

Optimum Market Portfolios (OMP) Program Brochure

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

Additional information about LPL also is available on the SEC’s website at <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 most recent annual update dated March 21, 2025. Item 6 was updated to provide that effective November 24, 2025, LPL will be responsible for voting proxies solicited by, or with respect to, the issuers of any securities held in the account, except to the extent otherwise prohibited by law and unless clients opt to retain voting responsibility. Items 6 and 9 were updated to disclose risks and conflicts of interest related to a client using securities in advisory accounts as collateral for non-purpose loans through an LPL Secured Credit Account, which is a security-based lending program available through LPL. Item 9 was also updated to include additional information about LPL’s Dividend Reinvestment Program (DRP).

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Item 4: Services, Fees and Compensation

Services

LPL offers various types of advisory services and programs, including wrap fee programs, mutual fund asset allocation programs, advisory programs offered by third party investment advisor firms, financial planning services, an advisor-enhanced digital advice program, and retirement plan consulting services. This Brochure provides a description of the advisory services offered under LPL's Optimum Market Portfolios ("OMP") program. For more information about LPL's advisory services and programs other than OMP, please contact your Investment Adviser Representative ("IAR") for a copy of a similar brochure that describes such service or program or go to <https://adviserinfo.sec.gov>.

LPL conducts its advisory business under the name "LPL Financial LLC," as indicated in Form ADV and its communications and investment advisory agreements with clients. Although LPL and certain LPL IARs use separate marketing names or "doing-business-as" (DBA) designations, LPL does not conduct any advisory business primarily through any of those entities. 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 located at a financial institution that does not offer certain products, investments, models, programs, or services. Please ask your IAR whether any limitations apply.

LPL is also a broker-dealer registered with the Financial Industry Regulatory Authority ("FINRA"), and an IAR also may be registered with LPL as a broker-dealer registered representative. Therefore, an IAR may be able to offer a client both investment advisory and brokerage services. Before engaging with an IAR, clients should take time to consider the differences between an advisory relationship and a brokerage relationship to determine which type of service best serves the client's investment needs and goals. All recommendations regarding advisory accounts will be in an advisory capacity, and any recommendations regarding any brokerage account a client opens with LPL will be in a brokerage capacity, unless a client is expressly told otherwise. Clients should speak to the IAR to understand the different types of services available through LPL. Not all LPL IARs have access to all products and services.

The OMP program is a professionally managed mutual fund asset allocation program in which LPL and its IARs provide ongoing investment advice and management. The 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. The IAR selects a model portfolio of mutual funds ("Portfolio") designed by LPL Research consistent with the client's stated investment objective. The Portfolios are made up of mutual funds in the Optimum Funds mutual fund family. A Portfolio may include up to six Optimum Funds. The OMP program also permits clients to select a third party investment advisor firm typically associated with an LPL registered representative, in lieu of an IAR, to provide the advisory services described in this brochure.

LPL has discretion to buy and sell securities in the account and will invest the account based on the Portfolio selected. LPL rebalances accounts based on the allocations in the Portfolio as described below. LPL reviews the account for rebalancing on the frequency selected by the client at account opening or as altered by the IAR or the client from time to time. The choices for frequency of rebalancing are quarterly (four times per year), semi-annually (two times per year) or annually (once per year). Accounts are reviewed on the frequency selected based on the anniversary date of account opening, to determine if rebalancing is necessary. An additional rebalance may be requested outside of the scheduled frequency once every 12 months. At each rebalancing review date, accounts are rebalanced if the Account has available cash for investment and at least one of the account positions is outside a range determined by LPL, subject to a minimum transaction amount established by LPL in its discretion. In addition, LPL may review the account for rebalancing in the event that LPL Research changes the model portfolio.

LPL may accommodate requests by client or IAR for all or a portion of the assets in the account to remain allocated to cash for a period of time. Such customized Portfolio requests, liquidation requests in connection with withdrawals, and changes to the Portfolio or investment objective selected may take up to 5 business days to process, and, in certain circumstances, may take longer. LPL invests deposits in an account according to the Portfolio, but such



deposits (or a portion thereof) may be liquidated and the proceeds may remain in cash until certain conditions are met related to trade size and positive deviation from the target allocation. Although OMP accounts are not considered tax efficient or tax managed, LPL may delay placing transactions on non-retirement accounts by one day for any rebalancing scheduled to occur on the first one year anniversary date of the account opening in an attempt to limit the tax treatment of realized short-term gains for any position being sold. LPL may also apply discretion to deviate from the model portfolios in accounts, in which it is not possible or impractical to be invested in all of a model's holdings, for example in smaller accounts.

In connection with the program, LPL also acts as custodian to accounts, provides brokerage services as the broker-dealer on transactions, and performs administrative services, such as performance reporting to clients.

IARs may, in their sole discretion and as agreed from time to time with clients, provide financial planning or financial consulting services to clients in connection with the program at no additional cost. IARs may also require clients to enter into a separate agreement with an agreed upon fee for financial planning or financial consulting services. The scope and duration of financial planning and consulting services varies, will generally be agreed upon at the time the IAR provides the services, and may include comprehensive financial planning or consulting on a particular issue 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 other planning as needed. Financial planning and consulting may or may not include a written, customized financial plan.

Fee Schedule

Clients in the OMP program pay LPL an annualized fee ("Account Fee") for the asset management services of LPL and IAR, as well as the administrative and custodial services of LPL. The Account Fee is shared with the IAR. The Account Fee is negotiable between the client and the IAR and is based on the value of assets in the account, including cash holdings, and payable quarterly in advance. The maximum Account Fee is 2.50%. Upon request, the Account Fee also may be structured on a tiered basis, with a reduced percentage rate based on reaching certain thresholds. LPL reserves the right to increase the upper limit of the Account Fee and/or Manager Fee range(s) upon 30 days' prior notice to clients. LPL and IARs do not charge performance-based fees to accounts in the OMP program.

LPL may retain a portion of the Account Fee for its administrative and custodial services. LPL shares up to 100% (typically between 90% to 100%) of the remaining portion of the Account Fee with the IAR based on the agreement between LPL and the IAR. A portion of the fee to the IAR may be paid by the IAR to his or her LPL branch manager or another LPL representative for supervision or administrative support. There is a conflict of interest when a branch manager receives a portion of the Account Fee for supervision because the fee affects his or her ability to provide objective supervision of the IAR.

How the Account Fee is Charged

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

Payment in Advance and Refund of Pre-Paid Fees

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



Other Types of Direct Fees and Expenses of LPL

In addition to the Account Fee, LPL assesses a transaction charge of \$5 on each purchase and sale transaction. The transaction charge is identified under the service charge column on trade confirmations and represents a payment for expenses associated with trade execution and processing, including for preparing, printing and/or delivering confirmations. Transaction charges are waived if eligible contribution within the previous 365 days, including transfers, wires, checks, ACH or journal, are made to the account. Transaction charges present conflicts of interest. For example, where transaction charges apply, the more transactions Client enters into, the more compensation LPL receives. The transaction charge may be higher or lower than commissions otherwise payable in the absence of the Account Fee. When an investment change is made to the account (e.g., for transactions resulting from contributions, rebalancing, model changes, and withdrawals), the transaction charge can represent a meaningful cost to Client, in particular, at smaller account sizes. LPL does not share any portion of the transaction charge with the IAR.

