

# LPL ENTERPRISE, LLC FIRM BROCHURE

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This brochure provides information about the qualifications and business practices of LPL Enterprise, LLC ("LPLE"). If you have any questions about the contents of this brochure, please contact your LPLE representative or LPLE at [LPLEnterprise.ADV@lpl.com](mailto:LPLEnterprise.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 LPLE also is available on the SEC's website at <https://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 initial filing dated July 5, 2024. The Brochure was updated to describe the following additional advisory programs sponsored by our affiliate LPL Financial LLC ("LPL Financial") that will soon be available to our clients: Strategic Asset Management, Manager Select, Optimum Market Portfolios, Guided Wealth Portfolios and Personal Wealth Portfolios. Item 9 was updated to disclose that our affiliate LPL Financial entered into a settlement with the SEC that included a \$50,000,000 fine for failing to maintain required records of certain business-related communications. Item 14 was updated with additional information relating to client referrals.

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## ITEM 4 ADVISORY BUSINESS

### Introduction

LPLE is an investment advisor registered with the Securities and Exchange Commission ("SEC") pursuant to the Investment Advisers Act of 1940 (the "Advisers Act"). Note that registration as an investment advisor with the SEC does not imply a certain level of skill or training. LPLE is owned 100% by LPL Holdings, Inc., which is owned 100% by LPL Financial Holdings Inc., a publicly held company.



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

### Types of Advisory Services

LPLE offers various types of advisory services and programs sponsored by its affiliate, LPL Financial LLC ("LPL"), including wrap programs, a mutual fund asset allocation program, an advisor-enhanced digital advice program, and an individualized securities portfolio management program. LPLE also offers financial planning and consulting services. This Brochure provides certain information about the LPL-sponsored programs and information about LPLE's financial planning and consulting services. LPL also provides a separate disclosure brochure for each of its sponsored programs. If clients would like more information on any program, clients should contact their IAR for a copy of that program brochure or go to <https://adviserinfo.sec.gov>. LPLE conducts its advisory business under the name "LPL Enterprise, LLC." Although LPLE uses separate marketing names, LPLE does not conduct any advisory business primarily through any of those entities.

LPLE is also a broker-dealer registered with the Financial Industry Regulatory Authority ("FINRA"), and IARs are typically also registered with LPLE as broker-dealer registered representatives. Therefore, in such cases, IARs are able to offer a client both investment advisory and brokerage services. Before engaging with an IAR, clients should take time to consider the differences between an advisory relationship and a brokerage relationship to determine which type of service best serves the client's investment needs and goals. All recommendations regarding advisory accounts will be in an advisory capacity, and any recommendations regarding any brokerage account 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 LPLE. Not all LPLE IARs have access to all products and services.

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

### Financial Planning & Consulting Services

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

The client remains solely responsible for determining whether or not to implement program recommendations and taking all necessary steps to do so. LPLE and IAR will not exercise investment discretion or implement any investment advice or recommendations provided as part of the services. Rather, the services are offered as point-in-time based consultations that are provided on a sporadic or episodic frequency as requested by client, and do not include providing ongoing investment management or monitoring services. Moreover, to the extent that the services include consideration of a client's group or individual qualified retirement plan assets, this is not intended to result in LPLE or IAR acting as a "fiduciary" as such term applies under the Employee Retirement Security Act of 1974 ("ERISA") or the Internal Revenue Code. Clients may elect to retain LPLE and IAR to provide various securities and/or ongoing investment management or monitoring services by enrolling in other programs available through LPLE.



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## Access to LPL Programs

LPLE offers clients access to various investment advisory programs sponsored by LPL.

- **Strategic Asset Management (“SAM”)**: In the SAM program, LPLE, through its IARs, provides ongoing investment advice and management of assets in a client’s account that is tailored to the individual needs of the client based on the investment objective chosen by the client. LPLE, through its IARs, is typically granted discretion to purchase and sell mutual funds, unit investment trusts, closed-end funds and exchange-traded funds (“ETFs”), and to purchase and sell separate accounts within variable annuities. Transactions in other securities approved by LPL and LPLE for investment in the program, including equities, fixed income, certificates of deposit, interval funds, hedge funds, managed futures, real estate investment trusts (“REITs”), business development companies (“BDCs”), structured products and options, may be effected in the Account at client’s direction or authorization. Clients should review the SAM Program Brochure for more detailed information, available at [lpl.com/lpl-enterprise.html](http://lpl.com/lpl-enterprise.html).
- **Model Wealth Portfolios (“MWP”)**: MWP is a unified managed account program in which LPL and LPLE provide ongoing investment advice on a discretionary basis. LPLE, through IAR, obtains the necessary financial data from the client, assists the client in determining the suitability of the program and assists the client in setting an appropriate investment objective. LPLE selects one or more model portfolios of securities (each, a “Portfolio”) designed by LPL’s Research Department, a third-party investment strategist, or LPLE, through IAR (each, a “Portfolio Strategist”), consistent with the client’s stated investment objective. These Portfolios may contain mutual funds, ETFs, exchange-traded notes (“ETNs”), closed-end funds, equities, or fixed-income securities. LPLE, through IAR, provides ongoing advice on the selection or replacement of a Portfolio based on the client’s individual needs and may choose more than one Portfolio to be managed within a single MWP account. A Portfolio also may be comprised of one or more underlying models.

Clients grant LPLE and IAR discretion to choose among the available models designed by the Portfolio Strategists. The Portfolio Strategist is responsible for selecting the securities within a Portfolio and for making changes to the securities selected. Each Portfolio Strategist provides its model portfolio to LPL, and LPL makes the decisions on how to implement the model on behalf of clients. Clients should review the MWP Program Brochure for more detailed information, available at [lpl.com/lpl-enterprise.html](http://lpl.com/lpl-enterprise.html).

- **Manager Select**: In the Manager Select program, LPL 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. LPLE, through its IAR, assists the client to set an appropriate investment objective and to select, as applicable, either an SMA Portfolio Manager to manage the account or a model portfolio provided by LPL’s Research Department or a third-party investment advisor.

Under the SMA Platform, Client authorizes SMA Portfolio Manager to purchase and sell, on a discretionary basis, securities pursuant to an investment objective chosen by the client. Under the MP Platform, Client authorizes LPL to manage the account and to invest based on the model portfolio selected by Client. Clients should review the Manager Select Program Brochure for more detailed information, available at [lpl.com/lpl-enterprise.html](http://lpl.com/lpl-enterprise.html).

- **Optimum Market Portfolios (“OMP”)**: is a professionally managed mutual fund asset allocation program in which LPL and LPLE provide ongoing investment advice and management. LPLE, through its IAR, obtains the necessary financial data from the client, assists the client in determining the suitability of the program and assists the client in setting an appropriate investment objective. LPLE, through its IAR, selects a model portfolio of mutual funds comprised of Optimum Funds Class I shares, designed by LPL’s Research Department consistent with the client’s stated investment objective. Clients grant LPL discretionary trading authority to sell previously purchased securities and purchase and sell Optimum Funds to track the model portfolio. Clients should review the OMP Program Brochure for more detailed information, available at [lpl.com/lpl-enterprise.html](http://lpl.com/lpl-enterprise.html).



