

## ACCOUNT PACKET

# STRATEGIC ASSET MANAGEMENT (SAM) PROGRAMS ACCOUNT AGREEMENT

This Account Agreement ("Agreement") is entered into by and among LPL Financial LLC ("LPL"), a registered investment advisor and broker/dealer, the LPL Investment Advisor Representative indicated in Section V of the Account Application attached hereto ("IAR"), and the client indicated in Section I of the Account Application ("Client"), pursuant to which Client will open an account ("Account") with LPL and IAR for the purpose of participating in either the Strategic Asset Management I ("SAM I") Program or the Strategic Asset Management II ("SAM II") Program (each a "Program" and collectively, the "Programs"). The Programs are substantially similar offerings and differ only in the structure of transaction charge payments, as discussed in detail below. In selecting a Program and negotiating Account Fee arrangements with the IAR, Client should take into consideration whether Client or the IAR will bear the costs of these transaction charges. Notwithstanding any other provision of this Agreement to the contrary, the advisory services to be provided under this Agreement by either LPL or IAR shall not begin until your Account paperwork has been accepted by LPL at its home office as being in good order. LPL's acceptance of the Account will generally occur within 15 business days, but can take longer in certain circumstances, from the day you provide completed paperwork to your IAR. A description of the services to be provided and the parties providing the services are set forth below.

## 1. LPL SAM PROGRAMS

Under the Programs, Client authorizes IAR on a discretionary basis to purchase and sell no-load and load-waived mutual funds, unit investment trusts ("UITs"), closed-end funds and exchange-traded funds ("ETFs") pursuant to investment objectives chosen by Client, to liquidate previously purchased load mutual funds, and to purchase and sell separate accounts within Variable Annuities. Transactions in other securities approved by LPL for investment in the Account, including Equities, Fixed Income, Certificates of Deposit, Hedge Funds, Managed Futures, Real Estate Investment Trusts ("REITs"), Business Development Companies ("BDCs"), Structured Products and Options, may be effected in the Account at Client's direction.

IAR will obtain the necessary financial data from Client, assist Client in determining the suitability of a Program, and assist Client in setting appropriate investment objectives. IAR will initiate the steps necessary to open the Account. As discussed above, Client understands that, although the Account may be open, the obligation of IAR to manage the Account, or for LPL or IAR to provide advisory services with respect to the Account, begins only after LPL has accepted the Account. Client understands that the investment objective selected for the Account 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 understands that achievement of the stated investment objective is a long-term goal for the Account.

The minimum account size is \$25,000 at inception. In certain instances, LPL will permit a lower minimum account size. Client may make cash additions to the Account at any time and may withdraw account assets on notice to IAR, subject to Section 8 below. In the event Client withdrawals cause the Account asset value to fall below the required minimum, Client understands this Agreement may be subject to immediate termination under the provisions of Section 8. Client understands that the Programs are designed as long term investment vehicles and that asset withdrawals may impair the achievement of Client's investment objectives.

LPL reserves the right to accept, reject or renew this Agreement in its sole discretion and for any reason.

## 2. TRADING AUTHORIZATION

Client hereby grants LPL and IAR complete and unlimited discretionary trading authorization with respect to the purchase and sale of no-load and load-waived mutual funds, UITs, closed-end funds and ETFs, the sale of previously purchased load mutual funds, and the purchase and sale ("Transfer") of separate accounts within Variable Annuities, in the Account. Client hereby appoints IAR as agent and attorney-in-fact with respect to this trading authorization. Client also authorizes IAR, acting at Client's direction, to effect transactions in other securities approved by LPL for investment in the Account. Client acknowledges that option transactions in the Account are generally limited to covered calls and protective puts. Other than as described in



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Section 16 and 17, LPL and IAR are not authorized to withdraw or transfer any money, securities or property either in the name of Client or otherwise.

Client understands that IAR is prohibited from taking personal possession of Client securities, stock powers, monies or any other personal or real property in which Client may have an interest. In addition, Client understands that IAR may not lend to or borrow from Client any monies or securities. Client further agrees not to enter into any other business relationship with IAR including, but not limited to, helping to capitalize or finance any business of IAR.

Client retains the right to Transfer separate accounts within Variable Annuities by contacting the Variable Annuity sponsor directly if desired. It is Client's responsibility to notify IAR promptly if this right is exercised so as to avoid potential adverse consequences to the Account.

Client understands that LPL, IAR and their affiliates may perform advisory and/or brokerage services for various other clients, and that IAR may give advice or take actions for those clients that differ from the advice given or the timing or the nature of any action taken for the Account. In addition, LPL and IAR may, but are not obligated to, purchase or sell or recommend for purchase or sale any security which LPL or IAR or any of their affiliates may purchase or sell for their own accounts or the account of any other client.

In no event will LPL or IAR be obligated to effect any transaction for Client which it believes would violate any applicable state or federal law, rule or regulation, or the rules or regulations of any regulatory or self-regulatory body.

#### 3. PROXIES AND PROSPECTUS DELIVERY

Client understands and agrees that Client retains the right to vote all proxies which are solicited for securities held in the Account. LPL and IAR are hereby expressly precluded from voting proxies for securities held in the Account and will not be required to take any action or render any advice with respect to the voting of proxies.

LPL and IAR shall not be obligated to render any advice or take any action on behalf of Client with respect to any legal proceedings, including bankruptcies, involving securities or other investments held in the Account, or the issuers thereof. Client hereby retains the right and obligation to take action with respect to legal proceedings relating to securities held in the Account.

Client hereby designates LPL, as a broker/dealer and investment advisor, to receive all prospectuses, annual reports and disclosure statements for securities held in the Account. Client may request prospectuses and reports from his or her IAR.

#### 4. CLIENT AUTHORITY/ERISA AND RETIREMENT ACCOUNTS

If Client is a corporation, the party executing this Agreement on behalf of Client represents that execution of this Agreement has been duly authorized by appropriate corporate action, and the party executing the Agreement has the authority to enter into this Agreement on behalf of corporation.

If this Agreement is entered into by a trustee or other fiduciary, including but not limited to someone meeting the definition of fiduciary under the Employee Retirement Income Security Act of 1974 ("ERISA"), of (i) an employee benefit plan subject to the fiduciary provisions of ERISA (an "ERISA Plan"), (ii) a "plan" within the meaning of Section 4975(e) of the Internal Revenue Code of 1986 (the "Code"), (iii) any entity whose assets are treated as "plan assets" for purposes of ERISA or Section 4975 of the Code (a "Plan Asset Entity"), or (iv) a plan, trust or entity subject to laws similar to the fiduciary duty provisions of ERISA or the prohibited transaction rules under Section 4975 of the Code (each of the foregoing, including any related trust or funding vehicle, a "Plan" and, collectively, "Plans"), such trustee or other fiduciary ("Responsible Plan Fiduciary") represents and warrants that Client's participation in a Program is permitted by the relevant governing instrument of such Plan and laws applicable to such Plan, and that Client is duly authorized to enter into this Agreement on behalf of such Plan.

If Client is an ERISA Plan or a Plan Asset Entity holding assets of one or more ERISA Plans, Client additionally represents and warrants that the person executing and delivering this Agreement on behalf of Client is a "named fiduciary" (as defined under ERISA) who has power under the ERISA Plan(s) to appoint LPL and IAR to provide the services under this Agreement. If Client is



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an ERISA Plan or a Plan Asset Entity holding assets of one or more ERISA Plans, Client shall obtain and maintain during the term of this Agreement any bond required by ERISA or other applicable law with respect to fiduciaries and shall include LPL within the coverage of such bond.

If the Account is being managed for a particular participant in a Plan (a "Self-Directed Account"), the term Client as used in this Agreement refers to the Responsible Plan Fiduciary and the participant, and both the Responsible Plan Fiduciary and participant must sign the Account Application. In the case of a Self-Directed Account, Client represents to LPL that the Plan's governing documents (including any applicable adoption agreement) and laws governing the Plan permit the participant to self-direct his or her investment of all assets in the Account. If LPL or IAR receives trade instructions from participant, rather than from the Responsible Plan Fiduciary or its designee, such as a trustee, plan administrator or other delegate, Client represents that the Plan's governing documents, including any procedures established by the Responsible Plan Fiduciary, and laws governing the Plan permit the participant to provide trade instructions directly to LPL and IAR.

In the case of a Self-Directed Account, although the Plan's governing documents allow participant to direct investments of the Account, the Plan trustee(s) remains the legal owner of the assets in the Account, and the rules regarding withdrawals, contributions and other actions are primarily governed by the Plan documents, including any related trust agreement. If participant is entitled to a distribution or withdrawal from the Account, and the Responsible Plan Fiduciary directs LPL accordingly, Client is aware that an LPL distribution/withdrawal request will need to be authorized by the Responsible Plan Fiduciary in addition to participant's authorization requesting the transaction. If participant invests through this Account instead of designated investment options as may be provided by the Responsible Plan Fiduciary under the Plan, if applicable, Client acknowledges that the services (including investments) under this Agreement may be different, and the fees may be higher, than if participant invested through those designated Plan investment options. Client understands that the investment objective for this Account will be based on the investment objective of the participant as provided in the Account Application, and generally will be different from the investment objectives of other Plan accounts for different participants of the same or different Plans.

LPL provides advisory services under this Agreement as an investment advisor under the Investment Advisers Act of 1940 (the "Advisers Act"). To the extent that LPL and IAR have or exercise discretionary authority under this Agreement with respect to the management of assets of (or otherwise provide "investment advice" under this Agreement as defined under Section 3(21) of ERISA or Section 4975 of the Code), LPL and IAR acknowledge that they will be deemed a "fiduciary" as such term is defined under Section 3(21) of ERISA or Section 4975 of the Code, as applicable, with respect to such advisory services. LPL and the IAR are not and do not act as fiduciaries to any Plan with respect to Client's decisions to participate in a Program, or to contribute to or withdraw assets from a Program. Client represents and warrants that it has made the decision to participate in a Program independently of LPL and the IAR, that it will make decisions regarding whether to contribute to or withdraw assets from the Account independently of LPL and the IAR, and that it has not relied, and will not rely, upon any advice provided by the IAR as a primary basis for any such decision. Client should consider whether to seek the advice of counsel or other independent experts as necessary. Unless specifically agreed to in writing, LPL does not serve as an "investment manager," as such term is defined under Section 3(38) of ERISA. As discussed more fully above, LPL and IAR do not undertake to provide advisory services under this Agreement nor become fiduciaries to any Plan until the Account has been accepted by LPL.

If Client is a Plan, the person executing this Agreement authorizes LPL to collect transaction fees or transaction-related fees in connection with brokerage transactions, as permitted by Prohibited Transaction Class Exemption 86-128 (51 F.R. 41686, as amended and restated effective June 9, 2017). This authorization is terminable at will by the Plan. Client acknowledges and agrees that LPL has furnished the following documents to the Plan: (a) a form for terminating this authorization; (b) a description of LPL's brokerage placement practices; and (c) a copy of the Prohibited Transaction Class Exemption 86-128. Client acknowledges and agrees that these disclosures are available on its website at <https://lplfinancial.lpl.com/disclosures/retirement-plan-disclosures.html>. Client acknowledges and agrees that Client has accessed and reviewed these disclosures to the extent Client believes necessary to provide this authorization. Copies of these disclosures are available upon request by contacting your IAR.



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Client agrees to furnish IAR and LPL with governing plan document as they shall reasonably request with respect to the foregoing. Client agrees to advise LPL and IAR of any event which might affect this authority or the validity of the Agreement.

#### 5. CUSTODY AND REPORTING

LPL maintains custody of client funds and securities in the Account. During any month that there is activity in the Account, Client will receive a monthly account statement showing account activity as well as positions held in the Account at month end. Additionally, Client will receive a confirmation of each transaction that occurs within the Account unless the transaction is the result of a systematic purchase, systematic redemption, or systematic exchange. Client will also receive from LPL detailed quarterly performance information describing account performance, positions and activity. An additional year-end report will be provided for accounts not established on a calendar quarter basis.

Although most securities available to be purchased in the Account are held at LPL, there are certain securities that may be managed as part of the Account that are held at third parties, and not LPL. For example, Variable Annuity, Hedge Fund, REITs and Managed Futures positions are often held directly with the investment sponsor. For those outside positions, Client will receive confirmations and statements directly from the investment sponsor. LPL and IAR do not have authority to withdraw assets from these outside positions on behalf of Client.

LPL may receive information from these investment sponsors regarding the outside positions (e.g., number of shares held and market value) and display that information on statements and reports prepared by LPL. Such information also may be used to calculate performance in performance reports prepared by LPL. Although LPL believes that the information it receives from the investment sponsors is reliable, Client should refer to the statements and reports Client receives directly from the investment sponsor and compare them with the information provided in any statements or reports from LPL. The statements and reports Client receives from LPL with respect to outside positions should not replace the statements and reports received directly from the investment sponsor.

If Client has purchased a Variable Annuity that is part of the Account, Client acknowledges that Client has received the prospectus and is relying solely on the disclosure contained in the prospectus with respect to the terms and conditions of the Variable Annuity. Client understands that certain riders purchased with a Variable Annuity may limit the investment options and the ability to manage the subaccount.

#### 6. CONFLICTS OF INTEREST

Client understands that, once accepted by LPL, the Account will be charged an ongoing fee for investment advisory services and that the ongoing fee may cost more than if the assets were held in a traditional brokerage account. In a traditional brokerage account, a client pays commission to the representative for each transaction, and the representative has no duty to provide ongoing advice and monitoring with respect to the account. If Client plans to follow a buy and hold strategy for the assets in the Account or does not wish to purchase ongoing management services, Client should consider instead a brokerage account.

LPL is appointed by Client as the sole and exclusive broker/dealer with respect to processing securities transactions for the Account. LPL may aggregate transactions for Client with other clients to improve the quality of execution. The Account Fee described in Schedule A represents compensation for the asset management and quarterly reporting services provided to SAM I and SAM II program clients. The Account Fee may be structured on a tiered basis, with a reduced percentage rate based on reaching certain thresholds.

If Client participates in the SAM I program, the Transaction Charges set forth in Schedule B represent the brokerage trade processing component of compensation paid by Client for the Account and may be higher or lower than commissions otherwise payable in the absence of the Account Fee. In the SAM II program, these transaction charges are paid by the IAR to LPL for processing transactions in the Account.

Except with respect to cash sweep money market funds ("Sweep Funds") described in Section 20 below, LPL purchases only one share class per mutual fund in each Program which can be titled, for example, as "Class I," "institutional," "investor,"



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"retail," "service," "administrative" or "platform" share classes ("Program Shares"). Program Shares are no-load or load-waived share classes and therefore not subject to any upfront sales charge. Share classes previously available in the Programs prior to November 21, 2016, such as Class A Shares that are subject to 12b-1 fees, are closed to new purchases ("Non-Surviving Share Classes"). If Client has a previously established systematic purchase plan to purchase Non-Surviving Share Classes, Client will be permitted to continue purchasing Non-Surviving Share Classes for a limited period of time. Any 12b-1 fees received by LPL from mutual funds in the Programs (other than Sweep Funds) will be credited to Client's Account.

Client understands that the share class offered for a particular mutual fund through a Program in many cases will not be the least expensive share class that the mutual fund makes available. Program Share classes are selected by LPL in certain cases because the share class pays LPL compensation for the administrative and recordkeeping services LPL provides to the mutual fund. Client expressly waives LPL's duty of best execution in connection with purchases of the Program Share class, insofar as the recordkeeping and other expenses make it a more expensive share class than Client otherwise would be eligible to purchase had LPL chosen to make that share class available. Client understands that another financial services firm may offer the same mutual fund at a lower overall cost to the investor than is available through a Program.

If Client participates in the SAM I program, Client further understands that LPL charges Client a transaction charge of \$0, \$4.50 or \$26.50 for mutual fund purchases and redemptions. The applicable transaction charge varies depending on the amount of recordkeeping fees that LPL receives from the mutual fund and/or whether the sponsor of the mutual fund participates in LPL's No Transaction Fee ("NTF") Network. When an NTF mutual fund is purchased in a Client's Account, the NTF mutual fund's sponsor directs a payment to LPL on behalf and for the benefit of Client that is used exclusively as a credit to defray bona fide transaction charge obligations of Client's Account. When an NTF mutual fund is sold, LPL waives the transaction charge.

If Client participates in the SAM II program, Client will not be charged a transaction charge for transactions in mutual funds, equities, ETFs, fixed income, UITs and options. Client understands that LPL charges the IAR for transactions in those securities. Like in the SAM I program, the transaction charges borne by IAR vary based on the type of transaction (e.g., mutual fund, equity or fixed income security). For mutual funds, transaction charges vary based on the amount of recordkeeping fees that LPL receives from the fund and/or, in the case of non-retirement Accounts, whether the sponsor of the fund participates in the NTF Network. Under the NTF Network, the fund sponsors defray the transaction charge for purchases in non-retirement Accounts otherwise borne by the IAR, and the payments are directed to LPL and used exclusively as a credit to defray bona fide transaction obligations. When a fund in the NTF Network is sold, LPL waives the transaction charge to the IAR. A non-retirement account is one not held by an ERISA Plan or otherwise subject to Section 4975 of the Code.