Clients also pay LPL other additional miscellaneous administrative or custodial-related fees and charges that apply to an OMP account. LPL notifies clients of these charges at account opening and makes available a current list of these charges on its website at lpl.com/disclosures.html. These fees include retirement account fees and termination fees, including, for example, a fee for loans processed for qualified retirement plan and 403(b)(7) plan accounts and an account termination fee for processing a full account transfer to another financial institution. These transaction charges and other direct fees are not directly based on the costs of the transaction or service by LPL, may include a profit to LPL, and certain of the fees may be lowered or waived for certain clients.

Fees Charged by Third Parties, Including the Optimum Funds

There are other fees and charges that are imposed by third parties other than LPL that apply to investments in OMP accounts. In OMP, assets are invested in mutual funds and, therefore, there are two layers of advisory fees and expenses for those assets. As a shareholder of a Fund, Client will pay an advisory fee to the investment advisor of the Optimum Funds and other expenses charged by the Fund. Client will also pay LPL and IAR the Account Fee with respect to assets invested in the Funds. The Optimum Funds or funds with similar investment objectives may be purchased directly outside of the Program. Therefore, clients could generally avoid the second layer of fees by not using the advisory services of LPL and IAR and by making their own decisions regarding mutual fund investing. The amount of the advisory fees and other expenses of the Optimum Funds is set out in the prospectus and financial statements of the Optimum Funds, which are available upon request from IAR or the Optimum Funds directly.

Clients should understand that in many cases the mutual funds and mutual fund share classes offered through the Program charge higher fees and expenses than those that are not offered through the Program, and such other mutual funds and share classes may be equally or more appropriate for a client's account. As discussed below, Client should understand that a portion of the fees and expenses Client pays as a shareholder of the Optimum Funds is used by the sponsor of the Funds to pay LPL for services LPL provides with respect to the funds. See Item 9, "Participation or Interest in Client Transactions," for more information on the payments received by LPL with respect to the Optimum Funds. Other financial services firms, including those LPL makes available through its third-party asset management programs, may offer the same mutual funds that are offered through the Program but at lower overall costs to investors than the costs that clients incur by investing through the Program.

If client transfers into an OMP account a previously purchased mutual fund, and there is an applicable contingent deferred sales charge on the fund, client will pay that charge when the mutual fund is sold. If the account is invested in a mutual fund that charges a fee if a redemption is made within a specific time period after the investment, client will be charged a redemption fee. Depending on the share class and fee structure of the previously purchased mutual fund, LPL can receive fees such as 12b-1 fees from the previously purchased mutual fund until the position is liquidated and subsequently invested according to the OMP model. Any 12b-1 fees paid to LPL by mutual funds transferred into an account will be credited to the client's account. If a mutual fund has a frequent trading policy, the policy can limit a client's transactions in shares of the fund (e.g., for rebalancing, liquidations, deposits or tax harvesting). Decisions regarding the sale of mutual funds in an account may be made by LPL without regard to whether a client will be



assessed a redemption fee. Clients can find more information regarding the fees and expenses of a mutual fund or ETF in the fund's prospectus, which is available upon request from the IAR or directly from the fund.

When transferring securities into an OMP account, client should be aware that certain securities are not be eligible for the account. In such case, the securities may be rejected, sold after the transfer, or moved to a brokerage account. Note that when an ineligible security is transferred into an account and subsequently sold or moved to a brokerage account, the advisory fee will be charged on such asset for the period of time the security was held in the account. Client should be aware that securities transferred into an account may have been subject to a commission or sales load when the security was originally purchased. After transfer into an OMP account, client should understand that an advisory fee will be charged based on the total assets in the account, including the transferred security. When transferring securities into an account, client should consider and speak to IAR about whether:

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

Important Things to Consider About Fees on an OMP Account

- The Account Fee is a single fee for investment advisory services and other administrative and custodial services. Clients do not pay a commission to LPL but do pay a transaction charge (unless waived) as described above. The Account Fee may cost the client more than purchasing the program services separately, for example, paying an advisory fee plus commissions to a broker-dealer for each transaction in the account. Factors that bear upon the cost of the account in relation to the cost of the same services purchased separately include the:
 - type and size of the account
 - historical and/or expected size or number of trades for the account, and
 - number and range of supplementary advisory and client-related services provided to the client.
- The Account Fee may be higher than the fees charged by other investment advisors for similar services. This is the case in particular if the Account Fee is at or near the maximum Account Fee set out above. The IAR is responsible for determining the Account Fee to charge each client based on factors such as total amount of assets involved in the relationship and the complexity, number and range of supplementary advisory and client-related services to be provided to the account. Clients should consider the level and complexity of the advisory services to be provided when negotiating the Account Fee with IAR.
- The investment products available to be purchased in the program can be purchased by clients outside of an OMP account, through broker-dealers or other investment firms not affiliated LPL.
- Clients should consider the impact of fees and expenses on their investment portfolio, as described in the informational brochure titled “How Fees and Expenses Affect Your Portfolio” on lpl.com/disclosures.html under “Investor Regulatory & Educational Resources.”

Item 5: Account Requirements and Types of Clients

LPL generally requires a minimum account value of \$1,000, but eligible contribution within the previous 365 days, including transfers, wires, checks, ACH or journal, are required for account sizes below \$10,000. In certain instances, LPL will permit a lower minimum account size. An account will not be invested according to the Portfolio until the minimum has been reached. The program is available for individuals, Individual Retirement Accounts (“IRAs”), banks, thrift institutions, credit unions, pension and profit sharing plans, including plans subject to Employee Retirement Income Security Act of 1974 (“ERISA”), trusts, estates, charitable organizations, state and municipal government entities, corporations and other business entities.



Item 6: Portfolio Manager Selection and Evaluation

In OMP, LPL does not select, review or recommend the services of other investment advisor or portfolio management firms. LPL and its IARs are responsible for the investment advice and management offered to clients, and the client selects the IAR who services the account. Each IAR is generally required to possess a FINRA Series 65 or 66 license (to the extent required). For more information about the IAR managing the account, client should refer to the Brochure Supplement for the IAR, available from the IAR.

In OMP, clients invest in Portfolios designed by LPL Research. LPL Research designs different types of Portfolios for OMP to meet the varying needs of clients. The IAR selects the Portfolio and provides advice based on the client's individual needs. LPL receives a portion of the Account Fee for the Portfolio design services of LPL Research. LPL and its IARs do not accept performance-based fees under OMP.

LPL Research uses the following investment strategies in designing Portfolios. It is important to note that no methodology or investment strategy is guaranteed to be successful or profitable. Investing in securities involves the risk of loss that clients should be prepared to bear. Each of these investment strategies seek to generate capital appreciation while assuming a reasonable amount of risk.

- *Standard.* These Portfolios invest in up to six Optimum Funds across the following asset classes: large growth, large value, small/mid growth, small/mid value, international, and fixed income.
- *U.S.* These Portfolios invest in up to five Optimum Funds across the following asset classes: large growth, large value, small/mid growth, small/mid value, and fixed income. These Portfolios do not invest in international.
- *Growth Tilt.* These Portfolios invest in up to six Optimum Funds across the following asset classes: large growth, large value, small/mid growth, small/mid value, international, and fixed income. These Portfolios are over-weighted to growth relative to the standard models.
- *Value Tilt.* These Portfolios invest in up to six Optimum Funds across the following asset classes: large growth, large value, small/mid growth, small/mid value, international, and fixed income. These Portfolios are over-weighted to value relative to the standard models.

