA Portfolio Manager with regards to changes in the client's investment objective, financial situation and investment restrictions.

The SMA Portfolio Manager selected by the client provides ongoing discretionary investment advice regarding the investment and reinvestment of account assets in accordance with the investment objective, restrictions and guidelines set forth in the Application or in other agreed-upon written instructions. The SMA Portfolio Manager independently determines whether to accept the client account based on the content of the Account Application, suitability and whatever other factors the SMA Portfolio Manager deems appropriate. The SMA Portfolio Manager has the sole authority to determine the securities to be purchased, sold or exchanged and which portion, if any, of the assets shall be held uninvested. The SMA Portfolio Manager has discretion to invest among a broad variety of security types, including equities, fixed-income securities, options, mutual funds and exchange-traded funds ("ETFs"). LPL and IAR do not play a role in the selection of particular securities to be purchased or sold. A SMA Portfolio Manager may hire one or more sub-advisors to manage all or a portion of a client's account.



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### *MP Platform*

In the MP Platform, the IAR assists the client in setting an appropriate investment objective and selecting a model portfolio ("Model Portfolio") provided by LPL's Research Department or third-party investment advisors ("Model Advisors"). The IAR provides the client with ongoing advice and monitoring relating to the Model Portfolio, is available on an ongoing basis to receive deposit and withdrawal instructions, and to convey to LPL any changes in Client's financial circumstances, investment objectives or investment restrictions. Under the MP Platform, LPL provides ongoing discretionary investment advice regarding the investment and reinvestment of account assets in accordance with the Model Portfolio selected by the client. LPL is expected to closely track the Model Portfolio, making modifications only to redress particular account issues, including tax loss harvesting, rebalancing, tracking error from the Model Portfolio, and to ensure that investment restrictions are being followed.

### *Fee Schedule*

In the Platforms, clients pay LPL, IAR and, exclusively in the case of the SMA Platform, the SMA Portfolio Manager a single fee ("Account Fee") for advisory services and execution of transactions. Clients do not pay LPL or IARs brokerage commissions or transaction charges for execution of transactions in addition to the Account Fee. For more information regarding commissions and brokerage practices, see below under "Additional Information – Brokerage Practices."

The Account Fee is negotiable between the client and the IAR and is set out in the Account Application. The Account Fee is typically a straight percentage based on the value of all assets in the account, including cash holdings. The Account Fee also can be structured on a tiered basis, with a reduced percentage rate based on reaching certain thresholds. The maximum Account Fee is 2.50%, although certain legacy accounts may remain under the higher previous maximum of 3%. LPL retains up to 0.40% for its administrative, custody and clearing services. LPL, IARs, SMA Portfolio Managers and Model Advisors do not charge performance-based fees to accounts in the Platforms.

In the SMA Platform, the Account Fee is paid to LPL and is shared among LPL, IAR and the SMA Portfolio Manager. LPL pays a portion of the Account Fee to the SMA Portfolio Manager, which is negotiated between LPL and the SMA Portfolio Manager and currently ranges from 0.15% to 1.00% of account assets per year. On occasion, a SMA Portfolio Manager may agree not to receive a fee. In those circumstances, LPL will not pay any of the Account Fee to the SMA Portfolio Manager and instead will retain such amounts.

In the MP Platform, the Account Fee is paid to LPL and is shared between LPL and IAR. LPL has separate agreements with and pays a fee to the Model Advisors. LPL retains a fee of 0.05% of account assets per year for its services as portfolio manager of the Model Portfolio. In addition, the Model Advisors receives a fee that is negotiated between LPL and the Model Advisor and currently ranges up to 0.50% of account assets per year. LPL will not charge a fee for its services as Model Advisor for Model Portfolios designed by LPL's Research Department. On occasion, a third party Model Advisor may agree not to receive a fee. When the Model Advisor does not charge a fee, Client account statements will continue to display a fee of 0.05%, which is a fee charged by LPL that is not shared with the Model Advisor.

When a Model Advisor or SMA Portfolio Manager does not receive a fee, it is often because the Model Advisor or SMA Portfolio Manager has included proprietary or affiliated mutual funds or exchange-traded funds in the Model or Investment Strategy which charges a management fee. This management fee can be found in the prospectus of the mutual fund or exchange traded funds included in the Model or Investment Strategy. Because a Model Advisor, SMA Portfolio Manager or their affiliates benefit financially when an affiliated fund is selected, there is a conflict of interest that affects the Model Advisor or SMA Portfolio Manager's ability to provide unbiased, objective investment advice concerning the selection of funds for a Model or Investment Strategy.

Of the remaining portion of the Account Fee not retained by LPL or, exclusively in the case of the SMA Platform, paid to the SMA Portfolio Manager, LPL shares up to 100% (typically between 90% to 100%) of the Account Fee with the IAR based on the agreement between LPL and the IAR. For certain SMA Portfolio Manager strategies in the SMA Platform and certain Model Advisors in the MP Platform, LPL charges a higher fee than what is paid to the SMA Portfolio Manager or Model Advisor, respectively, and LPL retains the difference. In such case, the IAR will retain less of the remaining portion of the Account Fee. A



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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 the Account Fee for supervision because the fee affects his or her ability to provide objective supervision of the IAR.

Because the fee rates paid to SMA Portfolio Managers in the SMA Platform and Model Advisors in the MP Platform vary, an IAR has a financial incentive to recommend a SMA Portfolio Manager or Model Advisor that maximizes the portion of the Account Fee received by the IAR. In addition, because LPL may in certain cases charge a mark-up or retain all or a portion of a SMA Portfolio Manager's or Model Advisor's fee as described above, LPL has a financial incentive to include SMA Portfolio Managers and Model Advisors that accept arrangements more favorable to LPL. Because clients are responsible for negotiating and agreeing to the Account Fee and selecting a SMA Portfolio Manager or Model Advisor for an account, clients should consider carefully how the financial incentives to LPL and the IAR may affect the selection of a SMA Portfolio Manager or Model Portfolio for each Platform and specific recommendations for an account.

The fees paid to SMA Portfolio Managers in the SMA Platform and to Model Advisors in the MP Platform are generally less than fees those advisors would charge a client seeking to establish a direct relationship with them outside of a wrap program. This is principally due to the fact that LPL absorbs many of the billing, administrative, and marketing expenses that would otherwise be borne by those advisors, including trading expenses for Model Advisors. SMA Portfolio Managers and Model Advisors generally have higher minimum account size requirements and fees for direct accounts because of such additional expenses.