Client understands that there are different conflicts of interest unique to each Program. In SAM II, the cost to the IAR of transaction charges may be a factor that the IAR considers when deciding which securities or mutual funds to select and whether or not to place transactions in the Account. In particular, the IAR has a financial incentive to select NTF mutual funds for non-retirement Accounts to avoid paying or to lower the transaction charges. The IAR also has a financial incentive to recommend transactions in certain securities that carry lower fees (e.g., transactions involving equity securities may be recommended over fixed income securities because of the lower transaction charge) or to limit the overall number of transactions it recommends to Client. Client understands and acknowledges that all such conflicts may have an impact on investment performance of Client's Account.

The financial incentives to the IAR related to transaction charges are reduced in the SAM I program because Client is responsible for paying the LPL transaction charges. When the IAR will not be paying the transaction charges, an IAR may recommend greater volume of trading activity than when it has a financial incentive to limit such transactions. This has an impact on investment performance of Client's Account. Moreover, Client understands that in choosing to participate in SAM I, engaging in frequent trading, and thus paying more transaction charges, will increase the overall costs associated with the Account. The IAR also has an incentive to recommend the SAM I program over the SAM II program because the IAR will not be responsible for directly paying the transaction charges in SAM I.





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Client should note, however, that the Account Fee being charged in both Programs may take the payment of transaction charges into consideration. That is, the Account Fee charged to SAM I accounts may be lower than the Account Fee charged to SAM II accounts to the extent that the transaction charges being paid by the IAR are factored into the overall Account Fee charged to SAM II accounts. If choosing to participate in SAM II, Client understands that engaging in a “buy and hold” strategy would not capitalize on any higher Account Fee being charged in light of the IAR paying charges for transactions in certain securities. Client understands and acknowledges that all such conflicts also may have an impact on investment performance of Client’s Account.

Although Account Fees paid by clients participating in the SAM I program may be less than the Account Fees paid by clients participating in the SAM II program because SAM I clients bear the cost of Transaction Charges directly, it is impossible at the outset to know which arrangement may be more financially advantageous. Client understands that neither LPL nor IAR has an obligation to make recommendations to change between the SAM I or SAM II programs in the future based on the effect of Account Fees and Transaction Charges on Account performance.

In connection with servicing the Account, Client acknowledges and agrees that Client will be charged by LPL certain incidental miscellaneous fees and charges. These fees are set out in the Miscellaneous Account and Service Fees Schedule attached hereto. These fees include, as applicable, an annual IRA maintenance fee and an account termination fee for processing a full account transfer to another financial institution. LPL also makes available a current list of these fees on its website at [www.lpl.com](http://www.lpl.com). These 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 customers. These fees are subject to change at the discretion of LPL. Client will be notified of these charges and any changes through information provided with periodic statements for the Account. These fees and charges shall continue until thirty (30) days after LPL has notified Client in writing of any change in the amount of the fees or charges applicable to the Account, at which time the new fees or charges will become effective unless Client notifies LPL in writing that the Account is to be closed.

LPL serves as a sub-services agent with respect to the Optimum Funds, which are available in the Account. As such, LPL will provide all sub-accounting and shareholder recordkeeping with respect to Optimum Fund shares, and will provide the following administrative services among others: 1) establishing and maintaining sub-account records reflecting the issuance, transfer or redemption of shares, 2) assisting shareholders in designating and changing account designations and addresses, and 3) responding to inquiries for shareholders with respect to the status of sub-accounts, fund performance, sub-account histories and making adjustments to sub-accounts to correct sub-account files. As compensation for these services, LPL receives administrative servicing fees from the service agent of the Optimum Funds.

LPL provides investment consulting services to the adviser to the Optimum Funds including, but not limited to: 1) assisting the adviser in determining whether to employ, maintain or terminate sub-advisers for the Optimum Funds, 2) providing quarterly fact sheets describing the performance of the Optimum Funds, 3) providing quarterly analysis consisting of statistical information and analysis regarding the Optimum Funds and sub-adviser performance, 4) meeting with sub-advisers selected by the adviser to the Optimum Funds to discuss their performance and prepare reports regarding their evaluations, and 5) helping the adviser make recommendations on sub-advisers to the Board of Trustees by providing the adviser to the Optimum Funds with potential sub-adviser options. As compensation for these services, LPL receives investment consulting compensation from the adviser to the Optimum Funds.

LPL has fee arrangements with investment advisors or distributors (“sponsors”) of mutual funds, ETFs, alternative investment products and structured products that are available for purchase in an Account, called revenue sharing. Under these arrangements, the sponsor pays LPL a fee based on the amount of client assets invested in the sponsor’s funds or products, or a fixed fee, and LPL provides marketing support to the sponsor and allows the sponsor to access LPL IARs so that the sponsor can promote such funds or products. Client understands that this type of arrangement gives LPL a financial incentive to have LPL clients invest in participating funds or products instead of those whose sponsors do not make such payments to LPL.



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No agency cross transaction (as such term is defined in Rule 206(3)-2(b) under the Advisers Act) for the Account shall be effected by LPL.

LPL credits to the Account funds belonging to Client such as dividends, interest, redemptions, and proceeds of corporate reorganizations on the day such funds are received by LPL. These funds come to LPL from issuers and various intermediaries in which LPL is a participant, such as the Depository Trust Company ("DTC"). Information regarding when LPL credits the Account with funds due the Account, when those funds are available to Account, and/or when Client begins earning interest on the funds is available from LPL.

Securities held in the Account which are in "street name" or are being held by a securities depository are commingled with the same securities being held for other clients of LPL. Client ownership of these securities is reflected in LPL's records. Client has the right at any time to require delivery of any such securities which are fully paid for. The terms of many bonds allow the issuer to partially redeem or "call" the issue prior to the maturity date. Certain preferred stocks are also subject to being called by the issuer. Whenever any such security being held by LPL is partially "called", LPL will determine, through a random selection lottery process as prescribed by DTC, the ownership of the securities to be submitted for redemption without regard to unsettled sales. In the event that such securities owned by Client are selected and redeemed, the Account will be credited with the proceeds. Should Client wish not to be subject to this random selection process, Client must instruct LPL to register and deliver the securities to Client. Delivery will be effected provided that Client's securities are unencumbered or have not already been called prior to the receipt of Client's instructions. If Client takes delivery of the securities, they are still subject to call by the issuer and they will no longer be considered assets in the Account for management purposes. The probability of one of Client's securities being called is the same whether they are held by Client or by LPL for Client. Please refer to the [LPL.com](http://LPL.com) Disclosure webpage for information regarding LPL's callable securities allocation process.

Consistent with the overriding principle of best execution, LPL directs orders in equity securities to exchanges and market makers based on an analysis of their ability to provide rapid and quality executions. In an effort to obtain best execution for equities, LPL may consider several factors, including price improvement opportunities (executions at prices superior to the then prevailing inside market on OTC or national best bid or offer for listed securities).

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

#### 7. LIMITATION OF LIABILITY

Neither LPL, IAR nor any of their officers, directors, employees, or affiliates shall be liable for any loss incurred with respect to the Account, except where such loss directly results from such party's negligence or misconduct.

Client acknowledges that neither LPL, IAR nor their employees are agents of each other or of any of their affiliates, and that no party shall be liable for any act or omission of another party or their agents or employees. Nothing in this Agreement shall in any way constitute a waiver or limitation of any rights which Client may have under federal or state securities laws (or ERISA, where applicable).

Client further understands that there is no guarantee that Client's investment objectives will be achieved. Neither LPL nor IAR shall have any liability for Client's failure to inform IAR in a timely manner of any material change in Client's financial circumstances which might affect the manner in which Client's assets are allocated, or to provide IAR with any information as to Client's financial status as IAR may reasonably request.



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LPL shall not be liable for loss caused, directly or indirectly, by government restrictions, exchange or market rulings, suspension of trading, war, strikes or other conditions beyond LPL's control.

Client also understands that IAR and LPL do not provide tax, accounting or legal advice. In making tax, accounting or legal decisions, Client will consult with and rely on Client's own advisors and not IAR or LPL, and IAR and LPL shall have no liability therefor.

LPL is a member of the Securities Investor Protection Corporation ("SIPC"). SIPC provides protection for the Account for up to \$500,000, including \$250,000 for claims for cash. The Account protection applies when a SIPC member firm fails financially and is unable to meet obligations to securities customers, but it does not protect against losses from the rise and fall in the market value of investments. More information on SIPC, including obtaining a SIPC Brochure, may be obtained by calling SIPC directly at (202) 371-8300 or by visiting [www.sipc.org](http://www.sipc.org).

#### 8. ASSIGNMENT/TERMINATION

This Agreement may not be assigned or transferred in any manner by any party without the written consent of all parties receiving or rendering services hereunder; provided that LPL or IAR may assign this Agreement upon consent of Client in accordance with the Advisers Act. In addition, LPL may add or replace the IAR servicing the Account without Client consent.

This Agreement may be terminated by any party effective upon receipt of written notice to the other parties ("Termination Date"). LPL will deliver securities and funds held in the Account as instructed by Client unless Client requests that the Account be liquidated. LPL will initiate instructions to deliver funds and/or securities within two weeks of Client's written request. If the Account is liquidated as a result of a termination notice, LPL will have a period of 72 hours to begin liquidations unless special circumstances apply. Proceeds will be payable to Client upon settlement of all transactions in the Account. Client will be entitled to a prorated refund of any pre-paid quarterly Account Fee based upon the number of days remaining in the quarter after the Termination Date. Client understands and agrees that after the Termination Date, the Account may be converted to a brokerage account at LPL. In a brokerage account, Client pays a sales commission for each transaction, and LPL and the IAR have no responsibility to provide ongoing investment advice. If this Agreement terminates, and the Account converts to a brokerage account, Client hereby authorizes and directs LPL to implement the insured cash account as the sweep option for the brokerage account, as discussed more fully below.

If the Account is closed within the first six months by Client or as a result of withdrawals which bring the Account value below the required minimum, LPL reserves the right to retain the pre-paid quarterly Account Fee for the current quarter or cancel and rebill all transactions in the Account at normal and customary brokerage commission rates, in order to cover the administrative cost of establishing the Account which may include costs to transfer positions into and out of the Account, data entry costs to open the Account, costs associated with reconciling of positions in order to issue quarterly performance information, and the cost of re-registering positions. LPL also reserves the right, for SAM II accounts only, to charge a Transaction Charge of \$20 for each mutual fund transaction which occurred in the Account for services in connection with those transactions.

In the case of an Account held by an individual, this Agreement shall terminate upon death of Client; provided, however, that the authority of LPL and IAR under this Agreement shall remain in full force and effect until such time as LPL and IAR have been notified otherwise in writing by the authorized representative of Client or Client's estate.

Termination of the Agreement will not affect the liabilities or obligations of the parties from transactions initiated prior to termination.

#### 9. CONFIDENTIALITY

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





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### 10. SEVERABILITY

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

### 11. VALUATION

In computing the market value of any security or other investment in the Account, each security listed on a national securities exchange shall be valued, as of the valuation date, at the closing price on the principal exchange on which it is traded. Any other security or investment in the Account shall be valued in a manner determined in good faith by LPL to reflect fair market value.

For any assets purchased within the Account, the cost basis is the actual purchase price including transaction charges. For any assets transferred into the Account, original purchase price is used as the cost basis to the extent such information was submitted to LPL by Client or a former service provider. It is Client's responsibility to advise LPL immediately if the cost basis information is portrayed inaccurately. Statement calculations and figures should not be relied upon for tax purposes.

### 12. GOVERNING LAW

This Agreement shall be construed under the laws of The Commonwealth of Massachusetts in a manner consistent with the Advisers Act and the rules and regulations of the Securities and Exchange Commission thereunder.

### 13. RECEIPT OF DISCLOSURE DOCUMENTS

Client acknowledges receipt of LPL's SAM Programs Form Brochure and IAR's Brochure Supplement as required by Rule 204-3 under the Advisers Act. Client understands the investment approach, related risk factors, and the fees associated with investing in the Account. This Agreement, the Account Application and the SAM Programs Form Brochure constitute disclosure required to be provided to an ERISA Plan under Rule 408(b)(2) under ERISA. This Agreement will not take effect until LPL has accepted the Account.

### 14. ENTIRE AGREEMENT/AMENDMENT

This Agreement represents the entire agreement between the parties with respect to the subject matter contained herein. This Agreement may be amended by LPL upon thirty (30) days' notice to all parties. To access the most current version of this Agreement, please reference [www.lpl.com](http://www.lpl.com).

### 15. ACCOUNT APPLICATION

The Account Application, incorporated herein by reference and made a part of this Agreement, must be completed in full by Client and the accuracy of its contents is hereby acknowledged by Client. By signing the Account Application, Client agrees to the terms and conditions of this Agreement. LPL may accept the Account electronically. Client further acknowledges that it is Client's responsibility to provide LPL and IAR with updated information as necessary and that LPL and IAR have the right to rely on this information. Client agrees to promptly notify LPL in the event that his or her country of residence or citizenship status changes he or she is no longer a U.S. citizen or U.S. resident, and Client acknowledges and agrees that such notification will may be deemed to be a notice from Client to terminate his or her account result in termination of his or her account by LPL under Section 8 above if LPL does not service accounts in the new jurisdiction.

Important information about procedures for opening this Account: To help the government fight the funding of terrorism and money laundering activities, federal law requires all financial institutions to obtain, verify, and record information that identifies each person who opens an account. Client is required to provide the following information, among other items, on the Account Application: name, address, date of birth and other information that will allow LPL to confirm Client's identity. In addition, IAR may also ask to see a valid driver's license or other identifying documents.



## ACCOUNT PACKET

### STRATEGIC ASSET MANAGEMENT (SAM) PROGRAMS - ACCOUNT AGREEMENT

#### 16. AUTHORIZATION TO PURCHASE CERTAIN SECURITIES

Upon execution of a Variable Annuity or REIT application, which is hereby incorporated by reference, Client hereby authorizes the purchase of such Variable Annuity or REIT, in the amount specified on the Variable Annuity or REIT application. If a separate check made payable to the Variable Annuity or REIT sponsor is not attached, Client hereby authorizes and instructs IAR and LPL to withdraw funds from the Account in the form of a check made payable to the Variable Annuity or REIT sponsor.

#### 17. AUTHORIZATION TO DEBIT ACCOUNT

Client hereby authorizes LPL to debit all Account Fees payable pursuant to Section 18 directly from the Account and, with respect to an Account of an individual retirement account ("IRA"), the Account Fees related to another IRA or individual retirement annuity of the same beneficial owner. It is agreed by Client and LPL that the Account Fee will be payable, first, from free credit balances, if any, in the Account, second, from the liquidation or withdrawal (which Client hereby authorizes) by LPL of Client's shares of any money market fund or balances in the ICA or DCA, as applicable. LPL reserves the right to liquidate at any time a portion of the other assets in the Account to cover the Account Fee or other charges. The Account Fee will not be withdrawn or deducted by LPL from any Variable Annuity that is part of the Account. The Account may establish procedures to pay the Account Fee directly rather than through a debit to the Account. Any different method of billing Account Fees may result in the imposition of additional charges to cover the administrative costs of billing.

#### 18. FEES AND CHARGES

As a participant in a Program, Client will pay an annualized fee ("Account Fee"). The maximum Account Fee is set forth in Schedule A attached hereto. The Account Fee is negotiable and is payable quarterly in advance. The Account Fee is based on the amount of assets in the Account, including cash holdings. For purposes of calculating Account Fees and providing quarterly performance information as described in Section 1, the Account quarter will begin on the first day of the month in which the Account is accepted by LPL unless Client chooses a different quarterly cycle. The Account Fee will be as stated on the Account Application.

If Client has paid a commission on the purchase of a security in a brokerage account held at LPL within up to two years of the transfer of the security into the Account, Client may be entitled to a credit for a portion of the Account Fee.

The initial Account Fee is due at the beginning of the quarterly cycle following LPL acceptance of the Account and will include the prorated amount for the initial quarter in addition to the standard quarterly fee for the upcoming quarter. Subsequent Account Fees will be assessed at the beginning of each quarterly cycle thereafter and will be based on the value of the Account assets under management as of the close of business on the last business day of the preceding quarter (as valued by an independent pricing service, where available, or otherwise in good faith as reflected on Client's quarterly performance report) and based on the fee rate in effect at the time of assessment. At the time of a subsequent Account Fee assessment, the Account Fee will be adjusted for deposits or withdrawals during the prior quarter pro rata based on the asset value of the transaction and based on the fee rate in effect at the time of the assessment. If there is a change in the Account Fee rate negotiated between IAR and Client during the quarter, the effective date of any increase or decrease will be at the beginning of the next quarterly cycle. All Account Fees will be deducted from the Account pursuant to the authorization granted under Section 17. In addition to the Account Fee described in Schedule A, a SAM I account will be assessed the Transaction Charges as stated in Schedule B to help defray the cost associated with trade execution. Although the Transaction Charge may be identified under the commission column on the confirmations, it represents a payment of transaction costs and not commissions to IAR. IAR will not receive any portion of the Transaction Charge. For SAM II accounts, transaction charges will be assessed to the IAR.