For Standard and U.S. Portfolios described above, LPL Research makes available a strategic or tactical version for each Portfolio. The strategic Portfolios are intended to take advantage of market opportunities that will occur or persist over a three-to-five-year time frame. The tactically managed Portfolios are intended to take advantage of short-, medium-, or long-term opportunities. In addition, for the Standard Portfolios there are two different versions of the tactically-managed portfolios: Traditional Standard and Spectrum Standard. The asset allocation of the Traditional Standard Portfolios is set primarily leveraging the LPL Research macroeconomic views. The asset allocation of the Spectrum Standard Portfolios is set primarily leveraging the LPL Research diligence views.

Types of Investments and Risks

Investing in securities involves the risk of loss that clients should be prepared to bear. Described below are some risks associated with investing.

- *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 fixed income 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.
- **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.
- **Collateralized Lending Program.** LPL allows clients to pledge securities in their accounts as collateral for non-purpose lines of credit through its collateralized lending program, in each case subject to certain terms and conditions. The collateralized lending program includes LPL's Secured Credit Account (SCA) product, offered by LPL Financial LLC, as well as lending options through third-party banks with which LPL has partnered to facilitate clients' access to credit (partner banks) and other banks (non-partner banks). Clients are not required to use the SCA product or partner banks in LPL's program, and can work directly with non-partner banks to negotiate loan terms or obtain other financing arrangements. Clients who choose to use non-partner banks should notify their IARs of the amount of the line of credit. Loans through the collateralized lending program may be used by clients only for purposes other than buying, trading or carrying securities. For the SCA product, clients borrow directly from LPL and pay interest to LPL. For lines of credit obtained through partner or non-partner banks, clients borrow from the bank and pay interest to the bank. In some cases, an IAR will recommend that a client seeking to access funds (for purposes other than purchasing securities) hold his securities investments and instead utilize a non-purpose line of credit collateralized by the assets in his advisory account. Unless an IAR specifically recommends that a client hold his securities investments and instead utilize a collateralized line of credit to access funds, the decision regarding whether to arrange for a collateralized loan and the decision to draw down on such a loan are not covered by a client's advisory relationship with LPL or his IAR. While an IAR may assist the client with facilitating a line of credit, clients are responsible for independently evaluating the terms of the loan and deciding whether the loan meets their needs. There are risks, costs and conflicts of interest associated with the collateralized lending program and securities-based borrowing generally. The holder of the loan, whether that be LPL or a bank, may require clients to provide additional funds or collateral to secure the loan (referred to as a "maintenance call") and has the authority to liquidate all or part of the securities at any time in accordance with the terms of the lending arrangement. As a practical matter, this may cause you to be required to contribute cash to the account or to sell assets and realize losses in a declining market. Maintenance calls can result in the loss of more funds than the pledged assets. The risk of a maintenance call is heightened when you hold concentrated positions in your pledged account(s). You are not entitled to choose which securities are liquidated or sold to meet a maintenance call, and you are not entitled to an extension of time on a maintenance call. The lender may change maintenance requirements at any time. If the sale of assets does not fully satisfy the maintenance call, you are responsible for the shortfall. A forced liquidation may interfere with your long term investment goals and/or result in adverse tax consequences. For an SCA, any action taken by LPL, or an affiliate, as lender against the assets in your advisory account pursuant to your SCA loan agreement is separate from your advisory relationship with LPL and therefore not subject to the fiduciary duty requirements under your investment advisory agreement. 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 lending program is one way, among many, for clients to raise necessary cash. Before pledging assets in an account, clients should carefully review the governing loan agreement, loan application and any forms required by the lender and any other forms and disclosures provided by LPL. Clients are encouraged to weigh carefully the potential investment, tax or other benefits of the collateralized lending program against the overall risks of securities-based borrowing, tax consequences of liquidation and the total cost of the loan, inclusive of the existing fees that will continue to be paid to LPL and its IARs for the pledged assets. For a list of the third-party banks currently participating in LPL's collateralized lending program, please visit lpl.com/disclosures.html, click on "Account Disclosures, Agreements, Fee Schedules & Conflicts of Interest," and then "Third Party Compensation and Related Conflicts of Interest." For additional



disclosures regarding LPL's Secured Credit Account, please visit lpl.com/disclosures.html, click on "Account Disclosures, Agreements, Fee Schedules & Conflicts of Interest," and then "Secured Credit Account Disclosures."

- **Cybersecurity Risk.** Failures or breaches of the electronic systems of LPL, its service 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.
- **Use of Artificial Intelligence and Machine Learning.** Recent technological advances in artificial intelligence, generative artificial intelligence, and machine learning technology (collectively, "Machine Learning Technology") may pose risks to LPL and its IARs. LPL and its IARs could be further exposed to the risks of Machine Learning Technology if third-party service providers or any counterparties, whether or not known to LPL or its IARs, also use Machine Learning Technology in their business activities. LPL and its IARs will not be in a position to control the operations of third-party service providers or counterparties, the manner in which third-party products are developed or maintained or the manner in which third-party services are provided. Machine Learning Technology is generally highly reliant on the collection and analysis of large amounts of data, and it is not possible or practicable to incorporate all relevant data into the model that Machine Learning Technology utilizes to operate. Certain data in such models will inevitably contain a degree of inaccuracy and error, potentially materially so, and could otherwise be inadequate or flawed, which would be likely to degrade the effectiveness of Machine Learning Technology. To the extent that LPL or its IARs are exposed to the risks of Machine Learning Technology, any such inaccuracies or errors could have adverse impacts on LPL or its IARs, as applicable. Machine Learning Technology and its applications, including in the financial services sector, continue to develop rapidly, and it is impossible to predict the future risks that will from time to time arise from such developments.
- **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.

Voting Client Securities

Unless a client instructs otherwise, effective November 24, 2025, LPL will vote proxies in accordance with its proxy voting policies and procedures then in effect, which will include engaging one or more third party proxy advisor vendors to make proxy voting recommendations and handle the administrative functions of voting proxies. For OMP, LPL's proxy voting policies and procedures state that LPL will vote proxies in all instances in accordance with recommendations from Glass, Lewis & Co., a third-party proxy advisory services company, for any securities held in your account, except to the extent otherwise prohibited by law. For the avoidance of doubt, in the event that Glass, Lewis & Co. does not provide a recommendation, LPL will abstain from voting in that proxy campaign. Notwithstanding the foregoing, if Client is a plan subject to ERISA (as defined above), LPL shall vote client proxies in accordance with LPL's obligations under ERISA and applicable Department of Labor Regulations. Client may expressly retain the right and obligation to vote any proxies relating to securities held in the Account, provided Client provides prior written notice to LPL. A copy of LPL's proxy voting policies is available upon request to IAR. A client can obtain information about how LPL voted with respect to securities held in the client's account by contacting IAR.



If a client elects to retain the right and obligation to vote proxies and receive mutual fund shareholder reports LPL is reimbursed by the proxy issuer or mutual fund for the delivery costs to send proxies and shareholder reports to the client. The maximum fee that can be charged for delivery is set by New York Stock Exchange (NYSE) rules. If LPL uses a vendor to perform the delivery, the vendor seeks reimbursement from the proxy issuer or mutual fund on LPL's behalf and in certain cases remits a portion of the reimbursement to LPL. If clients have questions regarding the solicitation, they should contact the contact person that the issuer identifies in the proxy materials or IAR. In addition, LPL and IARs do not accept authority to take action with respect to legal proceedings relating to securities held in the account.