### How the Account Fee is Charged

LPL deducts the Account Fee and other fees and charges associated with a Manager Select account from the account. LPL calculates and deducts the Account Fee in the method described in the Account Agreement, unless other arrangements are made in writing. If a client wishes to be billed for the Account Fee, rather than a deduction directly from the account, the client needs to make a request to LPL through the IAR.

### Payment in Advance and Refund of Pre-Paid Fees

LPL deducts the Account Fee quarterly in advance. If the Account Agreement is terminated before the end of the quarterly period, LPL will pay the client a pro-rated refund of any pre-paid quarterly Account Fee based on the number of days remaining in the quarter after the termination date. However, if the account is closed within the first six months by the client or as a result of withdrawals that bring the account value below the required minimum, LPL reserves the right to retain the pre-paid quarterly Account Fee for the current quarter in order to cover the administrative costs of establishing the account (for example, the costs related to transferring positions in and out of the account, data entry in opening the account, reconciliation of positions in order to issue performance information, and re-registration of positions).

### Other Types of Fees and Expenses of LPL

LPL charges fees related to a Manager Select account in addition to the Account Fee, such as miscellaneous administrative or custodial-related fees and charges. LPL notifies clients of these charges at account opening and makes available a current list of these charges on its website at [lpl.com/disclosures.html](http://lpl.com/disclosures.html). These fees include retirement account fees and termination fees, including, for example, an annual IRA maintenance fee, an annual qualified retirement plan maintenance fee, a fee for loans processed for qualified retirement plan and 403(b)(7) plan accounts and an account termination fee for processing a full account transfer to another financial institution. These miscellaneous fees are not directly based on the costs of the transaction or service by LPL, can include a profit to LPL, and certain of the fees may be lowered or waived for certain clients. As described below under "Additional Information - Participation in Client Transactions," if LPL as broker-dealer executes a principal transaction in a Manager Select account, LPL earns a markup or markdown in addition to the Account Fee.

### Fees Charged by Third Parties

There are other fees and charges that are imposed by third parties other than LPL that apply to investments in SMA Platform and MP Platform accounts. As described below under "Additional Information – Brokerage Practices," if a SMA Portfolio Manager chooses to execute a transaction through a broker-dealer other than LPL, the execution price to the client may include a



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commission, markup/markdown, or other fee imposed by the executing broker-dealer in addition to the Account Fee. If client holds an American Depositary Receipt ("ADR") in an account, there can be custodial fees or taxes related to the ADR.

If a client's assets are invested in mutual funds, ETFs or other pooled investment products, clients should be aware that there will be two layers of advisory fees and expenses for those assets. As a shareholder of a fund, Client will pay an advisory fee to the fund manager and other expenses charged by the fund. Client will also pay the Account Fee with respect to assets invested in such mutual funds, ETFs or other pooled investment products. Clients generally can purchase mutual funds directly outside of the Program. Therefore, clients could avoid the second layer of fees by not using the advisory services of provided in the Platforms and by making their own decisions regarding the investment.

Clients should understand that in many cases the mutual funds and mutual fund share classes offered through the Program charge higher fees and expenses than those that are not offered through the Program, and such other mutual funds and share classes may be equally or more appropriate for a client's account. As discussed below, a portion of the fees and expenses charged by certain mutual funds in the Program will be paid to LPL. Other financial services firm may offer the same mutual funds that are offered through the Program but at lower overall costs to investors than the costs that clients incur by investing through the Program.

Clients should also understand that in many cases the share class offered for a particular mutual fund available through the Program (the "Program Share Class") charges higher fees and expenses than other share classes that are offered by the same fund but are not available through the Program. Program Share Classes are selected by LPL, in certain cases, because the mutual funds pay to LPL a portion of the fees and expenses charged by Program Share Classes as compensation for the administrative and recordkeeping services LPL provides with respect to LPL clients who invest in the Program Share Classes, as discussed below under "Participation or Interest in Client Transactions."

The cash sweep money market fund ("Sweep Fund") used in the program may be managed by the same SMA Portfolio Manager that client has appointed to manage its account or be invested in a Model Portfolio provided by the same Model Advisor. If that is the case, clients should understand that the SMA Portfolio Manager or Model Advisor and its affiliates earn fees from the Sweep Fund for managing and performing other services for the fund which will be in addition to Account Fee charged to client.

If client transfers into a Manager Select 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. Depending on the share class and fee structure of the previously purchased mutual fund, LPL can receive fees such as 12b-1 fees from the previously purchased mutual fund until the position is liquidated and subsequently invested according to the Manager Select model. 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). Decisions regarding the sale of mutual funds in an account may be made by LPL without regard to whether a client will be assessed a redemption fee. Clients can find more information regarding the fees and expenses of a mutual fund or ETF in the fund's prospectus, which is available upon request from the IAR or directly from the fund.

When transferring securities into a Manager Select account, client should be aware that certain securities are not be eligible for the account. In such case, the securities may be rejected, sold after the transfer, or moved to a brokerage account. Note that when an ineligible security is transferred into an account and subsequently sold or moved to a brokerage account, the advisory fee will be charged on such asset for the period of time the security was held in the account. 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 a Manager Select 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.



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For those Manager Select accounts investing in mutual funds, LPL selects only no-load and load-waived mutual funds. Some mutual funds and Program Share Classes in Manager Select charge shareholders an asset-based fee, known as a “12b-1” fee, to cover distribution expenses and, in some cases, shareholder servicing expenses. A portion of such 12b-1 fees will ultimately be paid to LPL by the funds. Any 12b-1 fees paid to LPL by funds (other than Sweep Funds described in the section of Item 9 labeled “Participation or Interest in Client Transactions”) will be credited to the client’s account.

Clients also incur charges imposed by third parties or LPL in connection with investments made through their accounts, including, but not limited to, taxes and charges required by law or imposed by exchanges or regulatory bodies. For example, an industry-wide charge mandated by a regulator applies to sales of certain securities. The amount of this regulatory fee may vary over time, and because variations might not be immediately known to LPL, the amount may be estimated and assessed in advance. To the extent that such estimated amount differs from the actual amount of the regulatory fee, LPL retains the excess. These charges will be reflected on transaction confirmations and/or monthly statements.