Client authorizes LPL to from the Account deduct all Account Fees and, for SAM I accounts only, Transaction Charges, and any other fees or charges associated with the Account, unless other arrangements have been made for the Account pursuant to Section 17. All such fees and charges will be noted on Client's statements or confirmations.

Client also incurs certain charges imposed by LPL or third parties other than IAR in connection with investments made through the Account, including among others, the following types of charges: mutual fund 12b-1, sub-transfer agent, networking and



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### STRATEGIC ASSET MANAGEMENT (SAM) PROGRAMS - ACCOUNT AGREEMENT

omnibus processing fees, mutual fund management fees and administrative servicing fees, mutual fund transaction fees, contingent deferred sales charges on the sale of certain mutual funds, annuities and alternative investments (such as REITs, BDCs and hedge funds), Annuity expenses, REIT dealer-management fees, other transaction charges and service fees, IRA and qualified retirement plan fees, administrative servicing fees for trust accounts, creation and development fees or similar fees imposed by UIT sponsors, hedge fund investment management fees, managed futures investor servicing fees, participation fees from Auction Rate Preferred fixed income securities, and other taxes and charges required by law or imposed by exchanges or regulatory bodies. In addition, in the case of a Variable Annuity in the Account, there may be additional fees and charges including mortality, expense and administrative charges, fees for additional riders on the contract and charges imposed for excessive Transfers within a calendar year. LPL and IAR receives a portion of these third party fees. Further information regarding charges and fees assessed by a mutual fund or an Annuity are available in the appropriate prospectus.

As an example of the foregoing, an industry-wide charge mandated by a regulator applies to sales of certain securities in the Account. The amount of this regulatory fee may vary over time, and because variations might not be immediately known to LPL, the amount may be estimated and assessed in advance. To the extent that such estimated amount differs from the actual amount of the regulatory fee, LPL retains the excess. These charges will be reflected on transaction confirmations and/or monthly statements.

Client understands that LPL and IAR, in connection with the performance of their respective services, shall be entitled to and will share in the Account Fees payable hereunder. LPL shall not be compensated on the basis of a share of capital gains upon or capital appreciation of the funds or any portion of the funds of Client. Client acknowledges and agrees that the Fee Schedule and, for SAM I accounts only, Transaction Charges set forth in Schedule B or as otherwise provided to Client by LPL and in effect for the Account, shall continue until thirty (30) days after LPL has notified Client in writing of any change in the amount of the fees or charges applicable to the Account, at which time the new fees or charges will become effective unless Client notifies LPL in writing that the Account is to be closed.

#### 19. NOTICES AND COMMUNICATIONS

To the extent permitted by applicable law, notices and communications may be sent to Client through mail, overnight express delivery, or electronically, at LPL's or the IAR's discretion. Notices and communications will be sent to the postal or electronic address ("E-Address") shown on the Account Application or at such other postal or E-Address as Client may hereafter provide to LPL in accordance with procedures LPL may establish from time to time. The E-Address may be an e-mail address, other Internet address, fax number, or other electronic access address. To the extent permitted by applicable law, notices and communications will be deemed delivered when sent, whether actually received or not, even if LPL has notice of non-delivery. Notices and communications posted to an online location by LPL will be deemed to be delivered to, and received by, Client at the time that LPL sends notice to Client in accordance with this Agreement that the notice or communication is posted online and available for review.

LPL may, at its option, send notices and communications to Client electronically either:

- to Client's E-Address, or
- by posting the information online and sending Client a notice to Client's postal address or E-Address telling Client that the information has been posted and providing instructions on how to view it.

Client agrees that Client will notify LPL and the IAR immediately in the event of a change to Client's postal address or E-Address.

All notices and communications to LPL or the IAR must be provided in writing at LPL's or the IAR's postal address, as applicable, and as such address may be updated by notice to the other parties from time to time. Any notice Client sends LPL or the IAR will not be effective until actually received. Client assumes the risk of loss in the mail or otherwise in transit.



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# STRATEGIC ASSET MANAGEMENT (SAM) PROGRAMS - ACCOUNT AGREEMENT

## 20. AUTOMATIC CASH SWEEP PROGRAM

By signing the Account Application, Client is selecting and agreeing, with respect to assets held at LPL, to have cash balances in the Account transferred automatically into a sweep program, depending on the type of Account. Below is a summary of the general terms and conditions of the sweep programs offered by LPL.

The applicable sweep program will be implemented upon LPL's acceptance of the Account, as discussed above. Pending our acceptance, cash balances not otherwise invested at your direction will be held in your account as a free credit balance, as discussed more fully below.

### **Multi-Bank Insured Cash Account ("ICA") or Deposit Cash Account ("DCA") Program General Terms and Conditions**

If the Account is eligible for the ICA or DCA program, you hereby authorize and direct LPL to automatically deposit available cash balances (from securities transactions, dividend and interest payments, deposits and other activities) in the Account into interest-bearing Federal Deposit Insurance Corporation ("FDIC") insured deposit accounts ("Deposit Accounts") at one or more banks or other depository institutions (each, a "Bank"). In selecting the DCA program for your eligible Account, you agree that: you have independently chosen the DCA program for your Account, fees of LPL and the program administrator, as discussed below, are reasonable and appropriate for the services being provided under the program, you have reviewed the DCA Disclosure Booklet and you have not relied on the advice or recommendation of LPL or IAR in making this selection.

**Eligibility.** The ICA program is available for accounts of individuals, trusts, sole proprietorships and entities organized or operated to make a profit, such as corporations, partnerships, associations, business trusts, and other organizations. LPL may at its discretion deem an eligible person to be an ineligible person if LPL becomes aware that the person is prohibited as a matter of law from holding funds at the Bank. In the future, LPL may at its discretion, deem additional account types eligible for the ICA program. The DCA program is available only to IRAs including traditional, rollover, and Coverdell IRAs. Please note that if your IAR is located at a bank that offers a SBICA (as defined below), you are not eligible for the ICA, but eligible Accounts will still participate in the DCA Program. Please consult your IAR for additional details concerning eligibility.

**FDIC Insurance.** Deposit Accounts available through the ICA program are eligible for insurance by the FDIC up to \$250,000 in principal and accrued interest per depositor (individual retirement accounts ("IRAs"), Roth IRAs, and certain other retirement accounts) in each insurable capacity (e.g. individual, trust, joint, etc.) per program bank. As your agent in the ICA program, LPL will place up to \$246,500 of available cash for an individual or trust account (\$493,000 for a joint account) into one bank. As your agent, LPL will place funds in excess of \$246,500 for an individual or trust account (\$493,000 for a joint account) at additional banks in the ICA program. If \$246,500 has been deposited for an individual or trust account (\$493,000 for joint accounts) at additional banks in the ICA program up to the current maximum deposit insurance determined by the programs current capacity, excess funds above the current maximum will be invested in a money market mutual fund. As your agent in the DCA program, LPL will place up to \$249,000 of available cash for an individual or trust account (\$498,000 for a joint account) into one bank. As your agent, LPL will place funds in excess of \$249,000 for an individual or trust account (\$498,000 for a joint account) at additional banks in the DCA program. If \$249,000 has been deposited for an individual or trust account (\$498,000 for joint accounts) at additional banks in the DCA program up to the current maximum deposit insurance determined by the programs current capacity, excess funds above the current maximum will be invested in a money market mutual fund. A prospectus for the money market fund is available from LPL upon request. To view the current maximum deposit insurance see the Current Interest Rate page for ICA or DCA (as applicable) on [LPL.com](http://LPL.com). Cash invested in a money market mutual fund is not eligible for FDIC deposit insurance. Deposit Accounts are not protected by SIPC.

The ability of the ICA and DCA programs to sweep uninvested cash into Bank Deposit Accounts depends, however, on the capacity of the Banks to accept new deposits. In the ICA Program, if during our sweep process at the end of each day, your cash cannot be deposited into a Bank in which you have not exceeded your \$250,000, it may be swept into the Excess Banks (as denoted on the Priority Bank List) without limit on a temporary basis. If during our sweep process at the end of each day, your cash cannot be fully deposited into a participating Bank (including the Excess Banks), it will be automatically invested into a money market mutual fund



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### STRATEGIC ASSET MANAGEMENT (SAM) PROGRAMS - ACCOUNT AGREEMENT

the following business day just as it will be when your available cash exceeds the maximum level of available deposit insurance detailed earlier. When Bank capacity is restored, your funds are automatically moved from Excess Bank or the money market mutual fund into Deposit Accounts with the available Bank(s), subject to the maximum amount of FDIC insurance.

In the DCA Program, if during our sweep process at the end of each day, your cash cannot be fully deposited into a participating Bank, it will be automatically invested into a money market mutual fund the following business day just as it will be when your available cash exceeds the maximum level of available deposit insurance detailed earlier. When Bank capacity is restored, your funds are automatically moved from the money market mutual fund into Deposit Accounts with the available Bank(s), subject to the maximum amount of FDIC insurance.

Interest. In both the ICA and DCA Program, LPL will pay Client the same interest for the respective program as stated on LPL.com regardless of the Bank in which the Client deposits are held. Interest will accrue daily on balances from the day funds are deposited into a Bank through the business day preceding the date of withdrawal from that Bank. In the ICA program, interest will be compounded daily and credited monthly. In the DCA program, interest is credited to your account monthly (or when you close your account if done mid-month). This process is described in more detail in the ICA Disclosure Booklet or DCA Disclosure Booklet (as applicable) available from IAR or on [www.lplfinancial.lpl.com/disclosures](http://www.lplfinancial.lpl.com/disclosures). The interest rates paid are determined by the amount the Banks are willing to pay minus the fees paid to LPL and other parties for administering the program. The interest rates accruing on funds may change as frequently as daily without prior notice. The most up-to-date interest rates are found on [www.lplfinancial.lpl.com/disclosures](http://www.lplfinancial.lpl.com/disclosures).

Fees. In the ICA program, LPL receives a fee equal to a percentage of the average daily deposit balance. The fee paid to LPL will be at an annual rate of up to an average of 400 basis points as applied across all ICA Deposit Accounts taken in the aggregate. In the DCA program, LPL receives a flat fee per account with the fee indexed to the Fed Funds Target (FFT) interest rate. If the Fed Funds Target interest rate is a range, the fee is determined by using the middle of the range rounded up to the nearest whole number. For details on how the fee is determined, please reference the DCA Disclosure Booklet available from IAR or on [www.lplfinancial.lpl.com/disclosures](http://www.lplfinancial.lpl.com/disclosures).

Tax Information. For most clients, interest earned on deposits in the Deposit Accounts will be taxed as ordinary income in the year it is received. A Form 1099 will be sent to Client each year showing the amount of interest income Client has earned on deposits in the Deposit Accounts. Client should consult with a tax advisor about how the ICA or DCA program, as applicable, affects Client.

Termination of Participation. You can terminate your Account's participation in the ICA or DCA program, as applicable, at any time without penalty, upon notice to LPL.

More Information. For more specific information about the terms and conditions of the ICA or DCA program, please see the ICA Disclosure Booklet or DCA Disclosure Booklet (as applicable) available from IAR or on [www.lplfinancial.lpl.com/disclosures](http://www.lplfinancial.lpl.com/disclosures).

#### **Single Bank Insured Cash Account Program ("SBICA") General Terms and Conditions**

If IAR is located at a bank that offers a SBICA, you hereby authorize and direct LPL to automatically deposit available cash balances (from securities transactions, dividend and interest payments, deposits and other activities) in your account into an interest-bearing bank deposit account at that bank that is generally insured by the FDIC up to \$250,000 for individuals and \$500,000 for joint accounts. SBICA accounts are not protected by the Securities Investor Protection Corporation (SIPC).

Fees. In the case of a SBICA program, LPL receives a fee from the bank of up to 0.50% of the LPL client assets deposited at the bank under the program for its sweep processing services.

Tax Information. For most clients, interest earned on deposits in the SBICA accounts will be taxed as ordinary income in the year it is received. A Form 1099 will be sent to Client each year showing the amount of interest income Client has earned on deposits in the SBICA accounts. Client should consult with a tax advisor about how the SBICA program affects Client.

More Information. For additional information on the SBICA, please see the applicable disclosure booklet available from IAR.





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# STRATEGIC ASSET MANAGEMENT (SAM) PROGRAMS - ACCOUNT AGREEMENT

### Money Market Mutual Fund Sweep Program General Terms and Conditions

**Eligibility.** If the Account is not eligible for an ICA, DCA, or SBICA, you hereby authorize and direct LPL to automatically invest available cash balances (from securities transactions, dividend and interest payments, deposits and other activities) in shares of a money market mutual fund. If Account is a non-retirement account, and a specific sweep money market mutual fund is not otherwise directed by you, you hereby authorize LPL to direct the cash balances held in your Account to the J.P. Morgan U.S. Government Money Market Fund (unless you own a foreign account and then it will be the J.P. Morgan U.S. Treasury Liquidity Fund). Contact your Advisor to learn about the specific share class you will be invested in or to learn about other sweep money market mutual funds that may be available.

**No FDIC Insurance.** Investments in money market mutual funds are not guaranteed or insured by the FDIC or any other government agency. Although money market mutual funds seek to preserve a net asset value of \$1.00 per share, there is no guarantee that this will occur. LPL is a member of SIPC. For accounts held at LPL, SIPC provides account protection up to a maximum of \$500,000 per client, of which \$250,000 may be claims for cash. This account protection applies when a SIPC member firm fails financially and is unable to meet obligations to securities customers, but it does not protect against losses from the rise and fall in the market value of investments. More information on SIPC, including obtaining a SIPC Brochure, may be obtained by calling SIPC directly at (202) 371-8300 or by visiting [www.sipc.org](http://www.sipc.org).

**Fees.** LPL receives compensation of up to 1.00% annually of LPL customer assets invested in the sweep money market mutual funds from the money market fund sponsor in connection with 12b-1 fees, recordkeeping fees and other compensation.

**More Information.** For more complete information about any of the sweep money market mutual funds available under this sweep program, including all charges and expenses, please contact IAR for a free prospectus. Client may obtain information with respect to the current yields available on the money market funds by contacting IAR.

### Changes to Sweep Programs

LPL may make changes to the sweep programs, for example, to replace one sweep money market mutual fund with another money market mutual fund. If the Account is not eligible for the ICA or DCA program, but later becomes eligible for one of the programs, LPL may switch the sweep program from the money market mutual fund sweep program to the ICA or DCA program. Client will be provided with notice of such change prior to the effective date of the change.

### Alternatives to Sweep Programs

Shares in the money market mutual funds that LPL offers as a non-sweep investment alternative may be purchased by giving specific orders for each purchase to IAR. Cash balances in the Account, however, will not be automatically swept into these money market mutual funds. Debits in the Account will be paid automatically from available cash balances in the Account and then from funds in the sweep programs. In the event there are no funds available in these accounts to cover debits, Client or IAR would need to liquidate separately purchased money market fund holdings or other securities to cover the required debits.

### Free Credit Balances

Your selection of a sweep program above will not be effected until your Account paperwork has been accepted by LPL as being in good order. Until such time, available cash balances (from securities transactions, dividend and interest payments, deposits and other activities) will not be automatically swept and will be held as a free credit balance. A free credit balance is a liability of LPL and payable to the Account on demand. Interest will not be paid to the Account on free credit balances. Unless we hear from you to the contrary, it is our understanding that any free credit balances held in your Account are pending investment.

Free credit balances may be used by LPL in the ordinary course of its business subject to the requirements of Rule 15c3-3 under the Securities Exchange Act of 1934. The use of customer free credit balances generally generates revenue for LPL in the forms of interest and income, which LPL retains as additional compensation for its services to its clients. Under these arrangements, LPL will generally earn interest or a return based on short-term market interest rate prevailing at the time.



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### STRATEGIC ASSET MANAGEMENT (SAM) PROGRAMS - ACCOUNT AGREEMENT

If you are acting on behalf of a Plan, the Responsible Plan Fiduciary agrees that it has independently determined that holding cash balances, pending LPL's acceptance of the Account, as a free credit balance, which does not earn income for the Plan, is both (i) reasonable and in the best interests of the Plan and (ii) that the Plan receives no less, nor pays no more, than adequate consideration with respect to this arrangement. If the Responsible Plan Fiduciary chooses to avoid holding un-invested cash as a free credit balances, the Plan should not fund the Account until after the Account paperwork has been accepted by LPL as being in good order.

#### Further Information

For further information about LPL's sweep programs or the Account, please contact IAR.