Item 7: Client Information Provided to Portfolio Managers

The IAR obtains the necessary financial data from the client and assists the client in setting appropriate investment objectives for the account. The IAR obtains this information by having the client complete an Account Application which is a part of the Account Agreement. In quarterly communications, LPL asks clients to contact the IAR if there have been any changes in the client's financial situation or investment objectives or if they wish to impose any reasonable restrictions on the management of the account or reasonably modify existing restrictions.

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

Item 8: Client Contact with Portfolio Managers

LPL does not place any restrictions on a clients' ability to contact and consult with IARs.

Item 9: Additional Information

Disciplinary Information

LPL entered into a settlement with the SEC in which the SEC found that LPL willfully violated its obligations under Section 17(a) of the Exchange Act and Rule 17a-8 thereunder, which require broker-dealers to comply with certain anti-money laundering ("AML") requirements. The SEC found that LPL did not follow its AML policies for its customer identification program and ongoing customer due diligence obligations by, among other things, not properly verifying new accounts; not timely closing accounts that did not pass its screening measures; and not closing or restricting certain accounts that were prohibited under LPL's AML Policies. The SEC censured LPL and ordered LPL to cease and desist from committing or causing any violations and any future violations of such section and rule, to pay a civil monetary penalty in the amount of \$18 million, and to comply with certain undertakings (2025).

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 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 Investment Advisers Act of 1940 (the "Advisers Act") in connection with inadequate disclosure to clients of its and its associated persons' conflicts of interest related to its receipt of 12b-1 fees and/or its selection of mutual fund share classes that pay such fees. The SEC ordered LPL to cease and desist from committing or causing any violations of Sections 206(2) and 207 of the Advisers Act, censured it for its conduct, and ordered the payment of disgorgement and prejudgment interest to affected investors totaling \$9,333,516 (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, as a broker-dealer, is regulated by each of the 50 states and has been the subject of orders related to the violation of state laws and regulations in connection with its brokerage activities. In particular, LPL entered into consent orders related to the following matters:

- LPL’s supervision of 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).



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

Other Financial Industry Activities and Affiliations

LPL is a broker-dealer registered with FINRA and the SEC. As a broker-dealer, LPL transacts business in various types of securities, including mutual funds, stocks, bonds, commodities, options, private and public partnerships, variable annuities, REITs 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 offices 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. IARs are registered representatives of LPL. 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.

LPL Enterprise, LLC (“LPLE”), is a registered broker-dealer and related person of LPL. LPLE became a registered investment adviser in August. Our affiliate, LPLE, is an investment adviser registered with the SEC and 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. If required for their positions with a registered broker-dealer, LPLE’s principal executive officers are securities licensed as registered representatives of LPL. In addition, LPLE is qualified to sell insurance products in all 50 states.

LPL and The Private Trust Company, N.A. (PTC), a federally chartered non-depository bank licensed to provide trust services in all 50 states, are related persons. PTC serves as IRA custodian for program accounts set up as IRAs and receives an annual maintenance fee for this service. PTC also provides personal trustee services to clients for a variety of administrative fiduciary services, which services may relate to a program account. Because LPL and PTC are affiliated companies and share in revenues, there is a financial benefit to the companies if a client uses PTC as a custodian or for personal trustee services, or if a PTC client uses LPL as an investment advisor. PTC’s IRA custodian and trustee services and related fees are established under a separate engagement between the client and PTC.

Fiduciary Trust Company of New Hampshire (FTC), a non-depository trust company, is a related person of LPL. FTC provides custodial and various other recordkeeping and services to IRAs and certain employer-sponsored plans maintained through non-OMP Program accounts. Because LPL 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 LPL program, and uses LPL 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 LPL-approved business activities other than the provision of brokerage and advisory services through LPL, and in certain cases, an IAR could receive greater compensation through the outside business than through LPL. An IAR could also be an accountant, real estate agent, tax preparer, lawyer or refer customers to other service providers and receive referral fees, for example. As other examples, an IAR could provide advisory or financial planning services through an independent unaffiliated investment advisory firm, sell insurance, or provide third-party administration to retirement plans through a separate firm. If an IAR provides investment services to a retirement plan as a representative of LPL and also provides administration services to the plan through a separate firm, this typically means the IAR is compensated from the plan for the two services. If you engage with an IAR for services separate from LPL, you may wish to discuss with him or her any questions you have about the compensation he or she receives from the engagement.

Additionally, LPL 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, corporate trustee services, 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.

LPL has an affiliated insurance agency, LPL Insurance Associates, Inc. (LPLIA) through which IARs may sell insurance products. LPL receives compensation from issuers of life insurance (universal, variable universal, whole life, and term) and other insurance contracts that are made available by IARs, such as long term care insurance and disability insurance. The compensation includes commissions and trails, and may include payments for administrative services that LPL provides and/or payments made in connection with LPL's marketing and sales-force education and training efforts, including LPL's annual national sales and education conference and other conferences. IARs receive a percentage of the commissions or trailing commissions paid to LPL or LPLIA. IARs may also sell insurance through an independent unaffiliated insurance agency. An IAR may earn compensation (including trailing compensation), benefits and non-cash compensation through the third party insurance agency and may have an incentive to recommend you purchase or sell insurance products with the independent agency.

Code of Ethics and Personal Trading

LPL has adopted a code of ethics that includes guidelines regarding personal securities transactions of its employees and IARs. The code of ethics permits LPL employees and IARs to invest for their own personal accounts in the same securities that LPL and IARs purchase for clients in program accounts. This presents a conflict of interest because trading by an employee or IAR in a personal securities account in the same security on or about the same time as trading by a client can disadvantage the client. LPL requires in its code of ethics that LPL employees and IARs report certain personal securities transactions and holdings to LPL. LPL generally has procedures to review personal trading accounts for front-running. However, since LPL Research has sole control over trading decisions (including timing of implementation thereof) for the Model Portfolios in the Program, the potential for front-running by most employees and IARs is limited, and no such review is conducted other than for employees in LPL Research. In addition, employees in LPL Research are required to obtain pre-clearance prior to purchasing certain securities for a personal account. Employees and IARs are also required to obtain pre-approval for investments in private placements and initial public offerings. A copy of the code of ethics is available to clients or prospective clients upon request and is available at lpl.com/disclosures.html.

Participation or Interest in Client Transactions

A purchase of mutual fund shares may be processed through LPL's proprietary account resulting in such purchases being characterized as principal transactions for certain reporting purposes. In such case, the shares will be purchased at the fund's net asset value, and no additional charges will be applied to such transactions as a result of LPL's use of a proprietary account. LPL does not otherwise engage in principal transactions with its clients in the program. LPL's parent company, LPL Financial Holdings Inc., is a publicly traded company. LPL Financial Holdings Inc. stock may not be purchased directly in OMP accounts. However, an OMP account may include a mutual fund that holds LPL Financial Holdings Inc. stock as an underlying investment.

LPL provides investment consulting services to the investment advisor of the Optimum Funds. These services include assisting the investment advisor in determining whether to engage, maintain or terminate sub-advisors for the Optimum Funds. As compensation for these services, LPL receives an investment consulting fee of up to 0.22% of assets from the investment advisor to the Optimum Funds. In addition, a senior executive officer of LPL serves as a Trustee of the Optimum Funds.