### Important Things to Consider About Fees on an Account

- The Account Fee is an ongoing wrap fee for investment advisory services, the execution of transactions and other administrative and custodial services. The Account Fee may cost the client more than purchasing the program services separately, for example, paying fees for the advisory services of LPL, IAR and, exclusively in the case of SMA Platform accounts, the SMA Portfolio Manager, 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
  - 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.
- It is important to note that a client may or may not be able to purchase advisory services directly from the SMA Portfolio Managers or Model Advisors, as they often do not offer such services for client accounts of the size typically associated with wrap programs. If they do offer such services to accounts the size of a program account, they often charge a higher fee as they do not enjoy the economies of scale related to providing services to clients of a wrap program.
- The Account Fee may be higher than the fees charged by other investment advisors for similar services. This is the case in particular if the Account Fee is at or near the maximum Account Fee set out above. The IAR is responsible for determining the Account Fee to charge each client based on factors such as total amount of assets involved in the relationship, type of securities to be held in the account (e.g., mutual funds vs. individual securities), the complexity and mix of the portfolio, the fees associated with the SMA Portfolio Manager or Model Advisor, and the number and range of supplementary advisory and client-related services to be provided to the account. Clients should consider the level and complexity of the advisory services to be provided when negotiating the Account Fee with IAR.
- Clients should consider the impact of fees and expenses on their investment portfolio, as described in the informational brochure titled “How Fees and Expenses Affect Your Portfolio” on [lpl.com/disclosures.html](http://lpl.com/disclosures.html) under “Investor Regulatory & Educational Resources.”

## ITEM 5 ACCOUNT REQUIREMENTS AND TYPES OF CLIENTS

A minimum account value of \$50,000 generally is required for the program. In certain instances, the minimum account size may be lower or higher. Note that an account will not be invested until the applicable minimum for the investment strategy or Model Portfolio has been reached. Clients should consult with IAR to obtain more information about the applicable investment minimum based on the strategy or Model Portfolio selected.

The Platforms are available for individuals, IRAs, banks and thrift institutions, pension and profit sharing plans, including plans subject to Employee Retirement Income Security Act of 1974 (“ERISA”), trusts, estates, charitable organizations, state and municipal government entities, corporations and other business entities.





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## ITEM 6 PORTFOLIO MANAGER SELECTION AND EVALUATION

In the Platforms, LPL and IAR are responsible for the investment advisory services related to the selection and retention of the SMA Portfolio Manager (in the case of the SMA Platform) and Model Advisor (in the case of the MP Platform). The client selects the IAR who services the account. Individuals involved in determining or giving investment advice generally have at least two years financial planning and/or consulting, advisory or brokerage-related experience. Each IAR is also generally required to possess a FINRA Series 65, or 66 license (to the extent required). For more information about the IAR servicing the account, client should refer to the Brochure Supplement for the IAR available from the IAR.

LPL makes available the advisory services of SMA Portfolio Managers. LPL does not act as a portfolio manager for the SMA Platform. LPL does, however, act as portfolio manager for the MP Platform.

### Criteria for Participating and Recommended SMA Portfolio Managers and Model Advisors

LPL selects and reviews SMA Portfolio Managers and Model Advisors for the Platforms based on quantitative, qualitative and infrastructure criteria, which include the criteria listed below.

#### Quantitative Criteria

LPL Research evaluates quantitative criteria, including but not limited to:

- Rate of return
- Number of employees and accounts
- Years in the business
- Assets under management

#### Qualitative Criteria

LPL evaluates qualitative criteria, including but not limited to:

- Investment philosophy
- Risk controls
- Legal and compliance issues

#### Infrastructure Criteria

LPL reviews infrastructure criteria to assess whether a SMA Portfolio Manager or Model Advisor can handle operational requirements, including but not limited to:

- Composite calculation methodology
- Trade rotation policy
- Back office review
- Client servicing resources
- Firm-wide program commitment

### Additional Criteria for Recommended Managers or Model Advisors

SMA Portfolio Managers or Model Advisors that are “Recommended” by LPL Research are subject to a more rigorous selection and review process than the criteria set out above that applies to all SMA Portfolio Managers and Model Advisors available in the program. In addition to the criteria noted above, additional evaluation criteria for Recommended SMA Portfolio Managers or Model Advisors include:

- Sound investment philosophy and process that drives performance
- Consistency of returns and risk
- Qualitative assessment of the investment manager and team



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Clients should speak to the IAR regarding whether the SMA Portfolio Manager or Model Advisor being considered for selection or that has been selected by the client is Recommended or Participating.

### LPL as a Model Advisor

Clients may invest in Model Portfolios designed by LPL's Research Department ("LPL Research"). It is important to note that no methodology or investment strategy is guaranteed to be successful or profitable. LPL Research designs different types of Model Portfolios to meet different investor needs. LPL Research Model Portfolios are built by seeking certain quantitative characteristics for each portfolio using a rules-based, disciplined process for security selection and portfolio construction. LPL Research looks for specific characteristics or investment factors and designs a Model Portfolio to capture the investment results of that characteristic or factor. For example, one such Model Portfolio seeks to have index-like representation to reasonably track large cap index returns such as the S&P 500 Index, while another focuses on dividends by seeking a yield premium over the index.

The LPL Research Model Portfolios are managed tactically, which means they are flexible and are designed to help take advantage of short-, mid-, and long-term opportunities the markets present and are intended for clients who wish to take advantage of shorter-term market opportunities and are not opposed to the prospect of trading as frequently as monthly.

The participation of LPL's Research Department as a Model Advisor under the MP Platform also gives rise to conflicts of interests because LPL has a financial incentive to select its internal team and further grow its assets under management. Although LPL does not charge a separate fee for its services as Model Advisor, as assets under management at LPL increase, the firm is able to achieve greater efficiencies and economies of scale with regards to the research and management services that it provides to clients. In addition, because LPL does not charge a fee for its services as Model Advisor, LPL and IAR have a financial benefit if IAR recommends a Model Portfolio designed by LPL Research, because LPL and IAR will retain a greater portion of the Account Fee than if a Model Portfolio designed by an unaffiliated Model Advisor or if a SMA Portfolio Manager is selected.