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- **Guided Wealth Portfolios ("GWP"):** GWP is an advisor-enhanced digital advice program that offers clients the ability to participate in a centrally managed investment program, which is made available to users and clients through a web-based, interactive account management portal. Clients are required to maintain an active profile in the account management portal to participate in the program. Clients select from one of the following goals for their account: retirement, major purchase, or general investing. Based on information provided by the client, the client is assigned a model portfolio constructed by LPL. LPLE, through its IAR, determines the suitability of the Program for the client and an appropriate investment allocation track for the client. Clients authorize LPL on a discretionary basis to purchase and sell securities based upon the model portfolio. Program securities currently include a limited universe of ETFs but may include mutual funds in the future. Clients should review the GWP Program Brochure for more detailed information, available at [lpl.com/lpl-enterprise.html](http://lpl.com/lpl-enterprise.html).
- **Personal Wealth Portfolios ("PWP"):** PWP is a unified managed account program in which LPL and LPLE provide ongoing investment advice and management to clients. LPLE, through its IAR, obtains the necessary financial data from the client and assists the client in setting an appropriate investment objective. Client authorizes LPLE, through its IAR, on a discretionary basis to select an asset allocation model portfolio designed by LPL ("Portfolio"). LPLE, through its IAR, then selects third party investment advisors ("PWP Advisors") who will provide investment models within each asset class of the Portfolio. Clients authorize LPL to invest in accordance with the portfolio and models. Clients should review the PWP Program Brochure for more detailed information, available at [lpl.com/lpl-enterprise.html](http://lpl.com/lpl-enterprise.html).

### ITEM 5 FEES AND COMPENSATION

#### Financial Planning & Consulting Services

For financial planning and consulting services, the fee is negotiated between the IAR and client, and the amount of the fee is as stated in the client agreement. Clients generally pay either on a flat fee basis (though certain asset-specific consultations may be assessed an annual percentage based fee of up to 0.25% of their market value), an hourly basis or on an ongoing fee basis, and will be billed at such frequency (e.g., upfront, monthly, quarterly, semi-annually or annually) as negotiated with the IAR and indicated in Schedule A to the client agreement. The maximum hourly charge is \$500 per hour and the flat rate fee generally ranges from \$0 to \$20,000. The IAR may elect to provide these services on a discounted or complimentary basis for no fee, and on a case-by-case basis may charge a higher fee depending upon the complexity of the plan. Clients should understand that the fee client negotiates with IAR for these services will be higher than the fees charged by other investment advisors for similar services in certain circumstances. This is the case, in particular, if the fee is at or near the maximum fees set out above. The IAR is responsible for determining the fee to charge each client based on factors such as total amount of assets involved in the relationship, the complexity of the planning services, and the number and range of supplementary advisory and client-related services to be provided. Clients should consider the level and complexity of the planning services to be provided when negotiating the fee with IAR.

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

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

#### Fees for LPL Programs

**SAM:** Clients in the SAM program pay LPL and LPLE an annualized fee for the investment advisory services of LPLE, as well as the administrative, custody and clearing services of LPL. The account fee is negotiable between the client and LPLE and is typically a straight percentage based on the value of all assets in the account, including cash holdings, but excluding certain assets that are not billed upon in certain instances, and payable quarterly in advance. The maximum account fee is 2.50%. LPL reserves the right to increase the upper limit of the account fee upon 30 days' prior notice to clients. LPL, LPLE and IARs do not



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charge performance-based fees to accounts in the SAM program. In addition to the account fee, clients typically pay LPL a transaction charge for the purchase and sale of certain securities in the account, although an IAR may agree to bear transaction charges on behalf of a client.

MWP, Manager Select and PWP: Clients in these programs are charged an annualized account fee which is comprised of an advisory fee and a manager fee. The advisory fee is charged for the investment advisory services of LPLE as well as the as well as the investment advisory, administrative, trading, custodial and clearing services of LPL. The advisory fee is based on the value of assets in the account, including cash holdings. The maximum advisory fee is 2.35% and is negotiable. Depending upon the model(s) selected for the account, clients pay a manager fee set by LPL for the use of each model portfolio. The manager fee ranges from 0% to 0.60%. The manager fee is based on the value of assets in the applicable model, including cash holdings. If the model(s) selected for the Account, or if the investment value of the account changes, the overall account fee may increase or decrease. LPL deducts the account fee and other fees and charges associated with an account quarterly in advance. LPL reserves the right to increase the upper limit of the advisory fee and/or manager fee range(s) upon 30 days' prior notice to clients. Performance-based fees are not charged to accounts in these programs.

OMP: Clients in the OMP program pay an annualized fee for the asset management services of LPL and LPLE, as well as the administrative and custodial services of LPL. The account fee is negotiable between the client and LPLE and is based on the value of assets in an account, including cash holdings, and payable quarterly in advance. The maximum account fee is 2.50%. LPL reserves the right to increase the upper limit of the account fee range upon 30 days' prior notice to clients. LPL, LPLE, and IARs do not charge performance-based fees to accounts in the OMP program. In addition to the account fee, clients typically pay LPL a \$5 transaction charge on each purchase and sale transaction.

GWP: Clients in the GWP program pay an annualized account fee comprised of an advisor fee and an LPL program fee payable quarterly in advance. The advisor fee is charged for the investment advisory services of LPL, LPLE and IAR. The advisor fee is negotiable between the client and the IAR and is based on the value of assets in the account, including cash holdings. The maximum advisor fee is 1.00%. The LPL program fee is 0.35% for the investment advisory, administrative, trading, custodial, and clearing services of LPL. LPL reserves the right to increase the upper limits of the advisor fee and/or LPL program fee range(s) upon 30 days' prior notice to clients. No performance-based fees are charged to accounts in the GWP program.

Clients should review the applicable Program Brochure for more information about the fees associated with a particular program, available at [lpl.com/lpl-enterprise.html](http://lpl.com/lpl-enterprise.html).

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

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

### ITEM 7 TYPES OF CLIENTS

LPLE's advisory services are available for individuals, individual retirement accounts ("IRAs"), banks, thrift institutions, credit unions, pension and profit-sharing plans, including plans subject to ERISA, participants in such plans, trusts, estates, charitable organizations, state and municipal government entities, corporations and other business entities.

LPL requires a minimum asset value for accounts to be managed in programs it sponsors, as disclosed in the applicable Program Brochure. LPLE does not require a minimum asset amount for financial planning and consulting services.

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

LPLE and its IARs have access to various research reports and model portfolios, including from the Research Department of its affiliate LPL, to which they may refer in determining investment advice IAR provides to clients. LPLE and the IAR choose their own research methods, investment style and management philosophy. It is important to note that no methodology or investment strategy is guaranteed to be successful or profitable.

#### Types of Investments and Risks

Depending on the type of service being provided and the applicable program, LPLE and its IARs can recommend different types of securities, including mutual funds, closed-end funds, ETFs, ETNs, equities, and fixed income securities. Investing in



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securities involves the risk of loss that clients should be prepared to bear. Described below are some risks associated with investing and with some types of investments that an IAR can recommend depending on the service provided.