Certain of the Optimum Funds are subject to voluntary expense caps that may result in the adviser to the Optimum Funds waiving fees or reimbursing expenses that exceed those caps. The adviser to the Optimum Funds bears the cost of any reimbursements or waivers.

LPL also performs recordkeeping, administrative and shareholder services on behalf of the Optimum Funds and receives compensation for the services based on the amount of Program assets that are invested in the funds (up to 0.15% annually). These services include establishing and maintaining accounts with the Optimum Funds, facilitating



settlement of funds, responding to customer inquiries and requests, and maintaining sub-account records reflecting the issuance, exchange or redemption of shares by each program account. The receipt of this recordkeeping and investment consulting compensation by LPL is an important revenue stream and presents a conflict of interest, because LPL has a financial benefit the more assets that are invested in the Optimum Funds. The investment consulting and recordkeeping compensation is retained by LPL and is not shared with its IARs. Although LPL does not share investment consulting or recordkeeping compensation with IARs, such fees and payments will increase LPL's profits and indirectly benefit IARs, for example by increasing the value of equity awards from LPL's parent company to IARs or by being used by LPL to support marketing or training costs.

In addition, LPL charges a setup fee to product sponsors when adding new investment products or share classes of an investment product to LPL's investment platforms. In the case of exchange traded products, LPL receives up to \$15,000 as a sponsor level due diligence fee, up to \$7,500 per fund and up to an additional \$15,000 per product for complex ETPs and ETPs. In the case of mutual funds, LPL receives a one-time set up fee of up to \$15,000 as a sponsor level due diligence fee and a setup fee of \$7,500 per fund. In the case of UITs, LPL charges up to \$5,000 per trust. LPL does not share this compensation with its IARs.

LPL offers product sponsors of mutual funds, closed funds, interval funds, ETFs, alternative investments, advisory strategies, annuities and life insurance contracts the opportunity to purchase analytical data, business intelligence and ad hoc reporting. This information helps product sponsors in their sales, distribution and product development efforts with respect to customers and clients and creates similar conflicts to those discussed above. LPL receives up to \$600,000 annually from each product sponsor in third party compensation for this information.

Cash Sweep Service Options

LPL automatically transfers cash balances (including otherwise uninvested cash amounts received from the customer, securities transactions, dividend and interest payments, and other account-related activities) in a customer's eligible accounts through the account's designated sweep service option, where applicable. The type of sweep service options available (and how cash is held) depends on the customer's account type. LPL offers Federal Deposit Insurance Corporation (FDIC)-insured bank sweep services for most customer accounts. Accounts may be eligible for the LPL Insured Cash Account (ICA) Program, the LPL Deposit Cash Account (DCA) Program, the Single Bank Insured Cash Account (SBICA) sweep program, or the money market mutual fund sweep, each described below. Not all sweep service options are available to all types of customer accounts. Cash sweep is offered as an account feature and service to facilitate the operation and maintenance of the account and is not intended to be used as an investment option or as part of an account's asset allocation, though for certain advisory accounts, it is typical for an account to have an allocation to cash to support the operational needs and fees charged to the account. LPL and its IARs do not typically recommend specific sweep service options or underlying sweep holdings. For more information, please see your customer agreement and the applicable ICA, DCA, or SBICA disclosure booklet, or the sweep money market fund prospectus.

The aggregate fees and expenses received by LPL in connection with the customer account's designated sweep service option can be higher or lower than the customer's yields on the sweep service option depending on the particular sweep option, prevailing interest rates and other market factors. See <https://www.lpl.com/disclosures/lpl-financial-fdic-insured-bank-deposit-sweep-programs.html> for information about our customer fees and customer interest rates for ICA and DCA, or contact your IAR for information about our customer fees and customer interest rates for SBICA and for money market funds. Historically, customer yields in ICA have always been lower than the aggregate fees and charges received by LPL. Customer yields in DCA, SBICA and in money market mutual funds have been both lower and higher than the aggregate fees and charges received by LPL.

Cash sweep services are not intended to be used for long-term investments and are more appropriately viewed as an indirect cost of maintaining and operating the account. LPL makes available a wide range of investment alternatives with differing risk and return characteristics, which are better suited for meeting customer investment needs and objectives. Customers should compare the terms, interest rates, required minimum amounts and other features of



their account's applicable sweep service option available through other types of accounts and investment options available in their account.

FDIC insurance protects against the loss of FDIC-insured deposits if the depository institution or bank holding the deposit fails. LPL itself is not an FDIC-insured depository institution. With respect to our sweep service options, only balances received by, and deposited at, the ICA, DCA and SBICA participating banks are eligible for FDIC insurance (subject to applicable limits). Eligibility for pass-through deposit insurance coverage for ICA, DCA, and SBICA deposits is subject to fulfilling specific conditions. Client Cash Accounts and money market mutual funds are not customer bank deposits and are subject to investment risks, including the potential loss of the amount invested. These investments are not FDIC-insured, but may be subject to SIPC protection.

- **Insured Cash Account (ICA).** LPL's ICA sweep service option automatically sweeps otherwise uninvested cash balances held within customer brokerage (and certain advisory accounts) into interest-bearing bank deposits eligible for FDIC insurance (subject to applicable limits). Under its agreement with each ICA participating bank in which customer cash may be swept, LPL receives a fee from the bank equal to a percentage of the average daily deposit balance held at the bank. Such fees differ among the participating banks depending on the current interest rate environment and/or any fee waivers made by LPL. The fee LPL receives is generally an average aggregate annual rate of up to 6% as applied across the deposits held at all of the ICA participating banks. Because the banks generally pay different amounts to LPL on account balances, fees received by LPL with respect to a specific customer account (and the account's cash holdings) may be higher or lower than this average percentage amount. The fees received by LPL from the ICA participating banks reduce the interest rate customers receive on their cash held through ICA. These fees are additional compensation to LPL for operating and maintaining the account and for LPL's other services to the account. LPL has chosen to offer ICA as the sole sweep service option for certain account types, in part because of the additional compensation LPL earns from the use of ICA.

In situations where customer cash balances allocated through ICA exceed the deposit availability at ICA participating banks, uninsured cash balances may be placed into an "overflow" Client Cash Account. Such balances are considered to be "free credit balances" and represent a direct liability of LPL to the customer. See below for information about how LPL is compensated on Client Cash Account balances.

- **Deposit Cash Account (DCA).** LPL's DCA sweep service option automatically sweeps otherwise uninvested cash balances held within certain advisory accounts into interest bearing bank deposits eligible for FDIC Insurance (subject to applicable limits). In the DCA program, each Bank pays compensation equal to a percentage of the average daily aggregated omnibus deposit balance held at the bank. This amount includes the fee for the third-party administrator, LPL's per account fee, and interest payable to participating accounts. Such fees differ among the participating banks. Customers have no rights to the amounts paid by the DCA participating banks, except for interest actually credited to the customer account. However, amounts collected from the DCA participating banks during each period, less interest credited, will be allocated on a per-dollar, per-account basis and used to offset each customer's monthly LPL account fee for providing the sweep services. In addition, part of the payment by the participating banks will be used to compensate the third-party administrator for its services. For its services under the DCA program, including making the platform available, LPL receives a per-account fee each month. The monthly fee is based on a fee schedule indexed to the current Federal Funds Target (FFT) Rate as detailed in the DCA Disclosure Booklet. It is expected that this fee will be recouped from the DCA participating banks and will not be a fee directly applied to customer accounts. The fee LPL receives under the DCA program does not vary, and is not affected by the actual amounts held in the deposit accounts or in the customer's account. LPL has chosen to offer DCA as the sole service option for certain account types, in part because of the additional compensation LPL earns from the use of DCA.
- **Single Bank Insured Cash Account (SBICA).** For certain eligible customers participating in an LPL investment program associated with, or located at, certain banks LPL makes available the SBICA sweep service (and not the sweep service they might otherwise be eligible for, such as ICA). The SBICA sweep service functions like the ICA sweep service, except that otherwise uninvested customer account cash balances will be automatically