### Removal of a SMA Portfolio Manager or Model Advisor

LPL may elect to remove or replace a SMA Portfolio Manager or Model Advisor should it determine that the firm has failed to meet one or more of the above selection criteria or if the SMA Portfolio Manager or Model Advisor has failed to maintain sufficient assets under management at LPL to maintain profitability on the SMA Platform. In making a decision to remove or replace a SMA Portfolio Manager or Model Advisor, LPL takes into consideration all criteria; no one criteria, other than the maintenance of assets under management at LPL, is necessarily determinant in the decision. Short-term developments are monitored but are not necessarily sufficient for a decision to remove or replace a SMA Portfolio Manager or Model Advisor. While LPL would have the authority to remove the LPL Research Department as a Model Advisor, it is unlikely to do so.

### Portfolio Manager Performance

LPL's Research Department uses information provided by the portfolio manager and may also use independent, third party databases when evaluating a SMA Portfolio Manager or Model Advisor. In order for a SMA Portfolio Manager or Model Advisor to be selected for the Platforms, LPL Research generally requires a third party verification letter related to compliance of the firm's performance information with Global Investment Performance Standards (GIPS) or a similar letter indicating that the performance information has been audited by an independent auditor. This requirement may be waived by LPL for various reasons including alternative methods of verifying the experience and/or performance of the SMA Portfolio Manager or Model Advisor. SMA Portfolio Manager and Model Advisor performance information is not calculated on a uniform and consistent basis.

LPL does not calculate the performance record of the SMA Portfolio Manager or Model Advisor. However, LPL provides clients with individual performance information. Performance information distributed by LPL is compiled using third party portfolio accounting and reporting software. Client performance is reported on a time weighted basis. Performance reports are intended to inform clients as to how their investments have performed for a period, both on an absolute basis and compared to leading investment indices.

It is important to note that third-party Model Advisors provide Model Portfolios to LPL, and it is LPL that has discretion for trade implementation and execution in MP Platform accounts. Therefore, Model Portfolios submitted to LPL by third-party Model Advisors represent activity that has already been implemented on behalf of other clients of such Model Advisors. Because of this





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fact and because LPL (and not the third-party Model Advisor) has discretionary authority to implement trades, performance of an MP Platform account will differ from and may be worse than the performance of such Model Advisor's discretionary accounts.

### Investment Strategies

Portfolio managers provide advisory services based on the following types of investment strategies. It is important to note that no methodology or investment strategy is guaranteed to be successful or profitable.

All Cap Core	Global Equity	Large Cap Value	Small Cap Blend
All Cap Growth	Growth Equity	Mid Cap Core	Small Cap Growth
All Cap Value	Income Preferred	Mid Cap Growth	Small Cap Value
Balanced	Large Cap Core	Mid Cap Value	Tax Free Fixed Income
Convertibles	Large Cap Foreign	REIT	Taxable Fixed Income
Global Balanced	Large Cap Growth	Sector	

### Types of Investments and Risks

In the Platforms, SMA Portfolio Managers (in the case of the SMA Platform) or LPL (in the case of the MP Platform) invest in many different types of securities, including equities, fixed-income securities, options, mutual funds, closed-end funds, interval funds and ETFs. Investing in securities involves the risk of loss that clients should be prepared to bear. Described below are some particular risks associated with investing and with some types of investments available in the program.

- **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.
- **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.
- **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



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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 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.
- *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.
- *Options*. Option trading is permitted in the Program. 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



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called away and a Program 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.

- **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.".
- **Blockchain Technology.** Blockchain is a novel technology for which its uses, opportunities, applications, and abilities are unknown and unproven. There can be no assurances that companies investing in this technology will be able to benefit from it. The amount and type of investment restrictions are subject to change and manager's acceptance. Companies investing in blockchain tend to be concentrated in the technology and financials sectors. As a result, the portfolio will be subject to the concentration risk described above and the portfolio's performance may vary materially from that of its MSCI World Index benchmark. This portfolio invests in American depository receipts (ADRs), negotiable certificates traded on a U.S. exchange which are issued by U.S. banks and which represent a specified number of shares (or one share) in a foreign stock. As a result, the portfolio will be subject to the Non-U.S. securities risk described below.
- **Non-U.S. Securities Risk.** Non-U.S. securities involve risks in addition to those associated with comparable U.S. securities and can be more volatile and experience more rapid and extreme changes in price than U.S. securities. Additional risks include exposure to less developed or less efficient trading markets; social, political or economic instability; fluctuations in non-U.S. currencies and in the U.S. dollar exchange rate to those currencies; nationalization or expropriation of assets; settlement, custodial or other operational risks; less stringent auditing, accounting, financial reporting and legal standards; excessive taxation; and exchange control regulations. Adverse conditions in a particular region could negatively affect securities of countries whose economies appear to be unrelated or not interdependent. In many countries, there is less publicly available and lower quality information about issuers than is available in the reports and ratings published about issuers in the U.S.

### Voting Client Securities

In the case of the SMA Platform, the SMA Portfolio Manager is responsible for voting proxies with respect to issuers held in an account, unless a client directs otherwise in writing. In the case of the MP Platform, unless a client instructs otherwise, LPL will



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vote proxies on the client's behalf. LPL has adopted policies and procedures in order for LPL to vote securities in the best interest of clients. LPL has contracted with a third party vendor to make proxy voting recommendations and handle the administrative functions of voting proxies. Although LPL retains authority to vote client proxies, it is LPL's general policy to vote according to the recommendations of the third party vendor. Any exceptions to this general policy are referred to LPL's Research Department, which makes the determination as to how to vote the proxy in accordance with the best interest of the client. A copy of LPL's proxy voting policies is available upon request to your IAR. A client can obtain information about how LPL voted with respect to securities held in the client's account by contacting the IAR. In the case of voluntary corporate actions, LPL intends to follow the instructions provided by the Model Advisors.

If a client elects to retain the right and obligation to vote proxies, LPL is reimbursed by the mutual fund for the delivery costs to send mutual fund shareholder reports and proxies to the client. The maximum fee that can be charged for delivery is set by New York Stock Exchange (NYSE) rules. If LPL uses a vendor to perform the delivery, the vendor seeks reimbursement from the mutual fund on LPL's behalf and in certain cases remits a portion of the reimbursement to LPL.

### ITEM 7 CLIENT INFORMATION PROVIDED TO PORTFOLIO MANAGERS

When a client opens an account, the IAR obtains the necessary financial data from the client and assists the client in setting an appropriate investment objective for the account. The IAR obtains this information by having the client complete an Account Application which is a part of the Account Agreement. In the case of SMA Platform accounts, LPL forwards this information to the selected SMA Portfolio Manager. In the case of MP Platform accounts, the IAR uses this information to recommend an investment strategy and Model Portfolio for the account. LPL typically will not provide client information to third-party Model Advisors.