## 21. MARGIN

### Operation of the Account on Margin

The terms of this Section apply if you indicate on the Account Application that you wish to establish a margin account for the Account. Your signature on the Account Application confirms that you agree to abide by the terms and conditions outlined in this Section. Purchase of securities on credit, commonly known as margin purchases, enables Client to increase the buying power of Client's equity and thus increase the potential for profit - or loss. This presents an additional element of risk for the Account. A portion of the purchase price is deposited when buying securities on margin and LPL extends credit for the remainder. This loan appears as a debit balance on your monthly account statement. LPL charges interest on the debit balance and requires margin clients to maintain securities, cash, or other property to secure repayment of funds advanced and interest due. For performance illustration purposes, the margin interest charge will be treated as a withdrawal and will, therefore, not negatively impact the performance figures reflected in your quarterly performance information.

Interest will be charged for any credit extended to you for the purpose of buying, trading or carrying any securities, for any cash withdrawals made against the collateral of securities, or for any other extension of credit. This interest charge is in addition to the Account Fee charged in connection with the Account. The Account Fee will not be charged on any margin debit balance, rather only on the net equity of the Account. When funds are paid in advance of settlement on the sale of securities, interest will be charged on such amount from the date of payment until settlement date. In the event that any other charge is made to the Account for any reason, interest may be charged on the resulting debit balances.

### Deposit of Collateral, Lien on Accounts and Liquidation

In the event that additional collateral is requested, you may deposit cash or acceptable securities into your margin account. If satisfactory collateral is not promptly deposited after a request is made, LPL may, at its discretion, liquidate securities held in any of your accounts at LPL, including the Account. In this connection, pursuant to this Agreement, LPL retains a security interest in all securities and other property held in its accounts, including securities held for safekeeping, so long as any credit extended remains outstanding. Notwithstanding any other provision in this Agreement to the contrary, any lien or security interest arising out of fees, charges or other obligations owed to LPL by an account of an IRA or other plan subject to the prohibited transaction provisions of section 4975(c) of the Internal Revenue Code shall be limited to and enforceable against only the assets of such plan account and any lien or security interest arising out of fees, charges or other obligations owed to LPL by a non-plan account shall not extend to or be enforceable against the assets of any plan account.

### Liquidation

If, in LPL's discretion, LPL considers it necessary for its protection to require additional collateral or in the event that a petition in bankruptcy, or for appointment of a receiver is filed by or against you, or an attachment is levied against your accounts, or in the event of your death, LPL shall have the right to sell any or all securities, commodities, and other property in your accounts with LPL, whether carried individually or jointly with others, to buy any or all securities, commodities, and other property which may be short in such accounts, to cancel any open orders and to close any or all outstanding contracts, all without demand for margin or additional margin, notice of sale or purchase or other notice or advertisement. Any such sales or purchases may be made at LPL's discretion on any exchange or other market where such business is usually transacted, or at public auction or



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### STRATEGIC ASSET MANAGEMENT (SAM) PROGRAMS - ACCOUNT AGREEMENT

private sale. It is understood that a prior demand, or call, or prior notice of the time and place of such a sale shall not be considered waiver of LPL's right to sell or buy without demand or notice. The liquidation of securities in the Account to cover a margin debit balance may be disadvantageous to the long term management of the Account.

#### Payment of Indebtedness upon Demand and Liability for Costs of Collection

You shall at all times be liable for the payment upon demand of any debit balance or other obligations owing in any of your LPL accounts and you shall be liable to LPL for any deficiency remaining in any such accounts in the event of the liquidation thereof, in whole or in part, by LPL or by you; and, you shall make payments of such obligation and indebtedness upon demand. The reasonable costs and expense of collection of the debit balance, recovery of securities, and any unpaid deficiency in Client's accounts with LPL, including, but not limited to, attorneys' fees, incurred and payable or paid by LPL shall be payable to LPL by you.

#### Pledge of Securities

Securities purchased on a cash or margin basis may be hypothecated under circumstances which will permit the co-mingling thereof with securities carried for other customers, but such securities, if hypothecated, will be withdrawn from hypothecation as soon as practicable upon receipt of payment therefor.

On May 28, 2003, the tax rate on qualified dividends was reduced to 15% for most taxpayers and 5% for those taxpayers in the lowest income bracket. Substitute payments, or payments in lieu of dividends, do not qualify for the reduced rate.

Pursuant to industry standards, in signing this Agreement, you are agreeing to allow LPL to borrow your stock from your margin account. If your stock pays a dividend or other distribution and is loaned out over the record date for that payment, you may receive a substitute payment or payment in lieu of dividends instead of a qualifying dividend. Substitute payments are subject to a higher tax rate and would be reported to you on an IRS Form 1099-MISC instead of an IRS Form 1099-DIV.

Since you may be subject to a higher tax rate on these payment types, you should consult with your tax advisor to discuss the possible implications of this exception from the reduced tax rates. By signing this Agreement, you further certify that no tax advice has been given to you by LPL, unless IAR is employed, as an outside activity, as a duly qualified tax advisor for which separate and distinct consideration may have been paid and is unrelated in any way to LPL. By entering into this Agreement, you expressly assume responsibility for tax implications and adverse consequences, which may arise from entering into this Agreement.

#### Margin Requirements and Credit Charges

You will at all times maintain such securities, commodities, and other property in your accounts for margin purposes as LPL shall require from time to time and the monthly debit balances or adjusted balances in your accounts shall be charged, in accordance with LPL's practice, with interest at a rate permitted by the laws of the Commonwealth of Massachusetts. It is understood that the interest charge made to your account at the close of a charge period will be added to the opening balance for the next charge period unless paid.

#### Interest Rates

Interest charged on any debit balances in cash accounts or credit extended in margin accounts may be up to 3.00 percentage points above the LPL Base Lending Rate. The LPL Base Lending Rate will be set with reference to commercially recognized interest rates, industry conditions relating to the extension of credit, and general market conditions. The LPL Base Lending Rate will change without prior notice. When the LPL Base Lending Rate changes during an interest period, interest will be calculated according to the number of days each rate is in effect during that period. If the rate of interest charged to you is changed for any other reason, you will be notified at least 30 days in advance. LPL retains a portion of any interest charged on margin debit balances.

#### Interest Period

Interest charges for the period shown on monthly statements reflect the second to last business day of the previous month through the third to last business day of the current month. Accordingly, the interest charges for the period shown on your monthly statement are based only on the daily net debit and credit balances for the interest period.



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# STRATEGIC ASSET MANAGEMENT (SAM) PROGRAMS - ACCOUNT AGREEMENT

### Method of Interest Computation

At the close of each Interest Period during which credit was extended to you, an interest charge is computed by multiplying the average daily debit balance by the applicable schedule rate and by the number of days during which a debit balance was outstanding and then dividing by 360. If there has been a change in the LPL Base Lending Rate, separate computations will be made with respect to each rate of charge for the appropriate number of days at each rate during the Interest Period. The interest charge for credit extended to your account at the close of the Interest Period is added to the opening debit balance for the next Interest Period unless paid.

With the exception of credit balances in your short account, all other credit and debit balances in each portion of your account will be combined daily and interest will be charged on the resulting average daily net debit balances for the interest period. If there is a debit in the cash account (type 1) and there is a margin account (type 2), interest will be calculated on the combined debit balance and charged to the margin account. Any credit balance in the short account is disregarded because such credit collateralizes the stock borrowed for delivery against the short sale. Such credit is disregarded even if you should be long the same position in your margin account (i.e., short against the box).

If the security that you sold short (or sold against the box) appreciates in market price over the selling price, interest will be charged on the appreciation in value. Correspondingly, if the security that you sold short depreciates in market price, the interest charged will be reduced since your average debit balance will decline. This practice is known as "marking to market." The daily closing price is used to determine any appreciation or depreciation of the security sold short.

If your account is short shares of stock on the record date of a dividend or other distribution, however such short position occurs, your account will be charged the amount of dividend or other distribution on the following Business Day.

### General Margin Policies

The amount of credit that may be extended by LPL and the terms of such extension are governed by rules of the Federal Reserve Board and FINRA. Within the guidelines of these rules and subject to adjustment required by changes in such rules and our business judgment, LPL establishes certain policies with respect to margin accounts. If the market value of securities in a margin account declines, LPL may require the deposit of additional collateral. Margin equity is the current market value of securities and cash deposited as security less the amount owed LPL for credit extended at its discretion. It is LPL's general policy to require margin account holders to maintain equity in its margin accounts of the greater of 30% of the current market value or \$3.00 per share for common stock purchased on margin. LPL applies other standards for other types of securities. For example, securities may be ineligible for margin credit from time to time. For information with respect to general margin maintenance policy as to municipal bonds, corporate bonds, listed United States Treasury notes and bonds, mutual funds, and other securities, as well as information about the eligibility of particular securities for margin credit, please contact your LPL representative. Notwithstanding the above general policies, LPL reserves the right, at its discretion, to require the deposit of additional collateral and to set required margin at a higher or lower amount with respect to particular accounts or classes of accounts as it deems necessary. In making these determinations, LPL may take into account various factors including the size of the Account, liquidity of a position, unusual concentrations of securities in an account, or a decline of credit worthiness. If you fail to meet a margin call in a timely manner, some or all of your positions may be liquidated.

### Credit Investigation

LPL may exchange credit information about you with others. LPL may request a credit report on you and upon request, LPL will state the name and address of the consumer reporting agency that furnished it. If LPL extends, updates, or renews your credit, LPL may request a new credit report without notifying you.



**ACCOUNT PACKET**

**STRATEGIC ASSET MANAGEMENT (SAM) PROGRAMS - ACCOUNT AGREEMENT**

**22. RIGHT TO ADVOCATE AND REFUSAL TO ACCEPT ORDERS**

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

**23. TRUSTED CONTACT PERSON DISCLOSURE**

You understand by providing a trusted contact person in the Account Application, you give permission to LPL and its associated persons, including your IAR, to use their discretion to contact the trusted contact person and disclose information about you and your Account in order to:

- address concerns that you might be a victim of financial exploitation which could include fraud, coercion, or unauthorized transactions,
- address a temporary hold on a disbursement of funds or securities pertaining to possible financial exploitation or other concerns,
- confirm your current contact information,
- confirm and address your whereabouts and health status, and/or
- confirm the identity of any legal guardian, executor, trustee, holder of a power or attorney, or other person who may be acting on your behalf (such as an attorney or accountant).

**24. ARBITRATION**

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

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

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

In consideration of opening one or more accounts for you, you agree that any controversy between you and LPL and/or your IAR arising out of or relating to Account, transactions with or for you, or the construction, performance, or breach of this Agreement whether entered into prior, on or subsequent to the date hereof, shall be settled by arbitration in accordance with the rules, then in effect, of the Financial Industry Regulatory Authority. Any arbitration award hereunder shall be final, and judgment upon the award rendered may be entered in any court, state or federal, having jurisdiction. You understand that you cannot be required to arbitrate any dispute or controversy nonarbitrable under federal law.

**SAM SCHEDULE A - FEES**

MAXIMUM FEE (ANNUALLY)..... 2.50%





**ACCOUNT PACKET**

**STRATEGIC ASSET MANAGEMENT (SAM) PROGRAMS - ACCOUNT AGREEMENT**

Rule 12b-1 fees paid to LPL by mutual funds held in the Account (other than Sweep Funds) will be credited to the Account. Such credits will be reflected in monthly account statements and/or quarterly performance information.

Accounts with assets valued at less than \$100,000 at the end of the quarter will be assessed an additional \$10.

Accounts with hedge funds, managed futures, BDCs, and certain REITs will be assessed an Alternative Investment Product Processing Fee of \$50 per transaction (purchase or redemption) and an annual Alternative Investment Administrative Fee of \$35 per position, subject to a maximum of \$100 per account per year.

**SCHEDULE B - TRANSACTION CHARGES APPLICABLE TO SAM I ACCOUNTS**

**MUTUAL FUNDS**

**PURCHASE OR LIQUIDATION**

FULL PARTICIPATING FUND* .....	\$0.00*
PARTIAL PARTICIPATING FUND* .....	\$4.50*
NON-PARTICIPATING FUND .....	\$26.50*

SYSTEMATIC PURCHASES AND REDEMPTIONS (ONLY CERTAIN FUNDS ARE ELIGIBLE) ..... NO CHARGE TO CLIENT

EXCHANGES (ONLY CERTAIN FUNDS ARE ELIGIBLE) ..... NO CHARGE TO CLIENT

WIRE PURCHASE AND REDEMPTION FEES (IF APPLICABLE) ..... VARIES

\* The charge is \$0 for a Full Participating Fund (a fund that pays a certain level of recordkeeping fees to LPL and/or whose sponsor participates in LPL's No Transaction Fee Network), \$4.50 for a Participating Fund (a fund that pays a certain level of recordkeeping fees to LPL), and \$26.50 for a Non-Participating Fund (a fund that does not pay recordkeeping fees or pays below a certain level of recordkeeping fees to LPL).

**FIXED INCOME**

PURCHASE OR LIQUIDATION .....	\$50.00
UIT PURCHASE OR LIQUIDATION .....	\$35.00

**EQUITIES** (including closed-end and exchange-traded funds)

PURCHASE OR LIQUIDATION .....	\$9.00
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**OPTIONS**

PURCHASE OR LIQUIDATION .....	\$25.00
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# Miscellaneous Account and Service Fees Schedule

## Advisory

The listed fees below do not include advisory fees. These fees apply to the following LPL Financial program accounts: Strategic Asset Management (SAM), SAM II, Optimum Market Portfolios, Advisory and Brokerage (OMP), Model Wealth Portfolios (MWP), Personal Wealth Portfolios (PWP) and Manager Select. Some of these fees may not apply to all of these account types. Some of these fees may be waived under certain conditions.<sup>1</sup>

ACCOUNT OR SERVICE	FEE	FREQUENCY
<b>ACCOUNT MAINTENANCE</b>		
Transaction Fee/Service Charge <sup>2</sup>	\$5	Per transaction
Corporate Actions — Mandatory (if securities are in physical form)	\$15	Per security
Corporate Actions — Voluntary or Mandatory with Options (if election is made)	\$25	Per security
Express Mail/Overnight Delivery	\$15	Per shipment unless otherwise noted
Extension for Money or Securities Received Past Settlement	\$15	Per event
Interest Charged for Money or Securities Received Past Settlement	Cash Due Interest Rate	Begins accruing 3 days after trade settlement
Legal Transfer — for processing of certificate requiring legal documentation (e.g., power of attorney, court appointment, death certificate, corporate resolution, etc.)	\$20	Per security
Outgoing Account Transfer — for processing full account transfer of all assets and positions to another financial institution (excludes retirement accounts)	\$125	Per account
Outgoing Account Transfer Check — for processing outgoing account transfer of physical checks	\$15	Per check over \$1,000
Return/Rejected Item/Non-Sufficient Funds (NSF)	\$20	Per item
Small Account Fee <sup>3</sup>	\$10	Per quarter (for accounts below \$100,000)
<b>Retirement Account Fees:</b>		
Annual IRA Maintenance — for custodial and tax reporting services provided to maintain an individual retirement account (IRA) <sup>4</sup>	\$40	Per year/per account
Annual QRP and 403(b)(7) Maintenance — for custodial and tax reporting services provided to maintain qualified retirement plan (QRP) or 403(b)(7) account <sup>4</sup>	\$50	Per year/per account
IRA/QRP and 403(b)(7) Termination	\$125	Per account
QRP and 403(b)(7) Loan Processing	\$50	Per loan
Roth IRA Conversion	\$25	Per conversion
990-T Filing	\$100	Per 900-T
1099-R for Omnibus/Pooled QRPs	\$50	Per 1099-R
<b>CASH MANAGEMENT SERVICES</b>		
Checking — for Premier Plus checkwriting account feature, if selected	\$60	Per year
Deposit Cash Account sweep fee <sup>5</sup>	\$14.50 (as of 8/15/18, subject to change)	Monthly, per account
Stop Payment	\$10	Per check
Wired Funds	\$25	Per wire
<b>INVESTMENT SPECIFIC</b>		
<b>Alternative Investment (AI) Products<sup>3</sup>:</b>		
AI Product Processing	\$50	Per transaction
AI Administration	\$35	Per year/per position (\$100 max)
AI Unrelated Business Taxable Income (UBTI) Filing — for preparation and filing of tax forms for UBTI, if applicable	\$100	Per required filing
<b>Foreign Securities:</b>		
Foreign Transaction Tax <sup>6</sup>	0.3%	Per purchase transaction
Transaction (not applicable to American Depository Receipts)	\$40	Per transaction or transfer
Transfer and Ship	\$250	Per transfer
<b>Physical Certificates / Transfer and Ship</b> — for issuance of physical certificate upon request (rate depends on transfer agent)	\$0 - \$25	Per certificate
<b>Restricted Securities</b> — Legend Removal	\$50	Per legal transfer
<b>Stock Option</b> — Exercise (Cashless)	Margin Interest Rate	Per transaction
<b>Transaction Charges<sup>7</sup>:</b>		
Equities, ETFs, Closed-end Funds	\$9	Per transaction
Fixed Income	\$50	Per transaction
Mutual Funds <sup>8</sup>	\$0, \$4.50, \$26.50	Per transaction
Options	\$25	Per transaction
Unit Investment Trusts	\$35	Per transaction

<sup>1</sup> See account agreements for more information. These fees generally are not based directly on the costs of the transaction or service by LPL, and may include a profit to LPL.