swept into deposits eligible for FDIC insurance (subject to applicable limits) of the bank through which the investment program is offered, or in some situations, in a series of banks affiliated with the investment program bank. The banks participating in the SBICA have an agreement with LPL for IARs to offer brokerage and advisory services on their premises. This presents an additional conflict of interest because the IAR is an employee of the bank that is also used for the sweep, and the bank benefits financially from the deposits. Under its agreement with each SBICA bank into which customer cash may be swept, LPL receives a fee from the bank equal to a percentage of the average daily deposit balance in the respective SBICA. The fee paid to LPL equals an average annual rate of up to 0.50% as applied across all deposit accounts taken in the aggregate. Because the SBICA participating banks generally pay different amounts to LPL on account balances, fees received by LPL with respect to a specific customer account (and the account's cash holdings) may be higher or lower than this average percentage amount. In some situations, LPL will receive no fee with respect to these deposits. The fees received by LPL from the SBICA participating bank(s) reduce the interest rate received by customers on their cash held through SBICA. These fees are additional compensation to LPL for operating and maintaining the account and for LPL's other services to the account. LPL has chosen to offer SBICA as the sole sweep service option for certain account types (and accounts sourced from the bank, bank premises or the bank employees acting as LPL IARs), in part, because of the broader business relationship that LPL has with the bank (and its affiliates) as well as the additional compensation LPL receives (if any).

- **Client Cash Accounts – ICA Overflow Balances.** LPL receives additional compensation and benefits from the customer cash balances maintained in the ICA overflow mechanism, referred to as Client Cash Account, which constitute free credit balances available for LPL use. LPL can use free credit balances to fund its ongoing operations subject to the limitations under SEC Rule 15c3-3. Pursuant to Rule 15c3-3, LPL can (i) deposit free credit cash balances into a segregated deposit account at its banks, thereby earning interest on the Client Cash Account balances deposited, or (ii) invest the cash balances in securities backed by the full faith and credit of the U.S. government, thereby making money on any yield generated by such securities. The amount LPL will earn from these sources will vary based on market forces and the contracts for deposit arrangements that LPL is able to secure with its banks. LPL may use both or either of these vehicles at its sole discretion. Any amounts LPL receives pursuant to these sources will be reduced by the interest payable, if any, to customers on such balances, and further reduced by the cost of borrowing any funds necessary to meet its reserve requirements under Rule 15c3-3. For example, LPL may earn interest or a return by investing in short-term U.S. Government or Agency instruments or by using these balances to fund margin loans to its customers at a lower funding cost than would otherwise be the case. Customers do not share in the returns or proceeds associated with LPL's use or investment of such free credit balances, which are expected to exceed the amount of any Interest paid to the customer for Client Cash Account balances.
- **Money Market Mutual Fund Sweep Option.** LPL's money market mutual fund sweep option automatically sweeps otherwise uninvested cash balances held in the account and invests them daily into shares of a money market mutual fund. Currently, taxable and tax-exempt money market funds offered by J.P. Morgan Asset Management and Federated Services Company, are available. LPL receives compensation in the form of servicing fees of up to 0.25% of customer assets invested in J.P. Morgan Asset Management money market funds and up to 0.35% of customer assets invested in Federated Services Company money market funds. These money market mutual funds generally pay higher 12b-1 fees than other money market funds that are not used for sweep services. The 12b-1 fees and the payer of such fees are set out in the prospectus of the money market mutual fund. LPL receives service and administrative fees relating to the support of the sweep program from the sponsors of these funds, ranging between 0.25% and 0.45% of the assets Invested In the money market funds. Such fees may be waived by the fund companies in their sole discretion. These payments are in addition to other fees (e.g., recordkeeping and 12b-1 fees) received by LPL, where applicable.

The compensation that LPL receives related to ICA, DCA (including from overflow mechanisms) and the Sweep Funds is in addition to the Account Fee that LPL and IAR receive with respect to the assets in the sweep investment. This compensation related to ICA, DCA and Sweep Funds is an important revenue stream and presents a conflict of interest to LPL because LPL has a financial benefit if cash balances are maintained in ICA, DCA or the Sweep Funds. However,



the compensation LPL receives on ICA, and DCA and Sweep Funds is retained by LPL and is not shared with its IARs. In addition, LPL Research does not take into account this compensation when it makes decisions on a Portfolio's allocation to cash.

Collateralized Lending Program

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

For the SCA product, LPL receives all interest and fees as the lender based on the outstanding loan amount. Interest and fee amounts can vary in accordance with market conditions and are subject to the loan agreement, documentation and fee schedules provided by LPL. For partner bank loans, LPL receives third party compensation from partner banks based on the amount of outstanding loans. Compensation can be up to 0.75% of the outstanding loan amount. This compensation to LPL varies, and, therefore, LPL can earn more or less depending on the bank selected by the client. The receipt of compensation poses a conflict of interest to LPL because LPL has the largest financial incentive for the client to select the SCA product, and if a client selects a bank in the program instead, LPL has a financial incentive for the customer to select a participating bank that pays LPL more than other participating banks. For partner banks, LPL does not share this compensation with its IARs, and therefore, an IAR does not have a direct financial incentive if one bank is selected over another. For the SCA product, LPL does share compensation with its IARs, and therefore, an IAR has a financial incentive for clients specifically to choose the SCA product over any partner or non-partner bank loan. Your IAR's compensation on the SCA product is reduced if your interest rate is discounted, so your IAR has an incentive not to request your interest rate be discounted below a certain level or at all. Neither LPL nor your IAR receive loan-based compensation if you borrow through a non-partner bank. LPL and its IARs have an interest in continuing to receive investment advisory fees, which gives LPL and its IARs an incentive to recommend that clients borrow money rather than liquidate some of their assets managed by LPL and the IAR. This incentive creates a conflict of interest for LPL and its IARs when advising clients seeking to access funds on whether they should liquidate assets or instead hold their securities investments and utilize a line of credit secured by assets in their account. Because LPL and its IARs are compensated primarily through advisory fees paid on clients' accounts, LPL and its IARs also have an interest in managing an account serving as collateral for a loan in a manner that will preserve sufficient collateral value to support the loan and avoid a maintenance call. This presents a conflict of interest with clients because it could incentivize LPL's IARs to invest in more conservative, lower performing investments to maintain the stability of the account, or alternatively, could incentivize the IAR to invest in more aggressive assets to achieve returns higher than loan interest and costs. For additional disclosures regarding LPL's collateralized lending program, including a list of the banks currently participating in the program, please visit lpl.com/disclosures.html, click on "Account Disclosures, Agreements, Fee Schedules & Conflicts of Interest," and then both "Secured Credit Account Disclosures" and "Third Party Compensation and Related Conflicts of Interest."