After the account opening, LPL asks clients quarterly to contact the IAR if there have been any changes in the client's financial situation or investment objectives or if the client wishes to impose any reasonable restrictions on the management of the account or modify existing restrictions. If client communicates to the IAR regarding material changes in the client's financial circumstances, investment objective or investment restrictions, such information is forwarded to the SMA Portfolio Manager for SMA Platform accounts. Clients may communicate such information to the IAR, or SMA Platform clients may otherwise communicate directly with the SMA Portfolio Manager, although clients are encouraged to direct communication through the IAR.

Client should be aware that the investment objective selected for the program in the Account Application is an overall objective for the entire account and may be inconsistent with a particular holding and the account's performance at any time. Client should further be aware that achievement of the stated investment objective is a long-term goal for the account.

### ITEM 8 CLIENT CONTACT WITH PORTFOLIO MANAGERS

In the case of SMA Platform accounts, SMA Portfolio Managers are reasonably available to consult with IARs and clients regarding accounts. Clients may consult directly with the SMA Portfolio Manager, although clients are encouraged to direct contact with SMA Portfolio Manager through the IAR.

In the case of MP Platform accounts, LPL does not place any restrictions on a client's ability to contact and consult with IARs. Because the Model Advisor's role is solely to provide Model Portfolios to LPL, and not to provide individualized discretionary advisory services to MP Platform clients, third party Model Advisors generally are not available to be contacted or consulted by MP Platform clients.

### ITEM 9 ADDITIONAL INFORMATION

#### 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 Investment Advisers Act of 1940 (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 the Advisers Act, censured it for its conduct, and ordered the payment of disgorgement and prejudgment interest to affected investors totaling \$9,333,516.



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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 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, real estate investment trusts ("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 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 fine of \$950,000 (2014).
- LPL's systems and procedures related to the review and retention of email, resulting in a censure, 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 fine of \$400,000 (2012).
- LPL's procedures regarding its review of e-mail communications, resulting in a censure and 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 fine of \$100,000 (2011).
- LPL's procedures on supervision of VA exchanges, resulting in a censure and 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 supervision of an LPL representative under a heightened supervision plan, resulting in a cease and desist order; a fine of \$275,000; payments of restitution, disgorgement and investigative costs; and offers of payment of surrender charges in connection with variable annuity contracts for impacted customers (New Hampshire or "NH", 2020).
- 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 (NH, 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 MA 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 a censure and a fine of \$250,000 (2015).
- Failure to detect improper and fraudulent conduct by an LPL representative, resulting in a censure, 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 VA 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 Adviser Public Disclosure at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) or FINRA BrokerCheck at [www.finra.org](http://www.finra.org).

### 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 in its home office who service certain accounts in the absence of an IAR, and also a small subset of IARs who operate their own offices or are located on the premises of certain financial institutions and are employees of LPL Employee Services, LLC, an LPL-affiliated company. 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.

In certain cases, associated persons of a SMA Portfolio Manager or Model Advisor may also be broker-dealer registered representatives of LPL. If an associated person of a SMA Portfolio Manager or Model Advisor is a broker-dealer registered representative of LPL, that person is providing advisory services to the program account on behalf of SMA Portfolio Manager or Model Advisor, as applicable. That person is not acting in a brokerage capacity or on behalf of LPL with respect to the portfolio





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management services provided under this program. The SMA Portfolio Manager's or Model Advisor's Form ADV, as applicable, should disclose whether or not its associated persons are registered representatives of LPL.

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 program 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 service, which services may relate to a program account. Because LPL and PTC are affiliated companies and share in revenues, there is a financial benefit to the companies if a client uses PTC as a custodian or for personal trustee services, or if a PTC client uses LPL as an investment advisor. PTC's IRA custodian and trustee services and related fees are established under a separate engagement between the client and PTC.

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, including Manager Select. 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 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.

### 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, as principal, buys securities from and sells securities to clients in Manager Select accounts. This practice could put LPL in a position where its own interests are in conflict with clients. However, LPL is not a market maker in securities and does not carry an inventory.

In the case of the SMA Platform, it is the SMA Portfolio Manager (and not LPL) who as investment advisor determines the securities to be traded in the account. It is also the SMA Portfolio Manager who has a duty of best execution in negotiating transactions for clients.

In the case of the MP Platform, LPL as investment advisor determines the securities to be traded in the account; however, LPL is expected to closely track the Model Portfolio, applying discretion only to redress particular account issues, including tax loss



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harvesting, rebalancing, tracking error from the Model Portfolio, and to ensure that investment restrictions are being followed. Though LPL also processes securities transactions, as broker-dealer, for MP Platform accounts, LPL does not charge commissions.

When LPL executes trades for an SMA Portfolio Manager in a principal capacity on the SMA Platform, it receives a markup or markdown on the transaction. This means, for example, if LPL sells a security at a price higher than what LPL paid, LPL will earn a markup. Conversely, if LPL buys a security at a price lower than what LPL sells it for, LPL will receive a markdown. The maximum markup or markdown that LPL receives when acting in a principal capacity in a Manager Select account is \$2.00 per bond. In many cases, this maximum does not apply, and the actual markup or markdown is lower, typically \$1.00 per bond. Details about a markup or markdown for a particular transaction will be furnished upon request. The IAR does not share in this markup or markdown.

Purchases of mutual fund shares are typically processed through LPL's proprietary account resulting in such purchases being characterized as principal transactions for certain reporting purposes. In such case, the shares will be purchased at the fund's net asset value, and no additional charges will be applied to such transactions as a result of the firm's use of a proprietary account for the mutual fund purchase.

For certain ETFs and stocks, LPL executes trades in fractional shares of those securities as an accommodation to clients. There is not an active open market for fractional shares, and executing trades with LPL is most often the only form of liquidity for a client that holds fractional shares in his or her account. LPL does not receive any compensation in addition to advisory fees for executing trades in fractional shares for a client's advisory account. LPL will only buy and sell fractional shares when: a client is also trading whole shares of the security; in connection with a dividend reinvestment plan; or to sell remaining fractional shares to close a position. Trades in whole and fractional shares typically happen on the same day and will be executed at the same price as a trade in whole shares, or otherwise at market closing price.

LPL's parent company, LPL Financial Holdings Inc., is a publicly traded company. SMA Portfolio Managers are not prevented from purchasing LPL Financial Holdings Inc. stock in Manager Select accounts.