<sup>2</sup> This fee applies to OMP accounts only.

<sup>3</sup> This fee applies to SAM/SAM II accounts only.

<sup>4</sup> This fee does not apply to OMP, MWP and PWP accounts.

<sup>5</sup> This fee only applies to IRAs that participate in the DCA Program. This monthly fee is based on a fee schedule tied to current Fed Funds Target Rate as detailed in the DCA Disclosure Booklet located on LPL.com. The current fee can be found at lpl.com. It is expected that this fee will be recouped from the DCA Program Banks and will not be a fee directly applied to your account. For more information, see the DCA Disclosure booklet.

<sup>6</sup> A Foreign Transaction Tax is charged by LPL on foreign equity security purchases where the underlying non-U.S. securities are from French or Italian issuers. This tax is levied by the French or Italian governments, and the charge offsets the tax incurred by LPL as a result of executing the transaction on your behalf.

<sup>7</sup> These fees apply to SAM accounts only.

<sup>8</sup> The charge is \$0 for a Full Participating Fund (a fund that pays a certain level of recordkeeping fees to LPL and/or is part of LPL's "No Transaction Fee Network"), \$4.50 for a Participating Fund (a fund that pays a certain level of recordkeeping fees to LPL), and \$26.50 for a Non-Participating Fund (a fund that does not pay recordkeeping fees or pays below a certain level of recordkeeping fees to LPL).

Make Checks Payable as Follows:

John Doe 123 Main St. Your Town, USA	001
Date: <u>12/1/16</u>	
PAY TO THE ORDER OF: <u>LPL Financial</u>	\$ <u>600.00</u>
<u>six hundred dollars</u>	DOLLARS
Notes: <u>Account Number</u>	Signature: <u>John Doe</u>

### Security Endorsement Instructions:

For value received, (Leave Blank) hereby sells, assigns and transfers unto (Leave Blank) shares represented by the within certificate and do hereby irrevocably constitute and appoint (LPL Financial) as Attorney to transfer the said shares on the books of the within named Corporation with full power of substitution in the premises.

**Dated:** (Date Signed)

**Signed:** (Sign Exactly as Registered on the Front, With All Signatures)



Member FINRA/SIPC

**FS06-LPL**  
Revised 0818



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

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

**Questions?**

 Go to [www.lpl.com](http://www.lpl.com)

Securities offered through LPL Financial, a registered investment advisor, member FINRA/SIPC.

Not FDIC/NCUA Insured	Not Bank/Credit Union Guaranteed	May Lose Value	Not Guaranteed by Any Government Agency	Not a Bank/Credit Union Deposit
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## Who We Are

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

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

## Definitions

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

## Other Important Information

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

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

## Additional Information Regarding the LPL Financial Privacy Notice

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

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

## Mail-In Form

### Privacy Choices Notice

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

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

Privacy Management LPL  
Financial  
1055 LPL Way  
Fort Mill, SC 29715

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

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

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

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

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

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

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

Address \_\_\_\_\_

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

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

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



**ACCOUNT PACKET**

**STRATEGIC ASSET MANAGEMENT (SAM) PROGRAMS  
PROGRAM FORM BROCHURE**

LPL Financial LLC  
75 State Street, 22nd Floor, Boston, MA 02109  
[www.lpl.com](http://www.lpl.com) (617) 423-3644

December 27, 2018

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@lpl.com](mailto:lplfinancial.adv@lpl.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

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

**ITEM 1 COVER PAGE**

**ITEM 2 MATERIAL CHANGES**

The following is a summary of certain changes made to this Brochure from the time of the annual update of the Brochure dated March 31, 2017. Items 6 and 9 were updated to provide more information regarding the collateralized lending program offered by LPL and related risks and conflicts of interest. Item 9 was updated to provide information regarding disciplinary events, involving (i) a consent order with the Massachusetts Securities Division related to LPL’s supervisory practices for LPL representatives located on the premises of a credit union (2017), (ii) a consent order with the New Jersey Bureau of Securities related to 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 (2017), (iii) FINRA sanctions in connection with brokerage supervisory and disclosure procedures related to the sale of certain brokered certificates of deposit in brokerage accounts (2018), (iv) consent orders with certain members of the North American Securities Administrators Association related to the sale of unregistered, non-exempt securities (2018), (v) FINRA sanctions in connection with 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 (2018), and (vi) a consent agreement with the Indiana Secretary of State, Securities Division, in connection with LPL’s brokerage supervisory procedures relating to email review and annual branch office examinations (2018). Item 9 also was updated to provide more information regarding outside business activities in which an IAR might engage, and the conflicts of interest that can be presented by those activities.

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## ACCOUNT PACKET

# STRATEGIC ASSET MANAGEMENT (SAM) PROGRAMS - PROGRAM FORM BROCHURE

## 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, an advisor-enhanced digital advice program, advisory programs offered by third party investment advisor firms, financial planning services, and retirement plan consulting services. This Brochure provides a description of the advisory services offered under LPL's Strategic Asset Management ("SAM I") program and Strategic Asset Management II ("SAM II") program (each, a "Program," and collectively, the "Programs"). For more information about LPL's advisory services and programs other than SAM I and SAM II, please contact your LPL investment advisor representative ("IAR") for a copy of a similar brochure that describes such service or program or go to [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). IARs are required by applicable rules and policies to obtain licenses and complete certain training in order to recommend certain investment products and services. You should be aware that your IAR, depending on the licenses or training obtained, may or may not be able to recommend certain investments, models or services. Please ask your IAR about the investments, models and services he or she is licensed or qualified to sell.

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. Clients should speak to the IAR to understand the different types of services available through LPL. Clients also should refer to the informational brochure on [www.lpl.com](http://www.lpl.com) titled "Working with an LPL Financial Advisor: The Choice Between Advisory Services and Brokerage Services."

In the Programs, LPL, through its IARs, provides ongoing investment advice and management on assets in the client's account. IARs provide advice on the purchase and sale of various types of investments, such as mutual funds, exchange-traded funds ("ETFs"), variable annuity subaccounts, business development companies ("BDCs"), private equity, real estate investment trusts ("REITs"), equities, and fixed income securities. IARs provide advice that is tailored to the individual needs of the client based on the investment objective chosen by the client. Clients may impose restrictions on investing in certain securities or groups of securities by contacting their IAR and providing the necessary written instructions. The Programs also permit clients to select a third party investment advisor firm associated with an LPL registered representative, in lieu of an IAR, to provide the advisory services described in this brochure.

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

### Fee Schedule

In each Program, clients pay LPL and its IARs an annual account fee ("Account Fee") for advisory services. The Account Fee is negotiable between the client and the IAR and is set out in the Account Application. The Account Fee is typically a straight percentage based on the value of all assets in the account, including cash holdings. The Account Fee also may be structured on a tiered basis, with a reduced percentage rate based on reaching certain thresholds. The maximum Account Fee is 2.50%. The Account Fee is paid to LPL and is shared between LPL and the IAR. The Account Fee is paid to LPL, and LPL retains up to 0.20% for its administrative services. LPL shares up to 100% (typically between 90% and 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.

### How the Account Fee is Charged

LPL deducts the Account Fee and other fees and charges associated with a SAM I or SAM II account from the account. LPL calculates and deducts the Account Fee in the method described in the Account Agreement, unless other arrangements are



## ACCOUNT PACKET

### STRATEGIC ASSET MANAGEMENT (SAM) PROGRAMS - PROGRAM FORM BROCHURE

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 quarterly performance information, and re-registration of positions). After the termination date, LPL may convert the account to a brokerage account. In a brokerage account, client pays a commission for each transaction, and LPL and the IAR have no responsibility to provide ongoing investment advice.

#### Other Types of Fees and Expenses of LPL

LPL charges fees related to a SAM I or SAM II account in addition to the Account Fee.

- In SAM I, clients do not pay brokerage commissions to IAR for transactions in the account; however, the client pays LPL a transaction charge for the purchase and sale of certain securities in the account. In SAM II, the IAR pays LPL a transaction charge for the purchase and sale of certain securities in the account. The transaction charges are set out in the Account Agreement and the Miscellaneous Account and Service Fee Schedule-Advisory. The transaction charges are paid to LPL to defray costs associated with trade execution; however, they are not directly related to transaction-related expenses of LPL and are a source of revenue to LPL. Transaction charges present conflicts of interest. For example, transaction charges vary depending on the type of security being purchased or sold (e.g., \$9 for equities, \$50 for fixed income), and therefore LPL earns more from transactions that result in an investment with a higher charge. In addition, where transaction charges apply, the more transactions a client enters into, the more compensation LPL receives. Transaction charges are not shared with IARs. In the case of mutual funds, the transaction charges vary depending on the fund purchased or sold. For more information, see the section of this Item 4 titled "Understanding Share Classes in SAM Accounts" and the section of Item 9 titled "Brokerage Practices."
- Although clients do not pay a transaction charge for transactions in a SAM II account, clients should be aware that IARs pay LPL various transaction charges for those transactions. Transaction charges paid by the IAR for equities are \$9 and \$50 for fixed income. For mutual funds, the transaction charges range from \$0 to \$26.50. Because the IAR pays the transaction charges in SAM II accounts, there is a conflict of interest. Clients should understand that the cost to IAR of transaction charges may be a factor that the IAR considers when deciding which securities to select and how frequently to place transactions in a SAM II account. For more information, see the section of this Item 4 titled "Understanding Share Classes in SAM Accounts" and the section of Item 9 titled "Brokerage Practices."
- LPL charges accounts with assets valued at less than \$100,000 an additional \$10 quarterly fee at the end of the quarter.
- Clients that hold hedge funds, managed futures, BDCs, and certain REITs pay a processing fee per transaction and an annual alternative investment administrative fee per position, subject to a maximum per account per year.
- If an account is approved for trading on margin and the client has entered into a margin agreement with LPL, the client will be charged margin interest on any credit extended to or maintained by the client. LPL will retain a portion of any interest charged. This interest charge is in addition to the Account Fee. The Account Fee is not charged on any margin debit balance, rather only on the net equity of the account.
- Clients also pay LPL other additional miscellaneous administrative or custodial-related fees and charges that apply to a SAM account. LPL notifies clients of these charges at account opening and makes available a current list of these charges on its website at [www.lpl.com](http://www.lpl.com). These fees include retirement account fees and termination fees, including, as applicable, an annual IRA maintenance fee, an annual qualified retirement plan maintenance fee, a fee for loans processed for qualified



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retirement plan and 403(b)(7) plan accounts and an account termination fee for processing a full account transfer to another financial institution. These miscellaneous fees are not directly based on the costs of the transaction or service by LPL, may include a profit to LPL, and certain of the fees may be lowered or waived for certain customers.

#### Fees Charged by Third Parties

There are other fees and charges that are imposed by third parties other than LPL that apply to investments in SAM I and SAM II accounts. Some of these fees and charges are described below. If a client's assets are invested in mutual funds, ETFs or other pooled investment products, clients should be aware that there will be two layers of advisory fees and expenses for those assets. As a shareholder of a fund, Client will pay an advisory fee to the fund manager and other expenses charged by the fund. In the case of mutual funds that are funds of funds, there could be an additional layer of fees, including performance fees that vary depending on the performance of the fund. Client will also pay LPL and IAR the Account Fee with respect to assets invested in mutual funds, ETFs and other pooled products. The mutual funds, ETFs and other pooled funds available in the program can be purchased directly outside of the Programs. Therefore, clients could generally avoid an additional layer of fees by not using the advisory services of LPL and IAR and by making their own decisions regarding the investment.

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

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

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 under a fund's frequent trading policy, client will be charged a redemption fee. If a mutual fund has a frequent trading policy, the policy can limit a client's transactions in shares of the fund (e.g., for rebalancing, liquidations, deposits or tax harvesting).

If client holds a variable annuity as part of an account, there are mortality, expense and administrative charges, fees for additional riders on the contract and charges for excessive transfers within a calendar year imposed by the variable annuity sponsor. If a client holds a REIT or BDC as part of an account, there are dealer management fees and other organizational, offering and pricing expenses imposed by the REIT or BDC, as applicable. If client holds a UIT in an account, UIT sponsors charge creation and development fees or similar fees. Further information regarding fees assessed by a mutual fund, variable annuity, alternative investment (such as a REIT, BDC or hedge fund) or UIT is available in the appropriate prospectus or offering document, which is available upon request from the IAR or from the product sponsor directly.

#### Important Information When Funding an Account

**Ineligible Securities.** When transferring securities into a SAM I or SAM II account, client should be aware that certain securities may 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.

**Surrender Charges or CDSCs.** If client transfers a previously purchased investment into a SAM I or SAM II account, such as a mutual fund, annuity or alternative investment, or liquidates the previously purchased investment and transfers the proceeds into an account, client may be charged a fee (sometimes called a "surrender charge," "contingent deferred sales charge" or



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"CDSC") upon the sale or redemption in accordance with the investment product's prospectus. In many cases, the CDSC is only charged if a client does not hold the security for a minimum period of time. In particular, if a client transfers a previously purchased mutual fund (such as a Class C share) into an account that is subject to a CDSC, then the client will pay that charge when the mutual fund is sold.

**Previously Paid Commissions.** Clients 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. Client should understand that, after the transfer into an account, an advisory fee will be charged based on the total assets in the account, including the transferred security. Depending on the share class and fee structure of the previously purchased mutual fund, LPL can receive fees such as 12b-1 fees, recordkeeping fees and revenue sharing from the previously purchased mutual fund until the position is liquidated and subsequently invested. In other words, if you paid IAR or another financial professional recently an upfront commission on the previously purchased security, you will be paying a new ongoing advisory fee going forward to IAR for advice on that same security.

**Loss of Benefits.** If client will be funding the account with the proceeds of a sale or liquidation of a variable or fixed annuity, client should understand that client may be giving up guaranteed living or death benefits that were provided through the variable annuity, and will not be provided through a SAM I or SAM II account.

When transferring securities into an account, client should consider and speak to IAR about whether:

- a CDSC will apply, and the length of time before the CDSC expires;
- there will be a loss of a guaranteed benefit, in the case of an annuity;
- 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.

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

#### Understanding Share Classes in SAM Accounts

Except with respect to cash sweep money market funds ("Sweep Funds") described in the section of Item 9 labeled "Participation or Interest in Client Transactions," LPL makes available for purchase only one share class per mutual fund in a Program, which can be titled, for example, as "Class I," "institutional," "investor," "retail," "service," "administrative" or "platform" share classes ("Program Shares"). Program Shares are no-load or load-waived share classes and therefore not subject to any upfront sales charge. Share classes previously available in a Program prior to November 21, 2016, such as Class A Shares that are subject to 12b-1 fees, are closed to new purchases ("Non-Surviving Share Classes"). If a client has a previously established systematic purchase plan to purchase Non-Surviving Share Classes, the client will be permitted to continue purchasing Non-Surviving Share Classes for a limited period of time. Any 12b-1 fees received by LPL from mutual funds in a Program (other than Sweep Funds) will be credited to the client account.

Clients should understand that the Program Share class offered for a particular mutual fund through a Program in many cases will not be the least expensive share class that the mutual fund makes available. Program Share classes are selected by LPL in certain cases because the share class pays LPL compensation for the administrative and recordkeeping services LPL provides to the mutual fund. Other financial services firms may offer the same mutual fund at a lower overall cost to the investor than is available through the Programs.



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Clients, when participating in the SAM I program, should also understand that LPL charges clients a transaction charge of \$0, \$4.50 or \$26.50 for mutual fund purchases and redemptions. The applicable transaction charge varies depending on the amount of recordkeeping fees that LPL receives from the mutual fund and/or whether the sponsor of the mutual fund participates in LPL's No Transaction Fee ("NTF") Network. When an NTF mutual fund is purchased in a client's account, the NTF mutual fund's sponsor directs a payment to LPL on behalf and for the benefit of the client that is used exclusively as a credit to defray the bona fide transaction charge obligations of the client's account. When an NTF mutual fund is sold, LPL waives the transaction charge.

Clients, when participating in the SAM II program, will not be charged a transaction charge for transactions in mutual funds, equities, ETFs, fixed income, UITs and options; however, the client should understand that LPL charges IARs for transactions in those securities. The transaction charges borne by IAR vary based on the type of transaction (e.g., mutual fund, equity or fixed income security). For mutual funds, transaction charges vary based on the amount of recordkeeping fees that LPL receives from the fund and/or, in the case of non-retirement accounts, whether the sponsor of the fund participates in LPL's NTF Network ("NTF Funds"). Under LPL's NTF Network, the fund sponsor has chosen to defray the transaction charge for purchases in non-retirement accounts otherwise borne by the IAR, and the payments are directed to LPL and used exclusively as a credit to defray bona fide transaction obligations. When an NTF Fund is sold, LPL waives the transaction charge to the IAR. A non-retirement account is one not held by an ERISA plan or otherwise subject to Section 4975 of the Internal Revenue Code.