- *Market Risk.* This is the risk that the value of securities owned by an investor may go up or down, sometimes rapidly or unpredictably, due to factors affecting securities markets generally or particular industries.
- *Interest Rate Risk.* This is the risk that fixed income securities will decline in value because of an increase in interest rates; a bond or a fixed income fund with a longer duration will be more sensitive to changes in interest rates than a bond or bond fund with a shorter duration.
- *Economic Conditions Risk.* This is the risk that economic, political, or financial developments will, from time to time, result in periods of volatility or other adverse effects that could negatively impact your account.
- *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.
- *Liquidity Risk.* This is the risk that an investor would not be able to sell or redeem an investment quickly, or would not be able to sell or redeem an investment quickly without significantly affecting the price. Liquidity risk is heightened when markets are distressed. Generally, alternative investments have higher liquidity risk than equities, fixed income securities or mutual funds or ETFs.
- *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.
- *Equity Securities.* Common and preferred stock represents the equity ownership of a company. Stock markets are volatile and the price of equity securities fluctuates based on changes in a company's financial condition and overall market and economic conditions. The value of equity securities may also decline due to factors that affect particular industries or particular issuers. The values of equity securities may be more volatile than those of other asset classes.
- *Debt Securities.* Debt securities, such as bonds, involve interest rate risk, credit risk, extension risk, prepayment risk, and other types of risks. In addition, the value of debt securities may fluctuate in response to market movements or issues that affect particular industries or issuers. When interest rates fall, the issuers of debt securities may prepay principal more quickly than expected, and investors may have to reinvest the proceeds at a lower interest rate. This is known as "prepayment risk." When interest rates rise, debt securities may be repaid more slowly than expected, and the value of the debt security can fall sharply. This is known as "extension risk." Certain types of debt securities may be subject to "call and redemption risk," which is the risk that the issuer may call a bond for redemption before it matures and the investor may lose income.
- *Foreign Securities Risk.* Foreign investments involve special risks not present in U.S. investments that increase an investor's potential to lose money. Among other issues, custody of securities in foreign markets, changes in foreign currency exchange



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rates, foreign economic and market conditions, actions adverse to investors taken by foreign governments, lack of governmental oversight or regulation of securities markets, underdeveloped settlement and clearing services, and foreign withholding taxes may negatively affect the value of investments in foreign securities.

- *Alternative Strategy Mutual Funds.* Certain mutual funds invest primarily in alternative investments and/or strategies. Investing in alternative investments and/or strategies may not be appropriate for all investors and involves special risks, such as risks associated with commodities, real estate, leverage, selling securities short, the use of derivatives, potential adverse market forces, regulatory changes, and potential illiquidity. Clients should be aware that alternative investments and/or strategies are generally considered speculative in nature and involve a high degree of risk, particularly if concentrating investments. There are special risks associated with mutual funds that invest principally in real estate securities, such as sensitivity to changes in real estate values and interest rates and price volatility because of the fund's concentration in the real estate industry. These types of funds tend to have higher expense ratios than more traditional mutual funds. They also tend to be newer and have less of a track record or performance history.
- *Closed-End/Interval Funds.* Clients should be aware that closed-end funds available within a program may not give investors the right to redeem their shares, and a secondary market may not exist. Therefore, clients may be unable to liquidate all or a portion of their shares in these types of funds. While the fund may from time to time offer to repurchase shares, it is not obligated to do so (unless it has been structured as an "interval fund"). In the case of interval funds, the fund will provide limited liquidity to shareholders by offering to repurchase a limited amount of shares on a periodic basis, but there is no guarantee that clients will be able to sell all of the shares in any particular repurchase offer. In some cases, there may be an additional cost to investors who redeem before holding shares for a specified amount of time. 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.
- *Unit Investment Trusts (UITs).* UITs are investment companies that generally offer a fixed portfolio of stocks and bonds as redeemable units to investors for a specified period of time. Like a mutual fund, UITs typically issue redeemable units. However, UITs differ from mutual funds in that UITs have stated expiration dates and are not actively traded. As a consequence, UITs will not be sold to take advantage of market conditions and their value may fluctuate, sometimes rapidly or unpredictably, due to factors affecting securities markets or particular industries. Upon the stated expiration date of a UIT, there is no assurance that the value of the UIT will be equal to or higher than the original price.
- *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



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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.

- **Options.** Clients should be aware that the use of options involves additional risks. The risks of covered call writing include the potential for the market to rise sharply. In such case, the security may be called away and 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.
- **Direct Indexing.** Direct indexing strategies seek to replicate the performance of a market index by directly holding the individual securities, or a representative sample of the individual securities, that make up the index. Direct indexing may provide a more tax efficient means of investing, and may allow for more customized investment allocations, than investing in a fund or other commingled product that seeks to replicate the index. The potential benefits of direct indexing, however, will not necessarily be realized if you don't take advantage of tax planning or impose account restrictions, such as account level security or sector-based restrictions or customizations based on your specific tax, ESG or other preferences. Fees and expenses for the direct indexing strategy in some cases will be higher than the fees and expenses associated with alternative index products. Higher fees and expenses could adversely impact account performance. The size of your account and the number of securities in the index your account seeks to replicate also limit the ability of your account to replicate the index. As a result, the direct indexing strategy introduces the risk of tracking error relative to the index into your account and can cause your portfolio to underperform the index, including as a result of customization. LPL and LPLE cannot guarantee that the dividend yield in your portfolio will accurately track a market index.
- **Other Complex Exchange Traded Products (ETPs).** Certain clients meeting qualification standards may also purchase other complex ETPs, which may be structured as ETFs, ETNs or as other types of securities. Similar to leveraged and inverse products, these other complex products differ, often significantly, from traditional ETFs, ETNs and mutual funds and can be significantly more speculative and volatile. Other complex ETPs are often not designed to be held long term. These products include, for example, single-inverse ETPs ("Single Inverse ETPs"), futures-linked ETPs ("Futures Linked ETPs") and cryptocurrency-related ETPs ("Cryptocurrency ETPs"). Single Inverse ETPs are complex financial instruments that seek investment results that are the opposite of the performance of an index for a stated trading period (or "reset frequency"), often a single day. When a Single Inverse ETP with a shorter reset frequency is held for a longer period, significantly different returns from the investment objective or returns of the underlying assets may result, including potential realized and unrealized losses. A Single Inverse ETP that resets each day is typically inappropriate as an intermediate or long-term investment unless it is recommended as part of a sophisticated trading or hedging strategy that will be closely monitored. Futures Linked ETPs are intended to provide exposure to reference assets like commodities. However, Futures Linked ETPs are not designed to track the spot price of the referenced asset, but instead track the price of futures contracts. The performance of a Futures Linked ETP may deviate significantly from the performance of the spot price of the reference asset, especially over longer periods. Cryptocurrency ETPs are exposed to cryptocurrency, decentralized digitized assets that often rely on blockchain technology. Cryptocurrency ETPs are highly speculative and extremely volatile. Cryptocurrency is part of a new and evolving industry, and neither the technology nor regulatory regime for cryptocurrency is settled. Cryptocurrency ETPs may trade in over-the-counter markets and may not be afforded all of the investor protections of other





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exchange-traded products. Certain Futures Linked ETPs invest in cryptocurrency futures, which could magnify the risks described above.