### 12b-1 Fees; Recordkeeping Services and Compensation; Revenue Sharing Arrangements.

Some mutual funds and Program Share Classes in Manager Select charge shareholders a 12b-1 fee. To the extent a mutual fund or a Program Share Class charges a 12b-1 fee, the fee will be paid to LPL by the mutual fund. Any 12b-1 fees paid to LPL by mutual funds (other than the Sweep Funds) will be credited to the account.

LPL performs recordkeeping, administrative and shareholder services on behalf of mutual funds and receives compensation for the services based on mutual fund holdings of clients. These services include establishing and maintaining accounts with the funds, facilitating settlement of funds, responding to customer inquiries and requests, and maintaining sub-account records reflecting the issuance, exchange or redemption of shares by each program account. A type of recordkeeping service that LPL provides to certain mutual fund families is to process transactions on an omnibus basis, which means that LPL consolidates client trades into one daily trade with a fund, and maintains all pertinent shareholder information for the fund. In some cases LPL earns recordkeeping compensation with respect to a Program Share Class but does not earn recordkeeping compensation, or earns less recordkeeping compensation, with respect to other share classes of the same fund that are not offered through the Program. If LPL does not provide omnibus services to a mutual fund, then fund shares are traded on a networked basis, which means LPL submits a separate trade for each individual client trade to the fund. In that case, LPL maintains only certain elements of the fund's shareholder information.

The compensation LPL receives from a fund for recordkeeping, administrative and shareholder services is based on the amount of client assets that are invested in the fund (up to 0.30% annually), or the number of positions held by clients in the fund (up to \$25 per position). In addition, LPL charges a setup fee to product sponsors when adding new investment products or share classes of an investment product to LPL's investment platforms. In the case of exchange traded products, LPL receives up to \$7,500 per product. In the case of mutual funds, LPL receives a one-time set up fee of up to \$40,000 to add the sponsor to its recordkeeping platform, which is the sum of a \$15,000 due diligence fee and a setup fee of \$5,000 per fund (up to a maximum of \$25,000 total for all funds). LPL does not share this compensation with IARs.



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LPL has fee arrangements with investment advisors or distributors (“sponsors”) of mutual funds, ETFs, alternative investment products and structured products that are available for purchase through a Platform, called revenue sharing. Under these arrangements, the sponsor pays LPL a fee based on the amount of client sales or assets invested in the sponsor’s funds or products or a fixed fee, and LPL provides marketing support to the sponsor and allows the sponsor to access LPL IARs so that the sponsor can promote such funds or products. The maximum revenue sharing fee received by LPL under these arrangements is 0.15% annually. LPL does not accept revenue sharing fees for assets held in retirement accounts. LPL does not require that a fund sponsor participate in revenue sharing arrangements for the sponsor’s funds to be selected for an Account. In some cases, LPL receives compensation from a fund for the provision of services in addition to LPL’s receipt of revenue sharing payments from the fund’s sponsors. Such compensation includes 12b-1 fees and mutual fund recordkeeping compensation (described above).

The revenue that LPL receives from 12b-1 fees, recordkeeping compensation, and revenue sharing arrangements is an important revenue stream and presents conflicts of interest that affect LPL’s ability to provide clients with unbiased, objective investment advice concerning the selection of funds and share classes for a Model Portfolio in the case of Model Portfolios designed by LPL. In particular, LPL has a financial incentive: (i) to select a fund or a Program Share Class that charges a 12b-1 fee and/or pays recordkeeping compensation to LPL over another comparable fund or a share class that does not charge 12b-1 fees or pay recordkeeping compensation; (ii) to select a fund sponsored by a company that makes revenue sharing payments to LPL, instead of another comparable fund whose sponsor does not make such payments; and (iii) to select a fund or a Program Share Class that charges 12b-1 fees, pays recordkeeping compensation to LPL, or whose sponsor makes revenue sharing payments to LPL that, in each case, are comparatively higher than those charged or paid by another comparable fund or share class or a sponsor of such funds or share classes. Such other comparable funds and/or share classes may be more appropriate for a client than the fund or Program Share Class offered through the Program. LPL’s website at [lpl.com/disclosures.html](http://lpl.com/disclosures.html) identifies the mutual funds that pay recordkeeping compensation and the mutual fund sponsors that make revenue sharing payments to LPL.

LPL credits to clients any 12b-1 fees it receives from mutual funds (other than the Sweep Funds), and therefore, LPL does not have an incentive to select on fund or Program Share Class over another solely on the basis of the 12b-1 fee. In addition, LPL does not share 12b-1 fees, recordkeeping fees, or revenue sharing payments with SMA Portfolio Managers or Model Advisors, and, therefore, there is no financial incentive for an SMA Portfolio Manager or Model Advisor to select one fund or a Program Share Class over another comparable fund or share class on the basis of the 12b-1 fee, recordkeeping compensation, and revenue sharing payments that the fund or Program Share Class charges or provides to LPL. LPL also does not share these payments with IARs.

### Cash Sweep Arrangements

LPL makes available programs for cash in an account to be automatically swept to an interest-bearing Federal Deposit Insurance Corporation (“FDIC”)–insured deposit account, and for certain types of accounts, a money market fund. For more information about which types of accounts are eligible to use the different sweep options, please speak to your IAR.

For accounts that sweep cash to the multi-bank insured cash account program offered by LPL (the “ICA”) -- LPL receives a fee equal to a percentage (up to 4%) of the average daily deposit balance in the ICA. The fee paid to LPL is applied across all ICA deposit accounts taken in the aggregate; therefore, on some accounts, fees to LPL may be higher or lower than this amount. For accounts that sweep cash to the multi-bank deposit cash account program offered by LPL (the DCA)—LPL receives a flat monthly fee per account (approximately \$17 as of July 1, 2019) based upon the prevailing fed funds target rate. LPL’s compensation under the DCA program is not affected by the actual cash amounts held in your account. The fees paid to LPL for its sweep programs reduces the interest rate paid on your cash funds, and depending on the interest rate and other market factors, LPL may receive a majority of the interest as fees.

For the narrow set of accounts that are set up for cash to sweep to a money market fund -- the available Sweep Funds typically pay higher 12b-1 fees than other money market funds. In addition, LPL receives compensation of up to 0.35% annually of the LPL client assets invested in the Sweep Funds for recordkeeping services it provides for the funds. LPL also receives up to 0.15% annually of the LPL client assets invested in the Sweep Funds in connection with marketing support services LPL provides to the Sweep Fund



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sponsors. Together, the 12b-1 fees, recordkeeping fees, marketing support payments, and other compensation from Sweep Funds and their sponsors, allow LPL to receive up to 1% annually of LPL client assets in the Sweep Funds.