Credit Cards

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



Rollovers

If a client is a participant in an employer-sponsored retirement Plan, such as a 401(k) plan, and decides to roll assets out of the plan into an account at LPL, LPL and LPL IARs have a financial incentive to encourage client to invest those assets in client's account, because LPL will be paid on those assets, for example, through advisory fees. Client should be aware that such fees likely will be higher than those a participant pays through an employer-sponsored plan, and there can be maintenance and other miscellaneous fees. As securities held in employer-sponsored plans are generally not transferrable to the client's account, commissions and sales charges may be charged when liquidating such securities prior to the transfer, in addition to commissions and sales charges previously paid on transactions in the plan. This conflict of interest is mitigated by LPL's policy regarding rollovers from an employer-sponsored plan into an LPL individual retirement account (IRA).

LPL and LPL IARs may assist clients contemplating a rollover by providing general investment education to assist plan participants in making informed investment decisions about the distribution options available to them. LPL's educational services are intended to be consistent with the Department of Labor's Interpretive Bulletin 96-1. LPL is not acting in a fiduciary capacity under ERISA when providing educational services. The general investment education provided is not intended to be viewed or construed as a suggestion for client to take a particular course of action with respect to employer-sponsored plan assets (including, a distribution therefrom). With respect to employer-sponsored plan rollovers, LPL makes information available that outlines the many factors client should consider (including the types of fees and costs of an IRA and IRA investments) before making a decision. 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.

IRA to IRA Transfers

If LPL or an LPL IAR recommends that client move assets from an LPL brokerage IRA account or an IRA account held at another financial institution into the account, they are required to consider, based on the information client provides, whether client will be giving up certain investment-related benefits, 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, trust services, holistic advice and planning, and automatic account rebalancing) can be achieved with the account; (2) access to your chosen IAR and asset consolidation (in the case of a transfer from another financial institution) and (3) the asset based fees and transaction charges are justified by these services and features.

Notwithstanding whether a recommendation has been made, clients should understand that with respect to any assets clients decide to move into the account, clients should: (1) evaluate the investment and non-investment considerations important to client in making the decision; (2) review and understand the fees and costs associated with the account; (3) recognize that higher net fees (if applicable) will reduce the client's investment returns and ultimate retirement assets; and (4) understand the conflicts of interest raised by the financial benefits to LPL and its IARs resulting from the client's decision to move assets into the account.

Review of Accounts

IARs 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.

LPL provides clients with regular written reports regarding their accounts. LPL provides detailed performance information annually describing account performance and positions, with additional information available upon request. In addition, LPL transmits to clients account statements showing transactions, positions, and deposits and withdrawals of principal and income. Portfolio values and returns shown in performance reports for the year-end time period may include mutual fund dividends paid out prior to December 31 but that were posted to the account within



the first 2 business days of the subsequent year. The inclusion of such dividends in the year-end performance report may cause discrepancies between the report and the account statement client receives from LPL for the same period.

Other Compensation

LPL, LPL 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 or marketing or advertising initiatives, including services for identifying prospective clients. Product sponsors may also pay for, or reimburse LPL for the costs associated with, education or training events that may be attended by LPL employees and IARs, client events and LPL-sponsored conferences and events. LPL, LPL 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.

LPL receives compensation from certain third-party vendors, including technology providers and affinity partners, in connection with conferences, educational events, and similar programs made available to IARs. These arrangements may include sponsorship fees, booth or exhibition fees, payments or participation in breakout sessions or presentations, revenue-sharing arrangements, and other forms of compensation. In exchange for such compensation, vendors may receive opportunities to promote their products or services to IARs, including conference recognition, exhibit space, participation in educational sessions, access to attendee information (which does not include email addresses), and other marketing or promotional benefits. These arrangements create a conflict of interest because LPL has a financial incentive to feature, promote, or make available certain vendors or service providers over others. IARs are not required to use any particular vendor, and participation in or exposure to vendor-sponsored events does not constitute an endorsement of the vendor or its products or services by LPL.

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

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

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

Conflicts Related to LPL Compensation to IAR

The IAR recommending an advisory service receives compensation from LPL. In most cases, LPL has a compensation arrangement directly with the IAR. (In certain cases, LPL has entered into an agreement with a financial institution offering LPL's advisory services on its bank or credit union premises, as described further below.) LPL typically compensates IARs pursuant to an independent contractor agreement and not as an employee. This compensation includes all or a portion of the advisory fee and, such portion received by IAR may be more than what IAR would receive at another investment advisor firm. All compensation paid to the IAR will be the sole responsibility of LPL and is payable by LPL out of the investment advisory fee clients pay to LPL.



IARs have a financial incentive to negotiate fee arrangements that maximize their compensation. In some programs, LPL charges a negotiable advisory fee for itself plus a fee for third-party managers that is not negotiable. Differences in fees for third-party managers, and the absence of such fees in other programs, creates a conflict of interest for the IARs insofar as IARs can negotiate a higher LPL advisory fee for a program or strategy with lower or no separate manager fee than they could for an account subject to a higher third-party manager. The amount received by an IAR as a result of a client's participation in any particular program offered by LPL often is more than the IAR would have received if the client participated in other programs, paid third-party manager fees, or paid separately for investment advice, brokerage and other services covered by the account fee.

Such compensation includes other types of compensation, such as bonuses, awards or other things of value offered by LPL to the IAR. In particular, LPL pays its IARs in different ways, for example:

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

Some of these forms of compensation, particularly equity awards of LPL Financial Holdings Inc., give IARs a financial interest in the success of LPL. IARs who have a financial interest in the success of LPL have an incentive to recommend investments that are more profitable for LPL, regardless of whether the IARs share in that compensation directly.

Note that LPL has a dedicated team of employee IARs in its offices 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. In such cases, the IARs are compensated as employees, and such compensation can include a salary, bonus and other things of value as set out above.

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



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

The amount of the Transition Assistance payments is often significant in relation to the overall revenue earned or compensation received by the IAR at his or her prior firm. Such payments are generally based on the size of the IAR’s business established at his or her prior firm, for example, a percentage of the revenue earned or eligible assets serviced by the IAR at the prior firm, and, in certain cases, on the amount of the IAR’s client assets that are transferred to LPL above an agreed-upon threshold. These payments are generally in the form of payments or loans to the new LPL IAR with favorable interest rate terms as permitted under applicable law, which are paid by LPL or forgiven by LPL based on years of service with LPL (e.g., if the IAR remains with LPL for 5 years) and/or the scope of business engaged in with LPL. LPL does not verify that any payments made are actually used for such transition costs.

In addition, existing IARs are eligible to receive financial assistance from LPL in connection with transferring existing client accounts serviced at an approved third-party investment program to an on-platform LPL advisory or brokerage account (“Operational Assistance”). These payments are typically calculated as a percentage of assets transferred to LPL up to 0.15%, but in some cases may involve a flat amount up to \$350 per transferred account, and are also generally payable in the form of payments or loans to the IAR that are forgivable based on years of service with LPL. While the loans are intended to offset bona fide time and effort incurred by IARs in identifying and coordinating transfers, the loans can create an incentive for IARs to recommend that clients transfer their assets to on-platform LPL advisory and brokerage accounts. However, an IAR may only recommend a program or service that he or she believes is suitable and in the best interests of a client in accordance with the standard of care under applicable law.

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

Ownership Interest in Doing-Business-As (“DBA”) Entities

Some IARs operate through independent practices with a separate Doing-Business-As (or “DBA”) designation. In some cases, LPL may partially or wholly own such practices, and have a financial interest in the business success of the DBA as a whole, or in a particular element of the DBA via specific ownership interests in its brokerage, advisory, insurance, or other financial services business (or any combination thereof). Clients should ask their IAR about the extent to which LPL has a financial interest in their practice.