- **Structured Products.** Structured products are securities derived from another asset, such as a security or a basket of securities, an index, a commodity, a debt issuance, or a foreign currency. Structured products frequently limit the upside participation in the reference asset. Structured products are senior unsecured debt of the issuing bank and subject to the credit risk associated with that issuer. This credit risk exists whether or not the investment held in the account offers principal protection. The creditworthiness of the issuer does not affect or enhance the likely performance of the investment other than the ability of the issuer to meet its obligations. Any payments due at maturity are dependent on the issuer's ability to pay. In addition, the trading price of the security in the secondary market, if there is one, may be adversely impacted if the issuer's credit rating is downgraded. Some structured products offer full protection of the principal invested, others offer only partial or no protection. Investors may be sacrificing a higher yield to obtain the principal guarantee. In addition, the principal guarantee relates to nominal principal and does not offer inflation protection. An investor in a structured product never has a claim on the underlying investment, whether a security, zero coupon bond, or option. There may be little or no secondary market for the securities and information regarding independent market pricing for the securities may be limited. This is true even if the product has a ticker symbol or has been approved for listing on an exchange. Tax treatment of structured products may be different from other investments held in the account (e.g., income may be taxed as ordinary income even though payment is not received until maturity). Structured CDs that are insured by the FDIC are subject to applicable FDIC limits.
- **High-Yield Debt.** High-yield debt is issued by companies or municipalities that do not qualify for "investment grade" ratings by one or more rating agencies. The below investment grade designation is based on the rating agency's opinion of an issuer that it has a greater risk to repay both principal and interest and a greater risk of default than those issuers rated investment grade. High yield debt carries greater risk than investment grade debt. There is the risk that the potential deterioration of an issuer's financial health and subsequent downgrade in its rating will result in a decline in market value or default. Because of the potential inability of an issuer to make interest and principal payments, an investor may receive back less than originally invested. There is also the risk that the bond's market value will decline as interest rates rise and that an investor will not be able to liquidate a bond before maturity.
- **Hedge Funds and Non-Traded Managed Futures.** Hedge funds and non-traded managed futures funds are available to clients meeting certain qualification standards. Investing in these securities involves additional risks including, but not limited to, the risk of investment loss due to the use of leveraging and other speculative investment practices, currency and interest rate risk, lack of liquidity and performance volatility. In some cases, there may be an additional cost to investors who redeem before holding shares for a specified amount of time. In addition, these securities may not be required to provide periodic pricing or valuation information to investors and may involve complex tax structures and delays in distributing important tax information. Clients should be aware that these securities may not be liquid as there is no secondary trading market available. At the absolute discretion of the issuer of the security, there may be certain repurchase offers made from time to time. However, there is no guarantee that client will be able to redeem the security during the repurchase offer. Issuers typically accept redemption requests only periodically (monthly or quarterly), and often have the discretion to suspend redemptions in times of market stress. Even after a redemption request is accepted, the redemption proceeds may not be available for a significant period of time following the effective date of the redemption. A portion of the redemption proceeds may also be withheld to account for potential future adjustments to the valuation of the security. Funds of hedge funds are pooled investments in several hedge funds. Expenses in funds of hedge funds are typically higher than mutual funds. Because they may invest in a number of private hedge funds, funds of funds also bear a part of the fees and expenses of those underlying hedge funds.
- **Business Development Companies (BDCs).** BDCs are types of closed-end investment companies, which are available to clients meeting certain qualification standards. Generally, BDCs invest primarily in the debt and equity of private and/or small U.S. companies and may offer distribution rates generated through potentially significant credit and liquidity risk exposures amplified through leverage. As with other high-yield investments, such as floating-rate/leveraged loan funds, private REITs and limited partnerships, investors are exposed to significant market, credit, interest rate and liquidity risks. In addition, BDCs run the risk of over-leveraging their relatively illiquid portfolios. Due to the illiquid nature of non-traded BDCs, investors' exit opportunities may be limited only to periodic share repurchases by the BDC. A tender offer pursuant to a share redemption program may be oversubscribed so that the BDC accepts only a pro rata portion of the shares a



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client tenders during a redemption program. In such cases, a client may experience significant delays (including, potentially, indefinite delays) to exit from the investment. In addition, share redemption programs may be shut down at any time at the discretion of the issuer's board. Also, BDCs may fund distributions from offering proceeds or borrowings, which may constitute a return of capital and reduce the amount of capital available to make investments. In some cases, there may be an additional cost to investors who redeem before holding the shares for a specified number of years.

- *REITs.* REITs invest in real estate, and there are special risks associated with investing in real estate, including, but not limited to, sensitivity to changes in real estate values, the risk of investment loss due to the use of leveraging and other speculative investment practices, interest rate risk, lack of liquidity and performance volatility. Non-Traded REITs are not required to provide annual valuations until two years and 150 days after reaching the minimum capital raise required to begin purchasing properties. This threshold is generally outlined in the product's prospectus. Non-Traded REITs, which are available to clients meeting certain qualification standards, may fund distributions from offering proceeds or borrowings, which may constitute a return of capital and reduce the amount of capital available to invest in new assets. Clients should be aware that these securities may not be liquid as there is no secondary trading market available. At the absolute discretion of the issuer of the security, there may be certain repurchase offers made from time to time. However, there is no guarantee that client will be able to redeem the security during the repurchase offer. Issuers may repurchase shares at a price below net asset value. The repurchase program may also be suspended under certain circumstances.
- *Private Equity Funds.* Private equity investments are speculative and involve significant risks. It is possible that investors may lose some or all of their investment. The risks associated with private equity include: limited diversification, the use of leverage, and limited liquidity. The investment timeline for private equity can be a decade or more. Some issuers or general partners may penalize limited partners who redeem before holding units for a specified amount of time, or may disallow redemptions entirely.
- *Variable Annuities.* If client purchases a variable annuity that is part of the SAM Program, client will receive a prospectus and should rely solely on the disclosure contained in the prospectus with respect to the terms and conditions of the variable annuity. Clients should also be aware that certain riders purchased with a variable annuity may limit the investment options and the ability to manage the subaccounts. Some products may charge a recapture or redemption fee for contracts or benefits not held for a specified period of time or that do not follow stated withdrawal terms.
- *Non-traded Products.* Non-traded products do not trade on a securities exchange and are not publicly traded. Consequently, non-traded products can be riskier than products that are publicly traded because the product cannot be sold readily in a market by the investor. The non-traded product may offer to redeem shares from investors, but such share redemptions are typically subject to limitations. Share redemptions may also require that shares be redeemed at a discount and there is no guarantee that client will be able to redeem the security during the repurchase offer. In addition, non-traded products may lack share value transparency because there is no market price readily available. Without share value transparency, investors may not be able to assess the value or performance of the non-traded product.
- *Margin Accounts.* Clients should be aware that margin borrowing involves additional risks. Margin borrowing will result in increased gain if the value of the securities in the account go up, but will result in increased losses if the value of the securities in the account goes down. LPL, acting as the client's creditor, will have the authority to liquidate all or part of the account to repay any portion of the margin loan, even if the timing would be disadvantageous to the client. For performance illustration purposes, the margin interest charge will be treated as a withdrawal and will, therefore, not negatively impact performance reports.
- *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 LPLE through their IAR 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, LPLE, through its 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 LPLE, through its 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



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loan are not covered by a client's advisory relationship with LPLE or its IAR. While LPLE, through its 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, the ability of LPLE through its IAR 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."