Clients, when participating in the SAM II program, should also understand that the cost to IAR of transaction charges may be a factor the IAR considers when deciding which securities or mutual funds to select and whether or not to place transactions in the account. In particular, the IAR has a financial incentive to select NTF Funds for non-retirement accounts to avoid paying or to lower the transaction charges. Clients should consider such conflict when monitoring the purchase of NTF Funds in a non-retirement account in recognition of the overall fee and other arrangements with LPL and IAR for management of the account. All such conflicts may have an impact on the investment performance of the client's account.

#### Important Things to Consider About Fees on a SAM I or SAM II Account

- The Account Fee is an ongoing fee for investment advisory services and other administrative and custodial services. The Account Fee may cost the client more than purchasing a Program's services separately, for example, paying an advisory fee plus commissions for each transaction in the account. Factors that bear upon the cost of the account in relation to the cost of the same services purchased separately include the:
  - type and size of the account
  - historical and or expected size or number of trades for the account; and
  - number and range of supplementary advisory and client-related services provided to the client.
- Clients participating in the SAM I program do not pay IAR commissions on transactions but do pay LPL transaction charges. Transaction charges for the securities purchased and sold in a SAM I account may also cost the client more than purchasing the SAM I program's services separately.
- The Account Fee paid by clients participating in the SAM II program includes payment for the execution of transactions. This may cost the client more than purchasing the SAM II program's services separately.
- Although the Account Fees paid by clients participating in the SAM I program may be less than the Account Fees paid by clients participating in the SAM II program because SAM I clients bear the cost of transaction charges directly, it is impossible at the outset to know which arrangement may be more financially advantageous. Clients should understand that neither LPL nor the IAR has an obligation to make recommendations to change between the SAM I or SAM II programs in the future based on the effect of Account Fees and transaction charges on account performance.
- The Account Fee also may cost the client more than if assets were held in a traditional brokerage account. In a brokerage account, a client pays the brokerage representative a commission for each transaction, and the representative has no duty to provide ongoing advice with respect to the account. If the client plans to follow a buy and hold strategy for the account





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or does not wish to purchase ongoing investment advice or management services, the client should consider opening a brokerage account rather than a SAM I or SAM II account.

- The Account Fee may be higher than the fees charged by other investment advisors for similar services. This is the case in particular if the Account Fee is at or near the maximum Account Fee set out above. The IAR is responsible for determining the Account Fee to charge each client based on factors such as total amount of assets involved in the relationship, type of securities to be held in the account (e.g., mutual funds vs. individual securities), the complexity and mix of the portfolio, and the number and range of supplementary advisory and client-related services to be provided to the account. The IAR may charge a client more or less than another client. 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 a Program can be purchased by clients outside of a SAM I or SAM II 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 the [LPL.com](http://LPL.com) Investor Regulatory Resources page.

#### ITEM 5 ACCOUNT REQUIREMENTS AND TYPES OF CLIENTS

A minimum account value of \$25,000 is generally required for the Programs. In certain instances, LPL will permit a lower minimum account size. The Programs are available for individuals, IRAs, banks and thrift institutions, pension and profit sharing plans, including plans subject to Employee Retirement Income Security Act of 1974 ("ERISA"), trusts, estates, charitable organizations, state and municipal government entities, corporations and other business entities.

#### ITEM 6 PORTFOLIO MANAGER SELECTION AND EVALUATION

In SAM I and SAM II, LPL does not select, review or recommend other investment advisors or portfolio managers. LPL through its IARs is responsible for the investment advice and management offered to clients, and the client selects the IAR who manages the account. LPL generally requires that individuals involved in determining or giving investment advice have at least two years financial planning, advisory or brokerage-related experience. Each IAR is also generally required to possess a FINRA Series 6, 7, 65, or 66 license (as required). For more information about the IAR managing the account, client should refer to the Brochure Supplement for the IAR available from the IAR.

LPL does not calculate the performance record of IARs, however, LPL does calculate performance for each SAM I and SAM II account. LPL provides clients with individual quarterly performance information on a time weighted basis. LPL performance information are intended to inform clients as to how their investments have performed for a period, both on an absolute basis and compared to leading investment indices.

LPL sponsors other types of advisory programs. In LPL's separately managed account wrap program, Manager Select, a third party portfolio manager provides discretionary advisory services. In LPL's mutual fund asset allocation programs, such as Optimum Market Portfolios and Model Wealth Portfolios, LPL (and not its IARs) is responsible for the discretionary advisory services. LPL and its IARs do not accept performance-based fees under any LPL advisory programs.

#### Investment Discretion

In SAM I and SAM II, the IAR provides advisory services on a discretionary basis for the purchase and sale of mutual funds, UITs, closed-end funds, ETFs, and variable annuity subaccounts. The IAR provides advisory services on a non-discretionary basis for all other types of securities approved by LPL for investment in the account. In some cases, the client may provide discretionary authorization to the IAR for equities, fixed income securities and options. Alternatively, the client may elect that the IAR manage the account on a non-discretionary basis, so that the client directs the purchase and sale of securities in the account. The client authorizes the IAR to have discretion by executing the Account Agreement and Application.



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### Methods of Analysis and Investment Strategies

Each IAR managing a SAM I or SAM II account chooses his/her own research methods, investment strategy and management philosophy. It is important to note that no methodology or investment strategy is guaranteed to be successful or profitable. The IAR has access to various research reports, including those provided by LPL's Research Department, to which he/she may refer in determining which securities to purchase or sell.

LPL's Research Department makes recommendations regarding asset allocation, mutual funds, and variable annuity subaccounts. IARs may or may not follow these recommendations in managing program accounts. LPL Research also constructs asset allocation model portfolios and provides recommendations on the funds to populate the model portfolios. In constructing these models, LPL Research uses the following investment strategies: Diversified and Alternative Strategy. Although these descriptions are written in terms of individual equities and/or bonds, they include mutual funds or ETFs whose portfolios consist of the type of equities or bonds referenced.

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

For each of the above investment strategies, LPL Research recommends a strategic or tactical version.

- *Strategic.* Strategic portfolios typically have a three- to five-year time horizon. The allocations within these portfolios are intended to help take advantage of market opportunities LPL Research believes will occur or persist throughout that time frame. Although LPL Research recommends investments through a three- to five-year lens, LPL Research may recommend that these portfolios be traded for fine tuning throughout the year. For clients who take a longer term view or are more tax sensitive, a strategic implementation may be more appropriate.
- *Tactical.* Tactical portfolios are more flexible and are designed to help take advantage of short-, mid-, and long-term opportunities the markets present. LPL Research recommends that these portfolios invest in opportunities for as short as one week and as long as five years. Due to the tactical nature, the trading is notably more frequent than strategic portfolios. Tactically managed portfolios should be considered by clients who wish to take advantage of shorter-term market opportunities that may arise and are not opposed to the prospect of more frequent trading.

It is important to note that although LPL Research makes available its recommendations and investment strategies, an IAR may take into consideration these recommendations and strategies to a limited extent or not at all. Clients should contact the IAR managing his/her accounts for additional information on the IAR's particular investment strategy. It is also important to note that an IAR may use a combination of investment strategies.



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### Types of Investments and Risks

In SAM I and SAM II, IARs can recommend many different types of securities, including mutual funds, unit investment trusts ("UITs"), closed end funds, ETFs, ETNs, variable annuity subaccounts, equities, fixed income securities, options, hedge funds, managed futures, BDCs, private equity, REITs, and structured products. LPL determines the types of investments that are eligible to be purchased in program accounts. Investing in securities involves the risk of loss that clients should be prepared to bear. Described below are some risks associated with investing and with some types of investments that are available in the Programs.

- **Market Risk.** This is the risk that the value of securities owned by an investor may go up or down, sometimes rapidly or unpredictably, due to factors affecting securities markets generally or particular industries.
- **Interest Rate Risk.** This is the risk that fixed income securities will decline in value because of an increase in interest rates; a bond or a fixed income fund with a longer duration will be more sensitive to changes in interest rates than a bond or bond fund with a shorter duration.
- **Credit Risk.** This is the risk that an investor could lose money if the issuer or guarantor of a fixed income security is unable or unwilling to meet its financial obligations.
- **Issuer-Specific Risk.** This is the risk that the value of an individual security or particular type of security can be more volatile than the market as a whole and can perform differently from the value of the market as a whole.
- **Investment Company Risk.** To the extent a client account invests in ETFs or other investment companies, its performance will be affected by the performance of those other investment companies. Investments in ETFs and other investment companies are subject to the risks of the investment companies' investments, as well as to the investment companies' expenses. If a client account invests in other investment companies, the client account may receive distributions of taxable gains from portfolio transactions by that investment company and may recognize taxable gains from transactions in shares of that investment company, which would be taxable when distributed.
- **Concentration Risk.** To the extent a client account concentrates its investments by investing a significant portion of its assets in the securities of a single issuer, industry, sector, country or region, the overall adverse impact on the client of adverse developments in the business of such issuer, such industry or such government could be considerably greater than if they did not concentrate their investments to such an extent.
- **Sector Risk.** To the extent a client account invests more heavily in particular sectors, industries, or sub-sectors of the market, its performance will be especially sensitive to developments that significantly affect those sectors, industries, or sub-sectors. An individual sector, industry, or sub-sector of the market may be more volatile, and may perform differently, than the broader market. The several industries that constitute a sector may all react in the same way to economic, political or regulatory events. A client account's performance could be affected if the sectors, industries, or sub-sectors do not perform as expected. Alternatively, the lack of exposure to one or more sectors or industries may adversely affect performance.
- **Alternative Strategy Mutual Funds.** Certain mutual funds available in the Programs invest primarily in alternative investments and/or strategies. Investing in alternative investments and/or strategies may not be suitable for all investors and involves special risks, such as risks associated with commodities, real estate, leverage, selling securities short, the use of derivatives, potential adverse market forces, regulatory changes and potential illiquidity. There are special risks associated with mutual funds that invest principally in real estate securities, such as sensitivity to changes in real estate values and interest rates and price volatility because of the fund's concentration in the real estate industry. These types of funds tend to have higher expense ratios than more traditional mutual funds. They also tend to be newer and have less of a track record or performance history.
- **Closed-End/Interval Funds.** Clients should be aware that closed-end funds available within the Programs may not give investors the right to redeem their shares, and a secondary market may not exist. Therefore, clients may be unable to liquidate all or a portion of their shares in these types of funds. While the fund may from time to time offer to repurchase shares, it is not obligated to do so (unless it has been structured as an "interval fund"). In the case of interval funds, the fund will provide limited liquidity to shareholders by offering to repurchase a limited amount of shares on a periodic basis, but there is no guarantee that clients will be able to sell all of the shares in any particular repurchase offer. In some cases, there



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may be an additional cost to investors who redeem before holding shares for a specified amount of time. The repurchase offer program may be suspended under certain circumstances.

- *Exchange-Traded Funds (ETFs).* ETFs are typically investment companies that are legally classified as open end mutual funds or UITs. However, they differ from traditional mutual funds, in particular, in that ETF shares are listed on a securities exchange. Shares can be bought and sold throughout the trading day like shares of other publicly-traded companies. ETF shares may trade at a discount or premium to their net asset value. This difference between the bid price and the ask price is often referred to as the "spread." The spread varies over time based on the ETF's trading volume and market liquidity, and is generally lower if the ETF has a lot of trading volume and market liquidity and higher if the ETF has little trading volume and market liquidity. Although many ETFs are registered as an investment company under the Investment Company Act of 1940 like traditional mutual funds, some ETFs, in particular those that invest in commodities, are not registered as an investment company. ETFs may be closed and liquidated at the discretion of the issuing company.
- *Exchange-Traded Notes (ETNs).* An ETN is a senior unsecured debt obligation designed to track the total return of an underlying market index or other benchmark. ETNs may be linked to a variety of assets, for example, commodity futures, foreign currency and equities. ETNs are similar to ETFs in that they are listed on an exchange and can typically be bought or sold throughout the trading day. However, an ETN is not a mutual fund and does not have a net asset value; the ETN trades at the prevailing market price. Some of the more common risks of an ETN are as follows. The repayment of the principal, interest (if any), and the payment of any returns at maturity or upon redemption are dependent upon the ETN issuer's ability to pay. In addition, the trading price of the ETN in the secondary market may be adversely impacted if the issuer's credit rating is downgraded. The index or asset class for performance replication in an ETN may or may not be concentrated in a specific sector, asset class or country and may therefore carry specific risks. ETNs may be closed and liquidated at the discretion of the issuing company.
- *Leveraged and Inverse ETFs, ETNs and Mutual Funds.* Leveraged ETFs, ETNs and mutual funds, sometimes labeled "ultra" or "2x" for example, are designed to provide a multiple of the underlying index's return, typically on a daily basis. Inverse products are designed to provide the opposite of the return of the underlying index, typically on a daily basis. These products are different from and can be riskier than traditional ETFs, ETNs and mutual funds. Although these products are designed to provide returns that generally correspond to the underlying index, they may not be able to exactly replicate the performance of the index because of fund expenses and other factors. This is referred to as tracking error. Continual re-setting of returns within the product may add to the underlying costs and increase the tracking error. As a result, this may prevent these products from achieving their investment objective. In addition, compounding of the returns can produce a divergence from the underlying index over time, in particular for leveraged products. In highly volatile markets with large positive and negative swings, return distortions may be magnified over time. Some deviations from the stated objectives, to the positive or negative, are possible and may or may not correct themselves over time. To accomplish their objectives, these products use a range of strategies, including swaps, futures contracts and other derivatives. These products may not be diversified and can be based on commodities or currencies. These products may have higher expense ratios and be less tax-efficient than more traditional ETFs, ETNs and mutual funds.
- *Options.* Certain types of option trading are permitted in order to generate income or hedge a security held in the a Program account; namely, the selling (writing) of covered call options or the purchasing of put options on a security held in a Program account. Clients should be aware that the use of options involves additional risks. The risks of covered call writing include the potential for the market to rise sharply. In such case, the security may be called away and a Program account will no longer hold the security. The risk of buying long puts is limited to the loss of the premium paid for the purchase of the put if the option is not exercised or otherwise sold by a Program account.
- *Structured Products.* Structured products are securities derived from another asset, such as a security or a basket of securities, an index, a commodity, a debt issuance, or a foreign currency. Structured products frequently limit the upside participation in the reference asset. Structured products are senior unsecured debt of the issuing bank and subject to the credit risk associated with that issuer. This credit risk exists whether or not the investment held in the account offers principal protection. The creditworthiness of the issuer does not affect or enhance the likely performance of the investment other than the ability of the



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issuer to meet its obligations. Any payments due at maturity are dependent on the issuer's ability to pay. In addition, the trading price of the security in the secondary market, if there is one, may be adversely impacted if the issuer's credit rating is downgraded. Some structured products offer full protection of the principal invested, others offer only partial or no protection. Investors may be sacrificing a higher yield to obtain the principal guarantee. In addition, the principal guarantee relates to nominal principal and does not offer inflation protection. An investor in a structured product never has a claim on the underlying investment, whether a security, zero coupon bond, or option. There may be little or no secondary market for the securities and information regarding independent market pricing for the securities may be limited. This is true even if the product has a ticker symbol or has been approved for listing on an exchange. Tax treatment of structured products may be different from other investments held in the account (e.g., income may be taxed as ordinary income even though payment is not received until maturity). Structured CDs that are insured by the FDIC are subject to applicable FDIC limits.