LPL also makes available single-bank insured cash account programs. The banks sponsoring such programs have an agreement with LPL for LPL IARs to offer advisory services on their premises. In the case of these single-bank programs, LPL receives a fee from the bank of up to 0.50% annually of the LPL client assets deposited at the bank under the program for its sweep processing services. For additional information on the insured cash account program for your account, including fees and interest rates, please see the applicable disclosure booklet available from IAR and on LPL's website at [lpl.com/disclosures.html](http://lpl.com/disclosures.html).

The compensation that LPL receives related to ICA, DCA and the Sweep Funds is in addition to the Account Fee that LPL and IAR receive with respect to the assets in the sweep investment. This compensation related to ICA, DCA and Sweep Funds is an important revenue stream and presents a conflict of interest to LPL because LPL has a financial benefit if cash is invested in ICA, DCA or the Sweep Funds. However, this compensation is retained by LPL and is not shared with SMA Portfolio Managers or Model Advisors. Therefore, this compensation does not cause an SMA Portfolio Manager or Model Advisor to have a financial incentive to recommend that cash be held in the account instead of holding securities. LPL does not share this compensation with IARs.

Clients should understand that, depending on interest rates and other market factors, the yields on the ICA, DCA and Sweep Funds have been, and may continue in the future to be, lower than the aggregate fees and expenses received by LPL for a client's participation in the cash sweep programs. This may result in a client experiencing a negative overall investment return with respect to cash reserves in the cash sweep programs. Interest rates under ICA and DCA may be lower than the interest rates available if clients make deposits directly with a bank or other depository institution outside of the Program or invests in a money market fund or other cash equivalent. Clients should compare the terms, interest rates, required minimum amounts and other features of the ICA and DCA programs with other types of accounts and investments for cash.

### 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), and click on "Account Disclosures, Agreements, Fee Schedules & Conflicts of Interest," and then "Third Party Compensation and Related Conflicts of Interest."



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### 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.

### 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. Client 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.

Client should understand that LPL, IAR, SMA Portfolio Managers and Model Advisors perform advisory and/or brokerage services for various other clients, and that LPL, IAR, SMA Portfolio Managers and Model Advisors 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.

### Review of Accounts

LPL provides clients with regular written reports regarding their accounts. LPL provides detailed performance information annually describing account performance and positions, with additional information available upon request. In addition, LPL transmits to clients account statements showing transactions, positions, and deposits and withdrawals of principal and income. IARs review monthly or quarterly account statements as well as performance information.

### Other Compensation

SMA Portfolio Managers reimburse LPL for the costs associated with the use of technology necessary for a SMA Portfolio Manager to perform its services under the SMA Platform. LPL, LPL employees and IARs receive additional compensation from product sponsors, including SMA Portfolio Managers or firms affiliated with SMA Portfolio Managers and third-party Model Advisors or firms affiliated with third-party Model Advisors. However, such compensation may not be tied to the sales of any products. Compensation include 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 events or workshops, or marketing 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.

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 employees have an incentive to promote certain advisory programs to IARs over other advisory programs.

LPL receives compensation in the form of earnings on its short-term investment of cash in program accounts prior to the time the cash is invested for the account. These earnings are generally known as "float." Cash in the account would typically result from contributions to the account or sales of securities in the account. For accounts that opt out of the sweep program, the accounts typically remain in free credit balances. In such case, LPL receives compensation in the form of earnings on cash. LPL does not share this compensation with IAR.

In the event a trade error occurs in the Account, and such error is determined to be caused by LPL, LPL typically will cancel the trade and remove the resulting monetary loss to the client from the account. If a trade correction is required as a result of client (e.g., if client does not make full payment for purchases or fails to deliver negotiable securities for liquidations before trade settlement), LPL typically will cancel the trade and any resulting monetary loss will be borne by the client. In the case of a trade



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that requires a correction as described above and that resulted in a monetary gain to the client, such gain will be removed from the account and can result in a financial benefit to LPL.

### Conflicts Related to LPL Compensation to IAR

The IAR recommending an advisory service receives compensation from LPL. LPL typically compensates IARs pursuant to an independent contractor agreement and not as an employee. 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
- advances of advisory fees
- payments in the form of repayable or forgivable loans
- attendance at LPL conferences and events.

Note that LPL has a dedicated team of employee IARs in its home office who service certain accounts in the absence of an IAR, and also a small subset of IARs who operate their own offices or are located on the premises of certain financial institutions and are employees of LPL Employee Services, LLC, an LPL-affiliated company. In such cases, the IARs are compensated as employees, and such compensation can include a salary, bonus and other things of value as set out above.

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 the Program than other programs or services. In such cases, the IAR has a financial incentive to recommend advisory services in the 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 in the Program 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.





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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 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. 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. In addition, IARs are also eligible to receive compensation from LPL in order to assist with offsetting time and expense in coordinating transfers of client accounts from third party investment platforms to LPL's platform ("Operational Assistance"). This compensation is payable as a flat-dollar amount per transferred account with a maximum of up to \$350 per account.

The receipt of Transition Assistance and Operational 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 and Operational Assistance benefit or payment. 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 and Operational 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.

### 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 these solicitation arrangements, all third parties and financial intermediaries are independent contractors. The compensation paid under the solicitation arrangement 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 financial institutions, like 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 the financial institutions pursuant to which LPL typically shares compensation, including a portion of the Account 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 Account Fee as described above, LPL shares the Account Fee with the financial institution, and the financial institution pays part of that amount to IAR. The financial institutions, along with LPL, determine the compensation plan for 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. IAR will have a financial incentive to recommend a particular service or product if under the compensation plan the recommended product will result in



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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 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 are 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 notes, 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. Financial institutions are also eligible to receive compensation from LPL in order to assist with offsetting time and expense in coordinating transfers of client accounts from third party investment platforms to LPL's platform. The compensation is payable to the institution as a flat-dollar amount per transferred account with a maximum of up to \$350 per account. 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 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 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.