- **Cybersecurity Risk.** Failures or breaches of the electronic systems of LPL, LPLE, their services providers, securities market participants or the issuers of securities can cause significant losses for investors. Unintentional cyber events, such as the inadvertent release of confidential information, could also adversely impact investor account. Any cyber event could cause result in the loss or theft of investor data or cause investors financial loss and expense.
- **Values-Based and Environmental, Social and Governance (ESG) Investing Risk.** Values-based investing or ESG investing, also known as "socially responsible investing," "sustainable investing," or "impact investing," focuses on the social values or environmental, social, and governance standards or the sustainability factors of an investment. Some values-based investing strategies focus on factors relating to an individual investor's personal or religious values, such as "biblical investing," while other strategies focus on issues like environmental impact. Some values-based investment strategies use values-based criteria to supplement financial analysis when considering a particular issuer or security, while others affirmatively select "socially responsible" investments or screen out or exclude investments in companies that engage in certain activities. Values-based investing may limit the type and number of investments available in a strategy and cause the strategy to underperform other strategies without a values-based focus or with a focus that involves a different type of focus or screening methodology. Values-based strategies may underperform the market as a whole. Companies and issuers selected in a values-based strategy may not or may not continue to demonstrate values-based characteristics. Different investors likely have different opinions about what types of investments are socially responsible.
- **Comparable Products.** LPL and LPLE offer various mutual funds, ETFs and other investment products that have similar or identical investment strategies but different fee and expense arrangements. For example, LPL sells both mutual funds and ETFs that are designed to track an index of securities, such as the S&P 500 Index. A mutual fund and an ETF following an identical strategy have different fees and expenses that affect your investment return. Those fees and expenses include direct costs like sales loads, commissions, and other transaction costs, and indirect costs at the product level like advisory or management fees, distribution expenses (12b-1 fees), and other administrative, shareholder servicing and transfer agent fees. The impact of those fee and expenses on your investment returns also varies based on the size of your initial investment, the length of time you hold the investment, and other factors. The differences in fees and expenses, and additional differences in compensation paid directly by product sponsors like revenue sharing, mean that LPL, LPLE and their IARs generally will earn more compensation for selling one investment product than another. As a result, LPL, LPLE and their IARs have a conflict of interest because of the financial incentive to recommend investment products that pay more compensation if a less expensive comparable product could be used to achieve a customer's investment objective.
- **Annuity Products.** If clients invest in annuity products in a SAM program account, clients should be aware of the specific risks and limitations of the annuity products. Clients should be aware that certain riders purchased with a variable annuity may limit the investment options and the ability to manage the subaccounts. Some products may charge a recapture or redemption fee for contracts or benefits not held for a specified period of time or that do not follow stated withdrawal terms. Registered Index Linked Annuities (RILAs) are insurance products tied to the performance of a market index, offering



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the positive returns of the index up to a cap and providing a buffer for a certain level of negative returns. RILAs are subject to risks associated with other investment products, including market risk, and the total loss of principal is possible. If clients purchase an annuity product that is part of the SAM program, clients will receive a prospectus with respect to the terms and conditions of the annuity product.

- *Company Stock.* If company stock is available as an investment option to client in a retirement plan, and if client chooses to invest in company stock, client should understand the risks associated with holding company stock in a retirement plan. These risks may include, but are not necessarily limited to, lack of liquidity, over-dependency on client's employer, and less flexibility to change the allocation of plan assets. Client should pay careful consideration to the benefits of a diversified portfolio. Although diversification is not a guarantee against loss, it can be an effective strategy to help manage investment risk.
- *Tax-Loss Harvesting and Premium Tax Services.* The tax-loss harvesting and premium tax services features of MWP involves a variety of risks. You should confer with your personal tax advisor regarding the tax consequences of investing and engaging in the tax-loss harvesting strategy and tax overlay services, based on your particular circumstances. You and your personal tax advisors are responsible for how the transactions in your account are reported to the IRS or any other taxing authority. Neither LPL nor LPLE assumes any responsibility to you for the tax consequences of any transaction. MWP's tax-loss harvesting strategy and its tax overlay services are not intended as tax advice, and neither LPL nor LPLE represents in any manner that the tax consequences described will be obtained or that MWP's investment strategy will result in any particular tax consequence. The tax consequences of these features are complex and may be subject to challenge by the IRS. These features were not developed to be used by, and it cannot be used by, any investor to avoid penalties or interest. You should be aware that if you and/or your spouse have other taxable or non-taxable accounts, and you hold in those accounts any of the securities (including options contracts) held in your MWP account, you cannot trade any of those securities 30 days before or after the MWP account trades those same securities as part of the tax-loss harvesting strategy to avoid possible wash sales and, as a result, a nullification of any tax benefits of the strategy. For more information on the wash sale rule, please read IRS Publication 550. In addition, when LPL replaces investments with "similar" investments as part of the tax-loss harvesting strategy, it is a reference to investments that are expected, but are not guaranteed, to perform similarly and that might lower an investor's tax bill while maintaining a similar expected risk and return on investor's portfolio. Expected returns and risk characteristics are no guarantee of actual performance.

### ITEM 9 DISCIPLINARY INFORMATION

LPLE has not had any disciplinary events since its registration with the SEC or FINRA, nor had LPLE's predecessor entity, Harvest Financial Corporation, had any disciplinary events within the past ten (10) years as a dually-registered investment adviser and broker-dealer with the SEC and FINRA. However, because LPLE is an affiliate of LPL, and LPL and LPLE share certain personnel and supervisory processes, this item includes the disciplinary information involving LPL and its IARs within the past (10) years from the date of this filing.

LPL entered into a settlement with the SEC in which the SEC found that LPL willfully violated Section 17(a) of the Exchange Act and Rule 17a-4(b)(4) thereunder and Section 204 of the Advisers Act and Rule 204-2(a)(7) thereunder in connection with the maintenance and preservation of off-channel communications; and failed to reasonably supervise its personnel within the meaning of Section 15(b)(4)(E) of the Exchange Act and Section 203(e)(6) of the Advisers Act. LPL admitted to the facts in the settlement order and acknowledged its conduct violated the federal securities laws. The SEC ordered LPL to cease and desist from committing or causing any violations and any future violations of Section 17(a) of the Exchange Act and Rule 17a-4(b)(4) thereunder and Section 204 of the Advisers Act and Rule 204-2(a)(7) thereunder, censured it for its conduct, ordered it to pay a civil monetary penalty in the amount of \$50,000,000, and ordered it to comply with certain undertakings (2024).

LPL entered into a settlement with the SEC in connection with LPL's failure to comply with its Customer Identification Program procedures. The SEC found that LPL willfully violated Section 17(a) of the Exchange Act and Rule 17a-8 thereunder and was a cause of a third party's violations of Sections 17(a)(2) and (3) of the Securities Act and Section 206(2) of the Advisers Act. The SEC ordered LPL to cease and desist from committing or causing any further violations of these laws and regulations, censured LPL for its conduct, and ordered the payment of disgorgement and prejudgment interest totaling \$141,202 (deemed satisfied based on



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LPL's voluntary remedial payment of \$4,118,876 to the impacted client), and the payment of a civil money penalty of \$750,000 (2021).

As part of a voluntary self-reporting initiative in 2019, LPL entered into a settlement with the SEC in which the SEC found that LPL willfully violated Section 206(2) and 207 of the Advisers Act in connection with inadequate disclosure to clients of its and its associated persons' conflicts of interest related to its receipt of 12b-1 fees and/or its selection of mutual fund share classes that pay such fees. The SEC ordered LPL to cease and desist from committing or causing any violations of Sections 206(2) and 207 of the Advisers Act, censured it for its conduct, and ordered the payment of disgorgement and prejudgment interest to affected investors totaling \$9,333,516 (2019).