Client Referrals

From time to time, LPL 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 LPL 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 LPL and do not refer clients based on their experience with LPL 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 sharing a portion of the ongoing Account Fee. LPL 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 LPL 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 Account 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 LPL'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.* LPL and its IARs offer advisory services on the premises of unaffiliated financial institutions, like banks or credit unions. These financial institutions refer clients to LPL. See more about LPL's relationship with financial institutions under "Unaffiliated Financial Institutions" below; and
- *Other Arrangements.* LPL 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 LPL, 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 LPL and its IARs. Solicitors may also have other conflicts of interest with respect to a particular IAR or may be associated with LPL in another way. Clients who are introduced to LPL 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 LPL's arrangements with the person introducing you to LPL. LPL's participation in these referral arrangements does not diminish its fiduciary obligations to its clients.

Unaffiliated Financial Institutions

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

LPL has entered into agreements with the financial institutions pursuant to which LPL typically shares compensation, including a portion of the Account Fee, with the financial institution for benefits including but not limited to the use of the financial institution's facilities and for client referrals. Instead of paying the IAR the portion of the Account Fee as described above, LPL may share the Account Fee with the financial institution, and the financial institution pays part of that amount to the IAR based on a compensation plan between the IAR and the financial institution. The financial institution establishes the compensation plan for the IAR, which is subject to approval by LPL. The compensation plan determines how the IAR's compensation is structured. IAR will have a financial incentive to recommend a particular service or product if under the compensation plan the recommended product will result in 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. LPL also has agreements to provide similar services at financial institutions in which compensation is not shared with the financial institution whereby a portion of the Account Fee is paid directly to the IAR.

If IAR is an employee of the financial institution where it provides services to program accounts, LPL typically shares with the financial institution between 75% to 100% of the Account Fee, after LPL retains its portion of the Account Fee for its administrative services. IAR (an employee of the financial institution) will be compensated (e.g. in the form of salary, bonus, commissions, etc.) by the financial institution based on the specific agreement and/or compensation plan between the financial institution and the IAR. If IAR is not an employee of the financial institution where it provides services to program accounts, LPL typically shares directly with IAR, after deduction of LPL's portion, between 25% to 100% of the Account Fee, and with the financial institution between 0% to 75%. All compensation paid to IAR or the financial institution will be the sole responsibility of LPL, and will not result in any increase in the Account Fees you pay to LPL.

Some of these financial institutions are affiliated with investment product sponsors (such as mutual fund sponsors) or offer certificates of deposit. An IAR located on the premises of a financial institution has a potential conflict of interest when IAR encourages clients to invest in that financial institution's certificates of deposit or proprietary investment products, such as mutual funds and structured products. When an affiliated investment product is selected for an account, the financial institution receives a portion of the Account Fee pursuant to the agreement between LPL and the financial institution and its affiliate receives fees from the affiliated investment product. Because affiliates of the financial institution earn fees and other benefits from the affiliated product, the financial institution has an incentive to select its affiliated products based on the compensation and benefits its affiliates receive rather than on a client's needs. In addition, because mutual funds benefit from scale, the financial institution and its affiliated companies have an interest in the mutual funds gaining greater assets. Certain financial institutions provide credits for affiliated investment products. We update this information from time to time on lpl.com/disclosures.html. For more information, click on "Account Disclosures, Agreements, Fee Schedules & Conflicts of Interest," and then "Third Party Compensation and Related Conflicts of Interest."

Note that the IAR does not receive additional compensation from the financial institution for selecting the affiliated products and the IAR may only recommend an investment product that he or she believes is appropriate, suitable and in the best interests of the 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.

LPL also provides other forms of compensation to financial institutions, such as bonuses, awards or other things of value offered by LPL to the financial institution. For example LPL pays financial institutions based on production, in the form of repayable or forgivable loans, reimbursement of fees that LPL charges for items such as administrative services, and other things of value such as free or reduced-cost marketing materials, transition assistance for changing association from another broker-dealer or investment advisor firm to LPL, advances of advisory fees, and/or attendance at LPL's national conference or top producer forums and events. LPL may pay this compensation based on overall business production and/or on the amount of assets serviced in LPL advisory programs. Financial institutions are also eligible to receive Operational Assistance (as defined above) from LPL in order to assist with offsetting time and expense in coordinating transfers of client accounts from third party investment platforms to LPL's platform. The compensation is typically calculated and payable to the financial institution as a percentage of assets transferred to LPL up to 0.15%, but in some cases may be a flat-dollar amount per transferred account with a maximum of up to \$350 per account. The amount of this compensation may be more than what the financial institution would receive if the client participated in other LPL programs, programs of other investment advisors or paid separately for investment advice, brokerage and other client services. As a result, the financial institution and IAR have a financial incentive for the IAR to recommend the program account and services that will result in the greatest compensation to the financial institution and IAR. If LPL makes a loan to a new or existing financial institution, there is also a conflict of interest



because LPL's interest in collecting on the loan affects its ability to objectively supervise an IAR at that financial institution.

In addition, financial institution employees who are not associated with LPL often refer prospective customers of the financial institution to IARs working in the financial institutions. Those employees frequently receive a nominal referral fee from the financial institution (typically up to \$25) as compensation for each referral and such referral programs are governed by Regulation R of the Gramm-Leach-Bliley Act.

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

Financial Information and Custody

LPL is a qualified custodian as defined in Rule 206(4)-2 under the Advisers Act and maintains custody of OMP client funds and securities in a separate account for each client under the client's name. LPL as a qualified custodian sends account statements showing all transactions, positions, and all deposits and withdrawals of principal and income. LPL sends account statements periodically when the account has had activity or quarterly if there has been no activity. Clients should carefully review those account statements.

Brokerage Practices

In OMP, LPL requires that clients direct LPL as the sole and exclusive broker-dealer to execute transactions in the account. Clients should understand that not all advisors or program sponsors require their clients to direct brokerage. However, clients should understand that LPL is not paid a commission for executing transactions in OMP accounts and execution is made at the net asset value of the mutual fund. Although LPL is not paid a commission for transactions in the account, LPL charges a \$5 transaction charge for each transaction (unless waived as described herein). Because 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.

LPL will aggregate transactions for a client with other clients. LPL 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, LPL may effect transactions for some accounts on one day and for other accounts on the following day or days. In such case, LPL will have discretion to sequence the accounts involved in rebalancing transactions with the goal of treating all accounts equitably over time.

LPL will reinvest dividends in accordance with LPL's Dividend Reinvestment Program (DRP). Some securities held in the Account may be ineligible for DRP, including securities not custodied at LPL Financial. There is no requirement to participate in the DRP, Client can enroll or unenroll at any time by contacting their IAR or LPL. DRP transactions will be confirmed on at least a quarterly basis as part of the regular periodic account statement. Additional important disclosures about DRP, including eligibility, fees, how dividends are reinvested, and more can be found at lpl.com/disclosures.html.

Certain orders may be blocked or subject to review by LPL before they are directed to an exchange or market maker for execution. This review may result in a delay in execution. LPL reserves the right to place restrictions on your account in our sole discretion, and to cancel any order that we believe would violate federal credit regulations or other regulatory limitations; however, LPL will have no responsibility or liability for failing to cancel any order.



Brochure Supplements

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