If your financial advisor is an employee of Community Bank, you should note that the selection of Nottingham Advisors, a wholly-owned subsidiary of Community Bank, as an SMA Portfolio Manager or a Model Advisor presents a conflict of interest because it gives an incentive to your financial advisor to recommend an affiliated advisory firm based on the compensation received by Nottingham Advisors rather than on a client's needs. However, an IAR may only recommend a program or service that he or she believes is appropriate for you.

### Financial Information and Custody

LPL is a qualified custodian as defined in Rule 206(4)-2 under the Advisers Act and maintains custody of Manager Select client funds and securities in a separate account for each client under the client's name. LPL as a qualified custodian sends account statements showing all transactions, positions, and all deposits and withdrawals of principal and income. LPL sends account



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statements monthly when the account has had activity or quarterly if there has been no activity. Clients should carefully review those account statements.

### Brokerage Practices

In the case of the MP Platform, all transactions will be executed through LPL, and Client directs that securities transactions for the Account be initiated through LPL. In the case of the SMA Platform, clients direct SMA Portfolio Managers to execute transactions through LPL, subject to the SMA Portfolio Manager's duty as an investment advisor to seek to achieve best execution. Clients should understand that an SMA Portfolio Manager may choose to place some or all trades for accounts with broker-dealer firms other than LPL ("trade away" or "step outs"). Some SMA Portfolio Managers have historically placed nearly all client trades with broker-dealer firms other than LPL for execution, in particular, if the SMA Portfolio Manager follows a fixed-income, foreign or small cap investment strategy. In addition, SMA Portfolio Managers may choose to trade away from LPL in order to aggregate all client transactions into one or more larger "block trades" that are executed through one broker-dealer. This practice may enable an SMA Portfolio Manager to obtain more favorable execution, including a more advantageous net price, than would otherwise be available if orders were not aggregated into a single "block trade." It may also assist the SMA Portfolio Manager in potentially avoiding an adverse effect on the price of a security which could result from simultaneously placing a number of separate, successive or competing client orders.

When securities transactions are effected through LPL, there are no brokerage commissions charged to the account. If an SMA Portfolio Manager chooses to execute a transaction through a broker-dealer other than LPL, the execution price will usually include a commission or fee imposed by the executing broker-dealer. Clients should understand that the client will bear any such additional trading cost, in addition to the account fee paid to LPL. The additional expenses charged by the broker-dealer executing the transaction may include commissions, mark-ups, mark-downs or "spreads" paid to executing broker dealer firm. Additionally, if a foreign currency transaction is required, there may be foreign exchange or similar fees, including but not limited to fees for foreign ordinary conversion and creation of American Depositary Receipts ("ADRs") charged by third parties as well as foreign tax charges. In many cases, the commission, mark-up, mark-down or other additional expenses charged by the executing broker-dealer or third party will be embedded in the purchase or sale price of such transactions, and not separately indicated on trade confirmations and custodial account statements provided by LPL. In evaluating whether to execute a trade through a broker-dealer other than LPL, an SMA Portfolio Manager will consider the fact that an account will not be charged an additional expenses (such as a commission) if effected directly through LPL.

Clients should understand that LPL is not able to fully evaluate whether an SMA Portfolio Manager is meeting its best execution obligations to clients for specific transactions when trading away, as it is not a party to such transactions and is not in a position to negotiate the price or transaction related charges with the executing broker. The responsibility to determine whether to trade away lies with the SMA Portfolio Manager and arises out of an SMA Portfolio Manager's individual fiduciary duty to clients. Additional information regarding equity trading away practices of SMA Portfolio Managers is available on [lpl.com/disclosures.html](http://lpl.com/disclosures.html) under "Market & Trading Disclosures" and "Third-Party Portfolio Manager Trading Practices."

Clients should consider whether or not the appointment of LPL as the broker-dealer may or may not result in certain costs or disadvantages as a result of possibly less favorable executions. Clients should also understand that not all wrap program sponsors require brokerage to be directed to the sponsor. By directing brokerage to LPL, clients may be unable to achieve the most favorable execution of client transactions. In particular, clients should understand that their accounts may not be able to participate in block trades effected by a portfolio manager for its other accounts, which may result in a difference between prices charged to the account and the portfolio manager's other accounts. For these reasons, directed brokerage may cost clients more money.

SMA Portfolio Managers (in the case of SMA Platform Accounts) or LPL may aggregate transactions 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. Clients should read and understand the disclosure in Form ADV Part 2 of the applicable SMA Portfolio Manager in the case of SMA Platform accounts.



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### 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 responsible for the ongoing individualized investment advice provided to a particular client. For more information about the portfolio manager managing the account (i.e., the SMA Manager for an SMA Platform account or LPL for an MP Platform account), client should review the Brochure of the portfolio manager. For more information about the LPL IAR servicing the account, 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).



## MANAGER SELECT – PROGRAM BROCHURE

### BROCHURE SUPPLEMENTS

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August 31, 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 [lpfinancial.adv@lpl.com](mailto:lpfinancial.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.



## **MANAGER SELECT – PROGRAM 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.

### **Ryan Edward Detrick**

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

Ryan Edward Detrick was born in 1978. He has a BA in Finance from Xavier University and an MBA from Miami University. He is a Senior Vice President and Chief Market Strategist for LPL Research and has been with the firm since 2016. Prior to joining LPL, he was a portfolio manager at Haberer RIA.

#### **Disciplinary Information**

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





## MANAGER SELECT – PROGRAM BROCHURE

### Other Business Activities

Mr. Detrick is a registered representative of LPL. LPL is a registered broker-dealer and member of FINRA. Although Mr. Detrick 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. Detrick 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. Detrick 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.

### 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.

### 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.



## **MANAGER SELECT – PROGRAM BROCHURE**

### **Benjamin Lawrence Hargett**

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

Benjamin Lawrence Hargett was born in 1974. He has a BS in Finance, Insurance, and Real Estate from the University of North Carolina at Greensboro and an MBA from Wake Forest University. He is an Assistant Vice President for LPL Research and has been with the firm since 2015. Prior to joining LPL, he held investment analyst and portfolio manager positions at Wells Fargo.

#### **Disciplinary Information**

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

#### **Other Business Activities**

Mr. Hargett is a registered representative of LPL. LPL is a registered broker-dealer and member of FINRA. Although Mr. Hargett 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. Hargett 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. Hargett 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.

### **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.



## MANAGER SELECT – PROGRAM BROCHURE

### 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.

### 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.



## **MANAGER SELECT – PROGRAM BROCHURE**

### **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.

#### **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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