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 maintenance of books and records relating to brokerage direct business transactions, supervisory systems and misstatements about fees relating to brokerage product switch transactions, and supervisory systems relating to brokerage recommendations of publicly traded securities of business development companies (BDCs) to customers, resulting in a censure, a fine of \$5.5 million, restitution to impacted customers, and an undertaking to certify that LPL has remediated the systems and procedures for making recommendations of BDCs (2023).
- LPL's supervisory systems and procedures relating to the transmittal of customer funds by wire or check to third parties and maintenance of related books and records, resulting in a censure, a fine of \$3,000,000, restitution to impacted clients, and an undertaking to identify and pay restitution to affected customers for certain other improper transfers (2023).
- LPL's failure to accurately calculate its customer reserve requirement, failure to maintain a sufficient customer reserve, failure to maintain policies and procedures reasonably designed to achieve compliance with the Securities and Exchange Act and FINRA rules, and failure to maintain accurate books and records, resulting in a censure and a fine of \$300,000 (2022).
- LPL's self-reporting of potential issues related to certain C-share purchase suitability reviews and its supervisory systems and procedures relating to waivers of front-end sales charges for rollovers of 529 savings plan investments from one state plan to another, resulting in a censure and payment of restitution to impacted customers (2021).
- LPL's supervisory systems and procedures relating to record retention, fingerprinting and screening of certain associated persons, and supervision of consolidated reports, resulting in a censure, a fine of \$6,500,000 and an undertaking to review and enhance related policies, systems and procedures (2020).
- LPL's supervisory systems and procedures relating to changes in the authority of custodians of accounts established under the Uniform Gifts to Minors Act and/or the Uniform Transfers to Minors Act, resulting in a censure, a fine of \$300,000, and an undertaking to review and enhance its policies, systems, and procedures related to supervision of such accounts (2019).
- The effectiveness of LPL's anti-money laundering program, LPL's failure to amend certain Forms U4 and U5, and LPL's systems and supervisory procedures relating to Forms U4 and U5 reporting requirements, resulting in a censure and a fine of \$2,750,000 and an undertaking to review the process used to disclose customer complaints on Forms U4 and U5 (2018).
- LPL's brokerage supervisory and disclosure procedures related to the sale of certain brokered certificates of deposit in brokerage accounts, resulting in a censure and a fine of \$375,000 (2018).
- LPL's systems and supervisory procedures relating to the creation and distribution of certain required account notices, resulting in a censure, a fine of \$900,000, and an undertaking to review affected processes (2016).
- LPL's systems and supervisory procedures relating to the format in which certain electronic records were retained, resulting in a censure and a fine of \$750,000 (2016).
- LPL's various brokerage supervisory procedures, including those related to the sale of complex non-traditional ETFs, variable annuity ("VA") contracts, REITs and other products in brokerage accounts, as well as LPL's failure to monitor and report trades and deliver trade confirmations, resulting in a censure and a fine of \$10,000,000, and restitution of \$1,664,592 (2015).

LPL, 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:



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- LPL's supervision of electronic signature practices at an LPL branch office in Massachusetts, resulting in a fine of \$250,000 and an undertaking to conduct an internal review of certain related policies and procedures (Massachusetts or "MA", 2023)
- LPL's supervision of an LPL broker-dealer/investment adviser agent's sales of structured products, resulting in a censure, an offer of restitution to impacted clients, and a fine of \$125,000 (Texas, 2022).
- LPL's supervision of two LPL broker-dealer and/or investment adviser agents who pled guilty to charges of fraudulent practices with LPL customers, resulting in a cease and desist order, a fine of \$350,000 and a \$150,000 contribution for financial literacy and investor education initiatives, training and related materials (Connecticut, 2021).
- 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 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).
- 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 Massachusetts customers in an amount up to \$1,600,000, and an agreement to make certain changes in its supervisory system with respect to Leveraged ETFs (2015).
- Failure to implement procedures related to the use of senior-specific titles by LPL representatives as required under MA law, resulting in censure and a fine of \$250,000 (2015).
- Failure to detect improper and fraudulent conduct by an LPL representative, resulting in censure, a fine of \$500,000, and restitution to impacted customers; and failure to adequately enforce supervisory procedures and maintain certain books and records required under Illinois law in connection with certain variable annuity exchange transactions, resulting in a censure, a fine of \$2,000,000, and restitution to impacted customers (2014).



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For more information about those state events and other disciplinary and legal events involving LPL and its IARs, client should refer to Investment Advisor Public Disclosure at <https://adviserinfo.sec.gov> or FINRA BrokerCheck at <https://brokercheck.finra.org>.

### ITEM 10 OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

In addition to being registered as an investment adviser with the SEC, LPLE is a broker-dealer registered with FINRA and the SEC. As a broker-dealer, LPLE transacts business in various types of securities, including mutual funds, stocks, bonds, commodities, options, private and public partnerships, variable annuities, REITs and other investment products. LPLE is registered to operate in all 50 states and has primarily an independent-contractor sales force of registered representatives and investment advisor representatives dispersed throughout the United States. In addition, LPLE is qualified to sell insurance products in all 50 states.

Our affiliate LPL is also a registered investment adviser and broker-dealer. 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, 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. LPL is also registered as an introducing broker with the Commodity Futures Trading Commission. In addition, LPL is qualified to sell insurance products in all 50 states.

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

Fiduciary Trust Company of New Hampshire ("FTC"), a non-depository trust company, is a related person of LPLE. FTC provides custodial and various other recordkeeping and services to IRAs and certain employer-sponsored plans maintained through OPA Program accounts. Because LPLE and FTC are affiliated companies and share in revenues, there is a financial benefit to the companies if a client is referred to or otherwise elects to engage with FTC for services under another LPLE program, and uses LPLE as the investment advisor or broker-dealer. FTC's custodial and recordkeeping services and related fees are established under a separate engagement between the client and FTC.

IARs are permitted to engage in certain LPLE-approved business activities other than the provision of brokerage and advisory services through LPLE, and in certain cases, an IAR could receive greater compensation through the outside business than through LPLE. An IAR could also be an accountant, real estate agent, tax preparer, lawyer or refer customers to other service providers and receive referral fees, for example. As other examples, an IAR could provide advisory or financial planning and consulting services through an independent unaffiliated investment advisory firm or sell insurance.

Additionally, LPLE and/or its IARs may refer clients to unaffiliated firms other than investment product sponsors or financial institutions, for either investment or non-investment related products or services, in exchange for a referral fee or other forms of indirect compensation. These may include referrals for investment banking, lending, accounting, tax preparation, financial technology tools, or such other products, services or consultations that may be requested by and/or benefit a client. As applicable, clients will receive additional disclosures identifying these particular arrangements and any related compensation at the time of the referral.

LPLE has an affiliated insurance agency, LPL Insurance Associates, Inc. ("LPLIA") through which IARs may sell insurance products. LPLE receives compensation from issuers of life insurance (universal, variable universal, whole life, term, and annuities) and other insurance contracts that are made available to IARs, such as long term care insurance and disability insurance. The compensation includes commissions and trails, and may include payments for administrative services that LPLE provides and/or



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payments made in connection with LPL's marketing and sales-force education and training efforts, including annual national sales and education conference and other conferences of LPL and LPLE. IARs receive a percentage of the commissions or trailing commissions paid to LPLE or LPLIA. IARs may also sell insurance through LPLE or an independent unaffiliated insurance agency. An IAR may earn compensation (including trailing compensation), benefits and non-cash compensation through LPLE or the third-party insurance agency and may have an incentive to recommend you purchase or sell insurance products with LPLE or the independent agency.

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

#### Code of Ethics and Personal Trading

LPLE has adopted a code of ethics that includes guidelines regarding personal securities transactions of its employees and IARs. The code of ethics permits LPLE employees and IARs to invest for their own personal accounts in the same securities that LPLE and IAR 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. LPLE addresses this conflict of interest by requiring in its code of ethics that LPLE employees and IARs report certain personal securities transactions and holdings to LPLE. LPLE has procedures to review personal trading accounts for front-running. 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/lpl-enterprise.html](http://lpl.com/lpl-enterprise.html).

#### Participation or Interest in Client Transactions

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

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

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

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

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





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### **Rollovers**

If a client is a participant in an employer-sponsored plan such as a 401(k) plan, and decides to roll assets out of the plan into the account, LPLE and IAR have a financial incentive to recommend that the client invest those assets in the account, because LPLE will be paid on those assets, for example, through advisory fees. You should be aware that such fees likely will be higher than those a participant pays through an employer-sponsored plan, and there can be maintenance and other miscellaneous fees. As securities held in an employer-sponsored plan are generally not transferrable 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.