- *Business Development Companies (BDCs)*. BDCs are types of closed-end investment companies, which are available to clients meeting certain qualification standards. Generally, BDCs invest primarily in the debt and equity of private and/or small U.S. companies and may offer distribution rates generated through potentially significant credit and liquidity risk exposures amplified through leverage. As with other high-yield investments, such as floating-rate/leveraged loan funds, private REITs and limited partnerships, investors are exposed to significant market, credit, interest rate and liquidity risks. In addition, BDCs run the risk of over-leveraging their relatively illiquid portfolios. Due to the illiquid nature of non-traded BDCs, investors' exit opportunities may be limited only to periodic share repurchases by the BDC. In addition, share redemption programs may be shut down at any time at the discretion of the issuer's board. Also, BDCs may fund distributions from offering proceeds or borrowings, which may constitute a return of capital and reduce the amount of capital available to make investments. In some cases, there may be an additional cost to investors who redeem before holding the shares for a specified number of years.
- *High-Yield Debt*. High-yield debt is issued by companies or municipalities that do not qualify for "investment grade" ratings by one or more rating agencies. The below investment grade designation is based on the rating agency's opinion of an issuer that it has a greater risk to repay both principal and interest and a greater risk of default than those issuers rated investment grade. High yield debt carries greater risk than investment grade debt. There is the risk that the potential deterioration of an issuer's financial health and subsequent downgrade in its rating will result in a decline in market value or default. Because of the potential inability of an issuer to make interest and principal payments, an investor may receive back less than originally invested. There is also the risk that the bond's market value will decline as interest rates rise and that an investor will not be able to liquidate a bond before maturity.
- *Hedge Funds and Non-Traded Managed Futures*. Hedge funds and non-traded managed futures funds are available to clients meeting certain qualification standards. Investing in these securities involves additional risks including, but not limited to, the risk of investment loss due to the use of leveraging and other speculative investment practices, currency and interest rate risk, lack of liquidity and performance volatility. In some cases, there may be an additional cost to investors who redeem before holding shares for a specified amount of time. In addition, these securities may not be required to provide periodic pricing or valuation information to investors and may involve complex tax structures and delays in distributing important tax information. Clients should be aware that these securities may not be liquid as there is no secondary trading market available. At the absolute discretion of the issuer of the security, there may be certain repurchase offers made from time to time. However, there is no guarantee that client will be able to redeem the security during the repurchase offer. Funds of hedge funds are pooled investments in several hedge funds. Expenses in funds of hedge funds are typically higher than mutual funds. Because they may invest in a number of private hedge funds, funds of funds also bear a part of the fees and expenses of those underlying hedge funds.
- *REITs*. REITs invest in real estate, and there are special risks associated with investing in real estate, including, but not limited to, sensitivity to changes in real estate values, the risk of investment loss due to the use of leveraging and other speculative investment practices, interest rate risk, lack of liquidity and performance volatility. Non-Traded REITs are not required to provide annual valuations until two years and 150 days after reaching the minimum capital raise required to begin purchasing properties. This threshold is generally outlined in the product's prospectus. Non-Traded REITs, which are





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available to clients meeting certain qualification standards, may fund distributions from offering proceeds or borrowings, which may constitute a return of capital and reduce the amount of capital available to invest in new assets. Clients should be aware that these securities may not be liquid as there is no secondary trading market available. At the absolute discretion of the issuer of the security, there may be certain repurchase offers made from time to time. However, there is no guarantee that client will be able to redeem the security during the repurchase offer. Issuers may repurchase shares at a price below net asset value. The repurchase program may also be suspended under certain circumstances.

- *Private Equity Funds.* Private equity investments are speculative and involve significant risks. It is possible that investors may lose some or all of their investment. The risks associated with private equity include: limited diversification, the use of leverage, and limited liquidity. Some issuers or general partners may penalize limited partners who redeem before holding units for a specified amount of time.
- *Variable Annuities.* If client purchases a variable annuity that is part of a Program, client will receive a prospectus and should rely solely on the disclosure contained in the prospectus with respect to the terms and conditions of the variable annuity. Clients should also be aware that certain riders purchased with a variable annuity may limit the investment options and the ability to manage the subaccounts. Some products may charge a recapture or redemption fee for contracts or benefits not held for a specified period of time or that do not follow stated withdrawal terms.
- *Non-traded Products.* Non-traded products do not trade on a securities exchange and are not publicly traded. Consequently, non-traded products can be riskier than products that are publicly traded because the product cannot be sold readily in a market by the investor. The non-traded product may offer to redeem shares from investors, but such share redemptions are typically subject to limitations. Share redemptions may also require that shares be redeemed at a discount and there is no guarantee that client will be able to redeem the security during the repurchase offer. In addition, non-traded products may lack share value transparency because there is no market price readily available. Without share value transparency, investors may not be able to assess the value or performance of the non-traded product.
- *Margin Accounts.* Clients should be aware that margin borrowing involves additional risks. Margin borrowing will result in increased gain if the value of the securities in the account go up, but will result in increased losses if the value of the securities in the account goes down. LPL, acting as the client's creditor, will have the authority to liquidate all or part of the account to repay any portion of the margin loan, even if the timing would be disadvantageous to the client. For performance illustration purposes, the margin interest charge will be treated as a withdrawal and will, therefore, not negatively impact quarterly performance.
- *Pledging Assets.* Clients should be aware that pledging assets in an account to secure a loan involves additional risks. The bank holding the loan may have the authority to liquidate all or part of the securities at any time without your prior notice in order to maintain required maintenance levels, or to call the loan at any time. As a practical matter, this may cause you to sell assets and realize losses in a declining market. These actions may interrupt your long term investment goals and result in adverse tax consequences and additional fees to the bank. The returns on accounts or pledged assets may not cover the cost of loan interest and account fees, and may dictate a more aggressive investment strategy to support the costs of borrowing. Before pledging assets in an account, clients should carefully review the loan agreement, loan application and any forms required by the bank and any other forms and disclosures provided by LPL.

Voting Client Securities

In SAM I and SAM II, LPL and IARs do not accept authority to vote client securities. Clients retain the right to vote all proxies that are solicited for securities held in the account. Clients will receive proxies or other solicitations from LPL. If clients have questions regarding the solicitation, they should contact the contact person that the issuer identifies in the proxy materials or their 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.





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## ITEM 7 CLIENT INFORMATION PROVIDED TO PORTFOLIO MANAGERS

The IAR obtains the necessary financial data from the client and assists the client in setting an appropriate investment objective for the account. The IAR obtains this information by having the client complete an Account Application which is a part of the Account Agreement. In 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 be aware that the investment objective selected for a 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. Clients should further be aware that achievement of the stated investment objective is a long-term goal for the account.

## ITEM 8 CLIENT CONTACT WITH PORTFOLIO MANAGERS

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

## ITEM 9 ADDITIONAL INFORMATION

### Disciplinary Information

As an investment advisor and broker-dealer regulated by the SEC, LPL was found by the SEC to have willfully violated Rule 30(a) of Regulation S-P, which requires broker-dealers and investment advisors to have written policies and procedures that are reasonably designed to safeguard customer records and information. The SEC ordered LPL to cease and desist from committing future violations of Rule 30(a), censured it for its conduct, and ordered it to pay a \$275,000 penalty (2008).

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:

- 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 format in which certain electronic records were retained, resulting in a censure and a fine of \$750,000 (2016).
- LPL's various brokerage supervisory procedures, including those related to the sale of complex non-traditional ETFs, variable annuity ("VA") contracts, real estate investment trusts ("REITs") and other products in brokerage accounts, as well as LPL's failure to monitor and report trades and deliver trade confirmations, resulting in a censure and a fine of \$10,000,000, and restitution of \$1,664,592 (2015).
- LPL's processing and supervision of the sale of alternative investments, including non-traded REITs, resulting in a censure and a fine of \$950,000 (2014).
- LPL's systems and procedures related to the review and retention of email, resulting in a censure, a fine of \$7.5 million, and establishment of a fund of \$1.5 million to cover payments to eligible former brokerage customer claimants who may not have received all emails in connection with their claim (2013).
- LPL's supervisory systems to monitor and ensure the timely delivery of mutual fund prospectuses, resulting in a censure and a fine of \$400,000 (2012).
- LPL's procedures regarding its review of e-mail communications, resulting in a censure and a fine of \$100,000 (2011).
- LPL's procedures on transmittals of cash and securities from customer accounts to third party accounts, resulting in a censure and a fine of \$100,000 (2011).
- LPL's procedures on supervision of VA exchanges, resulting in a censure and a fine of \$175,000 (2010).



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- Allegations that LPL failed to reasonably supervise a registered representative regarding his use of strategies and recommendations involving UITs, resulting in a censure and a fine of \$125,000 (2008).

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

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



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### 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 who service certain accounts in the absence of an IAR. IARs are registered representatives of LPL. If required for their positions with a registered broker-dealer, LPL's principal executive officers are securities licensed as registered representatives of LPL. LPL is also registered as a transfer agent with the SEC and as an introducing broker with the Commodity Futures Trading Commission. In addition, LPL is qualified to sell insurance products in all 50 states.

LPL and The Private Trust Company, N.A. ("PTC"), a federally chartered non-depository bank licensed to provide trust services in all 50 states, are related persons. PTC serves as IRA custodian for SAM I and SAM II 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. PTC's IRA custodian and trustee services and related fees are established under a separate engagement between the client and PTC.

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

### Code of Ethics and Personal Trading

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

As described under Brokerage Practices below, IARs may aggregate transactions in equities, options, and fixed income securities for client accounts. Clients should be aware that the IAR's personal accounts (including related accounts, such as those of family members) can be included in such a block order. Although the same average price would be applied to client accounts and the IAR's personal accounts, the inclusion of an IAR's personal account in a block order can present a conflict of interest. It is possible that the inclusion of the personal account could negatively impact the price of the security or result in the client being allocated less of an order. If a partially filled order is allocated on a random basis, the inclusion of the personal account could make it less probable that a client account is randomly selected and the IAR's personal account could be randomly selected instead of a client account. LPL addresses this conflict by disclosing it to you. Please ask your IAR if you would like more information on the IAR's practices in this respect.



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### Participation or Interest in Client Transactions

Purchases of mutual fund, UIT or alternative investment shares may be processed through the firm's proprietary account resulting in such purchases being characterized as principal transactions for certain reporting purposes. In such case, the shares will be purchased at the fund's net asset value, and no additional charges will be applied to such transactions as a result of the firm's use of a proprietary account. LPL does not otherwise engage in principal transactions with its clients in the Programs. LPL's parent company, LPL Financial Holdings Inc., is a publicly traded company. LPL does not permit its IARs to recommend or solicit orders of LPL Financial Holdings Inc. stock in SAM I or SAM II accounts.

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

Some mutual funds and Program Share Classes in the Programs charge shareholders a 12b-1 fee. To the extent a mutual fund or a Program Share Class charges a 12b-1 fee, the fee will be paid to LPL by the mutual fund. Any 12b-1 fees paid to LPL by mutual funds that are held in Program accounts will be credited to the account.

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

The compensation LPL receives from a fund for recordkeeping and administrative services is based on the amount of Program client assets that are invested in the fund (up to 0.25% annually), or the number of positions held by Program clients in the fund (up to \$25 per position). In addition, LPL charges a setup fee to product sponsors when adding new investment products or share classes of an investment product to LPL's investment platforms. In the case of exchange traded products, LPL receives up to \$7,500 per product. In the case of alternative investments, LPL receives up to \$30,000 for initial products, and up to \$15,000 for follow-on product offerings or additional share classes. In the case of mutual funds, LPL receives a one-time set up fee of up to \$5,000 to add the sponsor to its recordkeeping platform, which is the sum of a \$15,000 due diligence fee and a setup fee of \$5,000 per fund (up to a maximum of \$25,000 total for all funds). LPL does not share this compensation with its IARs.

LPL has fee arrangements with investment advisors or distributors ("sponsors") of mutual funds and ETFs that are available for purchase through the Program, called revenue sharing. Under these arrangements, the sponsor pays LPL a fee based on the amount of client sales or assets invested in the sponsor's funds or a fixed fee, and LPL provides marketing support to the sponsor and allows the sponsor to access LPL IARs so that the sponsor can promote such mutual funds and/or ETFs. The maximum revenue sharing fee received by LPL under these arrangements is 0.15% annually. LPL does not accept revenue sharing fees for assets held in retirement accounts. LPL does not require that a fund sponsor participate in revenue sharing arrangements for the sponsor's funds to be selected for a Portfolio. In some cases, LPL receives compensation from a fund for the provision of services in addition to LPL's receipt of revenue sharing payments from the fund's sponsors.

LPL's receipt of recordkeeping compensation and LPL's revenue sharing arrangements present conflicts of interest that affect LPL's ability to provide clients with unbiased, objective investment advice concerning the selection of funds and share classes for a Portfolio in the case of Portfolios designed by LPL. In particular, LPL has a financial incentive: (i) to select a fund or a Program Share Class that charges pays recordkeeping compensation to LPL over another comparable fund or a share class that does not pay recordkeeping compensation; (ii) to select a fund sponsored by a company that makes revenue sharing payments to LPL, instead of another comparable fund whose sponsor does not make such payments; and (iii) to select a fund or a



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Program Share Class that pays recordkeeping compensation to LPL, or whose sponsor makes revenue sharing payments to LPL that, in each case, are comparatively higher than those charged or paid by another comparable fund or share class or a sponsor of such funds or share classes. Such other comparable funds and/or share classes may be more appropriate for a client than the fund or Program Share Class offered through the Programs. LPL's website [www.lpl.com](http://www.lpl.com) identifies the mutual funds that pay recordkeeping compensation and the mutual fund sponsors that make revenue sharing payments to LPL.

LPL does not share recordkeeping fees or revenue sharing payments with IARs, and, therefore, there is no financial incentive for an IAR to select one fund or a Program Share Class over another comparable fund or share class on the basis of the recordkeeping compensation and revenue sharing payments that the fund or Program Share Class charges or provides to LPL.

LPL provides investment consulting services to the investment advisor of the Optimum Funds mutual fund family. These services include assisting the investment advisor in determining whether to engage, maintain or terminate sub-advisors for the Optimum Funds. As compensation for these services, LPL receives an investment consulting fee of up to 0.22% of fund assets from the investment advisor to the Optimum Funds. In addition, the Chief Financial Officer of LPL serves as a Trustee of the Optimum Funds. The Optimum Funds are available to be purchased and sold in a Program account.

#### Other Revenue Sharing Arrangements

In addition to arrangements with mutual funds available through the Programs, LPL has revenue sharing arrangements with investment advisors or distributors ("sponsors") of ETFs, alternative investment products and structured products that are available for purchase through the Programs. Under these arrangements, the sponsor pays LPL a fee based on the amount of client sales or assets invested in the sponsor's funds or products or a fixed fee, and LPL provides marketing support to the sponsor and allows the sponsor to access LPL IARs so that the sponsor can promote such funds or products. The maximum revenue sharing fee received by LPL under these arrangements is 0.15% annually (except in the case of alternative investments, up to a maximum of 0.35% annually on assets or 1.50% on sales). LPL does not accept these fee payments for assets held in retirement accounts. For a complete list of the participating sponsors, please visit [www.lpl.com](http://www.lpl.com), click on Disclosure and then Legal Disclosures.

This type of fee arrangement gives LPL a financial incentive to have LPL clients invest in participating funds or products instead of those whose sponsors do not make such payments to LPL. This conflict of interest affects the ability of LPL to provide clients with unbiased, objective investment advice concerning the selection of funds or products for an account. This could mean that other investments, whose sponsors do not make revenue sharing payments, may be more appropriate for an account than those whose sponsors make revenue sharing payments to LPL.

LPL does not share revenue sharing payments with IARs, and therefore, there is no financial incentive for an IAR to select a participating fund or product for an account over another because of this fee arrangement. However, LPL and its affiliates may make recommendations on investments, which recommendations can be implemented by IARs in an account. LPL does not require that a fund or product participate in these fee arrangements in order for a fund or product to be recommended or included on the platform. LPL intends to make all recommendations independent of such fee arrangements.

#### Transaction Charge Considerations

Clients participating in the SAM II program should remember that LPL charges the IAR the transaction charges in SAM II accounts, and that the level of transaction charges may be a factor that the IAR considers when deciding which mutual funds to select for a non-retirement account. The transaction charges borne by IAR vary based on the type of transaction (e.g., mutual fund, equity or fixed income security). For mutual funds, transaction charges vary based on the amount of recordkeeping fees that LPL receives from the fund and/or, in the case of non-retirement accounts, whether the sponsor of the fund participates in the NTF Network. Under the NTF Network, the fund sponsors defray the transaction charge for purchases in non-retirement accounts otherwise borne by the IAR, and the payments are directed to LPL and used exclusively as a credit to defray bona fide transaction obligations. When a fund in the NTF Network is sold, LPL waives the transaction charge to the IAR. This



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arrangement creates a financial incentive for IARs to recommend transactions in certain securities that have a low or no transaction charge over others that may be more suitable for the client.

There are also other conflicts of interest concerned with the payment of transaction charges in each Program. In SAM II, the cost to the IAR of transaction charges may be a factor that the IAR considers when deciding which securities or mutual funds to select and whether or not to place transactions in the account. In particular, the IAR has a financial incentive to select NTF mutual funds for non-retirement accounts to avoid paying or to lower the transaction charges. The IAR also has a financial incentive to recommend transactions in certain securities that carry lower fees (e.g., transactions involving equity securities may be recommended over fixed income securities because of the lower transaction charge) or to limit the overall number of transactions it recommends to clients.

The financial incentives to the IAR related to transaction charges are reduced in the SAM I program because the client is responsible for paying the LPL transaction charges. When the IAR will not be paying the transaction charges, an IAR may recommend greater volume of trading activity than when it has a financial incentive to limit such transactions. This has an impact on investment performance of the client's account. Moreover, clients should understand that in choosing to participate in SAM I, engaging in frequent trading, and thus paying more transaction charges, will increase the overall costs associated with the Account. The IAR has an incentive to recommend the SAM I program over the SAM II program because the IAR will not be responsible for directly paying the transaction charges in SAM I.