IARs may assist clients contemplating a rollover by educating them on their options as well as various pros and cons of initiating a roll out of an employer-sponsored plan, and IARs may also agree to assist clients seeking a recommendation on whether to roll out of their employer-sponsored plan based on an analysis of the client's personal financial needs, savings objectives and other financial and non-financial considerations, that is designed to determine whether such is in the client's best interest under ERISA. As applicable, clients will receive a written report outlining the analysis and a fiduciary acknowledgment disclosure from LPLE or the IAR at the time a roll out recommendation is provided, consistent with requirements of the Department of Labor's Prohibited Transaction Exemption 2020-02.

When LPLE or an IAR recommends that a client move assets from a brokerage account or an IRA held at another financial institution into a program account, he or she is required to consider, based on the information client provides, whether client will be giving up certain investment-related benefits at the other financial institution, such as the effects of breakpoints or rights of accumulation, and has determined that the recommendation is in client's best interest because (1) greater services and/or other benefits (including discretionary management, asset consolidation, trust services, and advice and planning, automatic account rebalancing) can be achieved with the Account; and (2) the asset based fees and transaction charges are justified by these services and features.

### **Other Clients**

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

### **ITEM 12 BROKERAGE PRACTICES**

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

LPLE requires that clients direct LPL as the broker-dealer to execute transactions in all accounts in LPL-sponsored programs. Clients should understand that not all advisors or program sponsors require their clients to direct brokerage. The fact that LPLE's affiliate LPL is the sole broker-dealer on the account presents a conflict of interest. By directing brokerage to LPL, clients may be unable to achieve the most favorable execution of client transactions. Therefore, directed brokerage may cost clients more money. However, clients should understand that LPL is not paid a commission or transaction charge for executing transactions in its program accounts; however, clients pay LPL a transaction charge for the purchase and sale of certain securities in SAM and OMP accounts. In addition, in the case of mutual funds, execution is made at the net asset value of the fund. Although LPL is not paid a commission or transaction charge for transactions in the account, LPL bears costs for each transaction made in an account. This presents a conflict of interest because these costs may be a factor LPL considers when deciding which securities to select and whether or not to place transactions in an account. However, LPL mitigates this conflict by compensating the team responsible for directing the trades through a bonus based on the performance of the portfolios; therefore, the team is not incentivized by cost reduction.

To the extent that LPLE has trading discretion and directly trades client accounts, LPLE will 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



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aggregated transactions will be averaged, and the account will be deemed to have purchased or sold its proportionate share of the securities involved at the average price obtained. LPLE also will aggregate rebalancing transactions for an account with other program accounts. Due to the large number of accounts that may be involved in rebalancing transactions on a single day, LPLE may effect transactions for some accounts on one day and for other accounts on the following day or days. In such case, LPLE will have discretion to sequence the accounts involved in rebalancing transactions with the goal of treating all accounts equitably over time.

### ITEM 13 REVIEW OF ACCOUNTS

IARs of LPLE review accounts and meet with clients, on a regular basis or as requested by the client, and such meetings may include review of accounts statements, performance information, and other information or data related to the client's account and investment objectives.

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

For accounts in LPL-sponsored programs, LPL provides clients with regular written reports and statements regarding their accounts. LPL provides detailed performance information annually describing account performance and positions, with additional performance information available upon request. In addition, LPL transmits to clients account statements showing transactions, positions, and deposits and withdrawals of principal and income.

### ITEM 14 CLIENT REFERRALS AND OTHER COMPENSATION

#### Other Compensation

LPLE employees and IARs receive additional compensation, business entertainment and gifts from product sponsors. However, such compensation may not be tied to the sales of any products. Compensation includes such items as gifts valued at less than \$100 annually, an occasional dinner or ticket to a sporting event, or reimbursement in connection with educational meetings, customer appreciation events, marketing events or advertising initiatives, including services for identifying prospective clients. Product sponsors also pay for, or reimburse LPLE for the costs associated with, education or training events that are attended by LPLE employees and IARs, and for LPLE-sponsored conferences and events. Any such support payments are not tied to the sales of any products or client assets in the products. IARs do not receive any portion of these payments. LPLE, LPLE employees and IARs also receive reimbursement from product sponsors for technology-related costs, such as those to build systems, tools and new features to aid in serving customers. For a current and complete list of the product sponsors that pay such marketing and educational support payments, please see [lpl.com/lpl-enterprise.html](http://lpl.com/lpl-enterprise.html) or ask your IAR.

LPL and LPLE employees provide sales support resources to IARs of LPLE that use LPL advisory programs. The compensation that LPL and LPLE pay to these employees varies based on the assets in LPL's and LPLE's different advisory programs. These sales employees have an incentive to promote certain advisory programs to IARs of LPLE over other advisory programs. These employees also earn more compensation when IARs transition client assets from brokerage accounts to advisory accounts, and have a financial incentive to encourage IARs of LPLE to do transition brokerage accounts to advisory.

#### Client Referrals

From time to time, LPLE and/or its IARs enter into arrangements with clients, 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 LPLE and its IARs. Under solicitation arrangements, the third parties and financial intermediaries are independent contractors. In most cases, third parties are not advisory clients of LPLE and do not refer clients based on their experience with LPLE as advisory clients. The compensation paid under the solicitation arrangements is structured in various ways, including a one-time fee, a flat fee per lead or referral, and



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sharing a portion of the ongoing advisory fee. LPLE and its IARs have generally entered into the following types of referral arrangements:

- *Referral Networks.* Some third parties operate referral networks. Referral networks may present potential clients with a list of possible investing firms and investment advisory representatives, or may direct potential clients specifically only to LPLE and its IARs. Some referral networks receive a flat fee per referral and/or an ongoing fee, while others share a portion of the ongoing advisory fee;
- *Professional Cross Referrals.* Some IARs have relationships with other professionals, such as accountants, lawyers, or tax advisors, in which the professionals refer clients to IARs and in exchange the IARs refer clients to the professionals for their services. The cross-referral arrangement is a quid pro quo relationship that can give rise to similar conflicts as compensated referrals;
- *Client Referral Awards.* Investment advisory clients of LPLE's IARs refer new advisory clients to their IARs. Sometimes, in connection with these referrals, IARs pay their clients one-time, non-cash gifts like gift cards or tickets to events for the clients referring to them new advisory clients;
- *Unaffiliated Financial Institutions.* LPLE has entered into agreements with unaffiliated financial institutions, like insurance companies. These financial institutions refer clients to LPLE. See more about LPLE's relationship with these financial institutions under "Conflicts Related to Compensation to IARs and Unaffiliated Financial Institutions" below; and
- *Other Arrangements.* LPLE and its IARs may enter into other arrangements in the future that provide for compensation similar to one or more of the types of arrangements described above.

Depending on the solicitor's arrangement with LPLE, a solicitor may not be compensated for referring a client who opens a brokerage account rather than an advisory account, and as a result may encourage the client to open an advisory account instead of a brokerage account. Solicitation arrangements give rise to material conflicts of interest because the referring party has a financial incentive to introduce new investment advisory clients to LPLE and its IARs. Solicitors may also have other conflicts of interest with respect to a particular IAR or may be associated with LPL or LPLE in another way. Clients who are introduced to LPLE and its IARs through a solicitation arrangement receive specific disclosures at the time of the introduction. If you receive such disclosures, you should review them carefully to understand the details of LPLE's arrangements with the person introducing you to LPLE. LPLE's participation in these referral arrangements does not diminish its fiduciary obligations to its clients.

### Conflicts Related to Compensation to IARs and Unaffiliated Financial Institutions

IARs are associated with unaffiliated financial institutions, like insurance companies. Based on an arrangement between LPLE and the financial institution, IARs offer advisory services. Such advisory services are offered by LPLE 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.

LPLE has entered into agreements with the financial institutions pursuant to which LPLE typically shares compensation, including a portion of the advisory fee, with the financial institution or its affiliates for the use of the financial institution's facilities and for client referrals. LPLE typically shares between 90% to 100% of the advisory fee with the financial institution with which the IAR is affiliated or an affiliate of such financial institution, and the financial institution or its affiliate pays part of that amount to IAR. The financial institution establishes the compensation plan for the IAR, which is subject to approval by LPLE. The compensation plan determines how the IAR's compensation is structured. The IAR will have a financial incentive to utilize a particular service or product if under the compensation plan that product will result in more compensation to the IAR than another product or service, including advisory versus brokerage services. If an IAR is recommending an advisory program or service, he or she must believe that the program or service is suitable and in the best interests of the client in accordance with the applicable standards under the Advisers Act or other applicable law. All compensation paid the financial institution and the IAR will be the sole responsibility of LPLE, and will not result in any increase in the advisory fees you pay to LPL and LPLE.

LPLE also may provide other forms of compensation to financial institutions, such as bonuses, awards or other things of value offered by LPL or LPLE to the institution. For example LPLE pays certain financial institutions based on production, in the form of



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repayable notes, reimbursement of fees that LPL or LPLE 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 adviser firm to LPLE, advances of advisory fees, and/or attendance at LPL's or LPLE's national conference or top producer forums and events. LPLE pays this compensation based on overall business production and/or on the amount of assets serviced in LPLE advisory programs. LPLE pays this compensation based on overall business production and/or on the amount of assets serviced in LPLE advisory programs. Financial institutions are also eligible to receive compensation from LPLE in order to assist with offsetting time and expense in coordinating transfers of client accounts from third party investment platforms to LPLE'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 or LPLE 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 an IAR to recommend the program account and services that will result in the greatest compensation to the financial institution and IAR. If LPLE makes a loan to a new or existing financial institution, there is also a conflict of interest because LPLE's interest in collecting on the loan affects its ability to objectively supervise an IAR at that financial institution.

Some of these financial institutions are affiliated with investment product sponsors, meaning that the investment products are sponsored by the financial institution. An IAR associated with a financial institution has a conflict of interest when IAR encourages clients to invest in that financial institution's proprietary investment products because the financial institution can influence the compensation paid to the IAR or terminate their relationship with the IAR altogether. Certain IARs are statutory agents of financial institutions that are affiliated with investment product sponsors, which means that they receive benefits and insurance as part of their contractual arrangement with those financial institutions. To be statutory agents, such IARs must primarily sell insurance products as their principal business activity, which creates a conflict of interest because such forms of non-cash compensation incentivize IARs to utilize proprietary products. In addition, when an affiliated investment product is selected for an account, the financial institution receives a portion of the advisory fee pursuant to the agreement between LPLE and the financial institution and its affiliate receives fees from the affiliated investment product except to the extent those fees are credited back to the client's account. Because affiliates of the financial institution earn fees and other benefits from the affiliated product, the IAR has an incentive to select its affiliated products based on the compensation and benefits its affiliates receive rather than on a client's needs. Certain financial institutions provide credits for affiliated investment products. We update this information from time to time on [lpl.com/lpl-enterprise.html](http://lpl.com/lpl-enterprise.html).

Note that the IAR does not receive additional compensation from the financial institution for selecting affiliated products and the IAR may only utilize an investment product that he or she believes is appropriate for clients. LPL reviews and selects investment products for the program and LPL may elect to remove or replace an investment product. There is a conflict of interest because the business relationship between LPL and the financial institution could affect LPL's ability to objectively select and determine whether to continue to maintain these investment products in the program. However, LPL only approves investment products that it determines are suitable and in the best interests of clients using the program, depending on clients' investment objective and risk tolerance.

Specifically, if your IAR is associated with the Prudential Insurance Company of America ("PICA"), you should note that certain model strategies created by PGIM Investments LLC ("PGIM Investments"), an affiliate of PICA, are available in the MWP and Manager Select Programs. These models include mutual funds that are advised and/or sub-advised by affiliates of PICA ("PICA Proprietary Funds"). PICA Proprietary Funds can represent all of the investments in the portfolio. PGIM Investments, as a Portfolio Strategist, has an incentive to select PICA Proprietary Funds for its models due to the compensation and benefits it and/or its affiliates receive(s). As a model provider in MWP or Manager Select, PGIM Investments does not charge a manager fee for PGIM Investments model strategies, but PGIM is compensated by the fees associated with the underlying PICA Proprietary Funds it selects for the strategies. For SAM accounts, you should note that certain mutual funds and variable annuity subaccounts are advised and/or sub-advised by affiliates of PICA ("Proprietary Variable Annuities"), and IARs associated with PICA are limited to the selection of variable annuities that are provided by PICA's affiliate, Pruco Life Insurance Company. Your IAR has an incentive to select the PGIM model strategies, PICA Proprietary Funds, and Proprietary Variable Annuities for your account due to their association with PICA, which can influence their compensation or terminate their relationship. However, your IAR may only



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recommend an investment product that he or she believes is appropriate for you and in your best interest. Qualified retirement accounts receive a credit in an amount equal to the mutual fund advisory and administrative services fees that PICA affiliates receive in connection with the affiliated mutual funds held in the account.

### **ITEM 15 CUSTODY**

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

For LPL-sponsored programs offered through LPLE, LPLE will utilize LPL, which is a qualified custodian as defined in Rule 206(4)-2 under the Advisers Act and maintains custody of client funds and securities in a separate account for each client under the client's name. LPL as a qualified custodian for those program accounts sends account statements showing all transactions, positions, and all deposits and withdrawals of principal and income. LPL sends account statements periodically when the account has had activity or quarterly if there has been no activity. Clients should carefully review those account statements. Clients can review the applicable Program Brochure for more information, available at [lpl.com/lpl-enterprise.html](http://lpl.com/lpl-enterprise.html).

### **ITEM 16 INVESTMENT DISCRETION**

With respect to financial planning and consulting services, LPLE and the IAR do not have any discretionary investment authority, and do not implement or monitor any recommendations provided to clients. For the MWP, OMP, and PWP programs, LPLE has discretionary investment authority with respect to the selection of model portfolios, and LPL has discretionary trading authority. LPLE does not have discretion to select models in Manager Select and GWP, although LPL has discretionary trading authority. For the SAM program, LPLE typically provides advisory services on a discretionary basis limited to certain security types, but the client can agree to expand or limit that discretionary authority. Clients can review the applicable Program Brochure for more information, available at [lpl.com/lpl-enterprise.html](http://lpl.com/lpl-enterprise.html).

### **ITEM 17 VOTING CLIENT SECURITIES**

LPLE does not accept authority to vote client securities in connection with any accounts. LPL does accept authority to vote client securities in connection with the MWP and PWP programs, as well as the MP Platform in the Manager Select. Clients can review the applicable Program Brochure for more information, available at [lpl.com/lpl-enterprise.html](http://lpl.com/lpl-enterprise.html).

### **ITEM 18 FINANCIAL INFORMATION**

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