Clients should note, however, that the Account Fee being charged in both Programs may take the payment of transaction charges into consideration. That is, the Account Fee charged to SAM I accounts may be lower than the Account Fee charged to SAM II accounts to the extent that the transaction charges being paid by the IAR are factored into the overall Account Fee charged to SAM II accounts. If choosing to participate in SAM II, clients should understand that engaging in a "buy and hold" strategy would not capitalize on any higher Account Fee being charged in light of the IAR paying charges for transactions in certain securities. All such conflicts also may have an impact on investment performance of the client's account. LPL has network fee arrangements with sponsors of fee-based variable annuities, pursuant to which LPL receives compensation based on the number of LPL customer positions held with the variable annuity sponsor (up to \$1.50 per position per quarter). LPL does not share this compensation with its IARs. From time to time, LPL receives a reallowance of the public offering price per unit on units of certain UITs and structured products sold by LPL during the initial offering period.

#### Collateralized Lending Arrangements

LPL offers a program that enables clients to collateralize certain investment accounts in order to obtain secured loans through banking institutions that participate in the program. LPL receives third party compensation from participant banks based on the amount of outstanding loans. Compensation can be up to 0.75% of the outstanding loan amount. This compensation to LPL varies, and, therefore, LPL can earn more or less depending on the bank selected by the client. This compensation is a conflict of interest to LPL because LPL has a financial incentive for the client to select a bank in the program, and a participating bank that pays LPL more. However, LPL does not share this compensation with its IARs, and therefore, an IAR does not have a financial incentive if one bank is selected over another. LPL's interest in continuing to receive investment advisory fees gives LPL an incentive to recommend that clients borrow money rather than liquidating some of their assets managed by LPL, when it could be in a client's best interest to sell such assets instead of using them as collateral for a loan.

When a client pledges assets in an account, the client is a borrower and uses the cash and securities in the account as collateral for a loan and pays interest to the bank. Because of LPL's arrangements with the banks participating in the program, clients may be limited in their ability to negotiate the most favorable loan terms. However, clients are not required to use the banks in LPL's program, and can work directly with other banks to negotiate loan terms or obtain other financing arrangements. Clients should be aware that LPL's collateralized loan program is one way, among many, for clients to obtain a secured loan. Clients should understand that the interest and additional fees paid to the bank in connection with the loan are separate from and in addition to the advisory fees the client pays LPL for its advisory services on the account. As an alternative, clients could pledge





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securities held in a brokerage account at LPL, under which clients would pay commissions for securities transactions instead of ongoing fees for investment advice.

#### Cash Sweep Arrangements

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

For accounts that are set up for cash to sweep to a money market fund -- the available sweep money market funds typically pay higher 12b-1 fees than other money market funds. In addition, LPL receives compensation of up to 0.35% annually of the LPL client assets invested in the sweep money market funds for recordkeeping services it provides for the funds. LPL also receives up to 0.15% annually of the LPL client assets invested in the sweep money market funds in connection with marketing support services LPL provides to the money market fund sponsors. LPL receives up to 1.00% annually of LPL client assets in the sweep money market funds from the money market fund sponsor in connection with 12b-1 fees, recordkeeping and other compensation.

For accounts that sweep cash to the multi-bank insured cash account program offered by LPL (the "ICA")—LPL receives a fee equal to a percentage of the average daily deposit balance in the ICA. The fee paid to LPL is applied across all ICA deposit accounts taken in the aggregate; therefore, on some accounts, fees to LPL may be higher or lower than this amount. For accounts that sweep cash to the multi-bank deposit cash account program offered by LPL (the "DCA")—LPL receives a flat monthly fee per account based upon the prevailing fed funds target rate. LPL's compensation under the DCA program is not affected by the actual cash amounts held in your account. The compensation LPL receives with respect to the ICA or DCA may be higher than if a client invests in other sweep investment options.

LPL also makes available single-bank insured cash account programs. The banks sponsoring such programs may have an agreement with LPL for LPL IARs to offer advisory services on their premises. In the case of these single-bank programs, LPL receives a fee from the bank of up to 0.50% annually of the LPL client assets deposited at the bank under the program for its sweep processing services. For additional information on the insured cash account program for the account, please see the applicable disclosure booklet available from IAR.

The compensation that LPL receives related to ICA, DCA and the sweep money market 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 money market funds presents a conflict of interest to LPL because LPL has a financial benefit if cash is invested in the insured cash account or the sweep funds. However, this compensation is retained by LPL and is not shared with its IARs. Therefore, this compensation does not cause an IAR to have a financial incentive to recommend that cash be held in the account instead of holding securities.

#### Rollovers

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

#### Other Clients

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



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### Review of Accounts

LPL reviews program accounts using a risk based exception reporting system that flags accounts for criteria such as performance, trading activity, and concentration on a quarterly or monthly basis, depending upon the nature of the exception. The Advisory Chief Compliance Officer of LPL oversees the process for reviewing flagged accounts. IARs meet with clients. Such meetings may include review of accounts statements, quarterly 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 quarterly performance information describing account performance and positions. LPL also provides an additional year-end report for accounts not established on a calendar quarter basis. In addition, LPL sends to clients trade confirmations and account statements showing transactions, positions, and deposits and withdrawals of principal and income. LPL does not send trade confirmations for systematic purchases, systematic redemptions and systematic exchanges. 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 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 or marketing or advertising initiatives, including services for identifying prospective clients. Product sponsors also pay for, or reimburse LPL for the costs associated with, education or training events that may be attended by LPL employees and IARs and for LPL-sponsored conferences and events.

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

LPL receives compensation in the form of earnings on its short-term investment of cash in program accounts prior to the time the cash is invested for the account. These earnings are generally known as "float." Cash in the account would typically result from contributions to the account or sales of securities in the account. For accounts that opt out of the sweep program, the accounts 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 IAR.

In the event a trade error occurs in a SAM I and SAM II program 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. LPL compensates IARs pursuant to an independent contractor agreement and not as an employee (although LPL has a dedicated team of employee IARs who service certain accounts in the absence of an IAR). 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. 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:



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- 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.

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

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

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

LPL also makes payments to IARs in connection with the transition of certain advisory business to LPL from his or her prior firm that is not approved on LPL's platform. These payments are tied to the amount of client assets that are transitioned from an unapproved platform at the prior firm to LPL's advisory programs.

The receipt of Transition Assistance creates a conflict of interest in that an IAR has a financial incentive to recommend that a client open and maintain an account with the IAR and LPL for advisory, brokerage and/or custody services, and to recommend switching investment products or services where a client's current investment options are not available through LPL, in order to receive the Transition Assistance benefit or payment. LPL and its IARs attempt to mitigate these conflicts of interest by



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evaluating and recommending that clients use LPL's services based on the benefits that such services provide to clients, rather than the Transition Assistance earned by any particular IAR. However, clients should be aware of this conflict and take it into consideration in making a decision whether to establish or maintain a relationship with LPL.

#### Client Referrals

From time to time, LPL and/or its IARs may enter into lead generation and referral arrangements with third parties and other financial intermediaries, including participation in third-party programs for the purpose of introducing new clients to LPL and such IARs. Under these lead generation and referral arrangements, all referral parties are independent contractors. The compensation paid to such parties can be structured in various ways, including an ongoing flat fee.

LPL compensates other persons for solicitations of program accounts. LPL enters into an agreement with such solicitors and pays them a portion of the ongoing Account Fee for the solicitation. The solicitor discloses to the client at the time of the solicitation the arrangement and the compensation to be received by the solicitor. Only advisory accounts are eligible for this solicitation program, giving rise to a conflict of interest because the IAR and solicitor have an incentive that an advisory account be opened rather than a brokerage account.

Lead generation, referral and solicitation arrangements give rise to conflicts of interests because the referring party has a financial incentive to introduce new investment advisory clients to LPL and its IARs. LPL's participation in these referral arrangements does not diminish its fiduciary obligations to its clients.

LPL and its IARs may offer advisory services on the premises of unaffiliated financial institutions, like banks or credit unions. In such case, the advisory services are offered by LPL and not the financial institution, and 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 shares compensation, including a portion of the Account Fee, with the financial institution for the use of the financial institution's facilities and for client referrals. In such case, instead of paying the IAR the portion of the Account Fee as described above, LPL shares such portion with the financial institution pursuant to the agreement between LPL and the financial institution, and the financial institution will pay part of that amount to the IAR. In addition, LPL provides other forms of compensation to financial institutions, such as bonuses, awards or other things of value offered by LPL to the institution. In particular, LPL pays a financial institution in different ways, for example, payments based on production, payments 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, payments in connection with the transition of association from another broker-dealer or investment advisor firm to LPL, advances of advisory fees, or attendance at LPL's national conference or top producer forums and events. LPL can pay this compensation based on overall business production and/or on the amount of assets serviced in LPL advisory programs. Therefore, 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. Therefore, the financial institution may have a financial incentive if an IAR recommends a program account over other programs and services.

#### Financial Information and Custody

LPL is a qualified custodian as defined in Rule 206(4)-2 under the Investment Advisers Act of 1940 and maintains custody of SAM I and SAM II 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 monthly when the account has had activity or quarterly if there has been no activity. Clients should carefully review those account statements.

Although most securities available in SAM I and SAM II program accounts are custodied at LPL, there are certain securities managed as part of the account that are held at third parties, and not at LPL. For example, variable annuities, hedge funds and



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managed futures are often held directly with the investment sponsor. For those outside positions, client will receive confirmations and statements directly from the investment sponsor.

For outside positions not custodied at LPL, LPL may receive information (e.g., number of shares held and market value) from the investment sponsor and display that information on statements and reports prepared by LPL. Such information also may be used to calculate performance in performance reports prepared by LPL. Although LPL believes that the information it receives from the investment sponsors is reliable, LPL recommends that you refer to the statements and reports you receive directly from the investment sponsor and compare them with the information provided in any statements or reports from LPL. The statements and reports you receive from LPL with respect to outside positions should not replace the statements and reports you receive directly from the investment sponsor.

#### Brokerage Practices

In SAM I, LPL requires that clients direct LPL as the sole and exclusive broker-dealer to execute transactions in the account. The IAR is not paid a commission in SAM I, but LPL is paid transaction charges by the client for processing trades depending on the type of security. In SAM II, LPL also requires that clients direct LPL as the sole and exclusive broker-dealer to execute transactions in the account. LPL is not paid a commission by the SAM II client for executing transactions. Because LPL is both the investment advisor and broker-dealer on the account in both Programs, this presents a conflict of interest. Clients should understand that not all advisors require their clients to direct brokerage. By directing brokerage to LPL, clients may be unable to achieve the most favorable execution of client transactions. Therefore, directed brokerage may cost clients more money. In the case of mutual funds, execution is made at the net asset value of the fund.

If LPL as broker purchases a new issue security on behalf of client accounts, the execution price may include a concession to the dealers participating in the syndicate. Although LPL is not part of the syndicate and does not receive this concession, the concession is included in the price and is in addition to the Account Fee.

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

#### Brochure Supplements

Accompanying this Brochure are Brochure Supplements for individual employees or officers of LPL. Note that although these individuals are responsible for investment advice provided by LPL and may meet with clients from time to time, they are not the IARs responsible for the 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 [lplfinancial.adv@lpl.com](mailto:lplfinancial.adv@lpl.com).



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# STRATEGIC ASSET MANAGEMENT (SAM) PROGRAMS - PROGRAM FORM BROCHURE

## BROCHURE SUPPLEMENTS

George Burton White  
Kirby Horan-Adams  
John Lynch  
Steven James Snyder  
Jason Hoody

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December 27, 2018

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

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

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

### George Burton White

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

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

#### **Disciplinary Information**

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

#### **Other Business Activities**

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





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### Additional Compensation

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

### Supervision

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

### Kirby Horan-Adams

#### Educational Background and Business Experience

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

#### Disciplinary Information

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

#### Other Business Activities

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

#### Additional Compensation

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

#### Supervision

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

### John Lynch

#### Educational Background and Business Experience

John Lynch was born in 1963. He has a BA in History from Villanova University and an MBA in Finance from The College of William and Mary. He joined LPL Financial in April, 2017 as Chief Investment Strategist and Executive Vice President, Research. He has been in the investment business for 30 years, having spent the last 20 years at Wells Fargo, where he held leadership roles in research and investment strategy for the brokerage, asset management and private banking divisions.

#### Disciplinary Information

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



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### Other Business Activities

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

### Additional Compensation

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

### Supervision

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

### Steven James Snyder

### Educational Background and Business Experience

Steven James Snyder was born in 1973. He has a BA in Economics and a BS in Cognitive Science from the University of California at San Diego. He is the Research Operating Officer of LPL, and has served in that position since 2014. Prior to joining LPL, Mr. Snyder was Head of Due Diligence at Fortigent. Prior to Fortigent, he was a Due Diligence analyst at Dunham & Associates.

### Disciplinary Information

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

### Other Business Activities

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

### Additional Compensation

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

### Supervision

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



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### Jason Hoody

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

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

#### **Disciplinary Information**

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

#### **Other Business Activities**

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

#### **Additional Compensation**

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

#### **Supervision**

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

### Jeffrey Alan Buchbinder

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

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

#### **Disciplinary Information**

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

#### **Other Business Activities**

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

#### **Additional Compensation**

Mr. Buchbinder receives a regular salary and a discretionary bonus as a member of the LPL Research team. Such bonus for LPL Research personnel is based on the performance of certain portfolios managed by LPL Research. This bonus presents a conflict of interest because it could incentivize the LPL Research team to focus on short-term performance, take undue risk, or favor



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certain portfolios over others. However, LPL mitigates this conflict by basing the bonus calculation on short and long-term performance, capping the amount of compensation paid regardless of the return, and tying a portion of the compensation to the outperformance of all LPL managed portfolios.

#### Supervision

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

#### Barry Seth Gilbert

##### Educational Background and Business Experience

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

##### Disciplinary Information

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

##### Other Business Activities

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

##### Additional Compensation

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

#### Supervision

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

#### Marcus Ehlers

##### Educational Background and Business Experience

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



## **ACCOUNT PACKET**

# **STRATEGIC ASSET MANAGEMENT (SAM) PROGRAMS - PROGRAM FORM BROCHURE**

### **Disciplinary Information**

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

### **Other Business Activities**

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

### **Additional Compensation**

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

### **Supervision**

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

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# WORKING WITH AN LPL FINANCIAL ADVISOR

## The Choice Between Advisory Services and Brokerage Services

LPL Financial is a registered investment advisor and a broker/dealer, which means that an LPL advisor can offer you both investment advisory and brokerage services. We want to make sure you're aware of some of the important considerations to take into account when deciding which type of service best serves your investment goals and needs.

### What It Means to Work with an LPL Advisor in an Advisory Relationship

LPL is an investment advisor registered with the Securities and Exchange Commission (SEC) under the Investment Advisers Act of 1940. As an investment advisor, LPL has a fiduciary responsibility to its advisory clients and, therefore, is obligated to act in the best interests of clients and make full and fair disclosure of all material conflicts of interest. LPL advisors offer a number of investment advisory programs and services, including discretionary programs such as Strategic Asset Management (SAM), Model Wealth Portfolios (MWP), Guided Wealth Portfolios (GWP), and Personal Wealth Portfolios (PWP); mutual fund asset allocation programs such as Optimum Market Portfolios (OMP); and planning services.

Under LPL's investment advisory programs and mutual fund asset allocation programs, LPL advisors provide ongoing investment advice and monitoring of client portfolios. These services may be on a discretionary basis, which means you don't need to direct your advisor to make trades, rebalance your portfolio, or make other investment decisions for your account. For such services, clients pay LPL a fee for investment management, brokerage, custody, and administrative services. The fee, which is negotiated between the LPL advisor and client, is typically a percentage fee based on the value of the assets in the account. These ongoing services and fees are set out in the Investment Advisory Agreement between LPL and the client, which the client can terminate at any time.

As an alternative, or in addition to ongoing investment advice in an advisory program, clients may engage with an LPL advisor for planning services. The client pays a flat fee or hourly fee for this type of service, which is not ongoing.

As noted above, when LPL acts as an investment advisor, it's required to disclose all material conflicts of interest between LPL and its advisory clients. At the time of

engagement, advisory clients receive a Form ADV disclosure brochure that contains important information about LPL and the LPL advisor, the advisory services to be provided, the fees to be paid for such services, and material conflicts of interest. Such disclosure brochures may be obtained by visiting [www.lpl.com](http://www.lpl.com) and selecting "Disclosures," then "LPL Financial Firm Brochure and Program Forms for Advisory Services." When considering whether to engage an LPL advisor, it's important that you carefully read the account agreements and disclosures that are provided to you.

### What It Means to Work with an LPL Advisor in a Brokerage Relationship

LPL is also a broker/dealer registered with the SEC and a member of the Financial Industry Regulatory Authority (FINRA). In addition, LPL is registered as a broker/dealer with each of the 50 states. As a broker/dealer, LPL includes the following services:

- Taking customer orders and executing securities transactions
- Making recommendations to buy, sell, or hold securities
- Custodial services

Unlike an investment advisory relationship in which clients pay an ongoing asset-based fee, in a brokerage relationship, clients typically pay a commission to LPL on each transaction in the account. Clients don't pay commissions in an advisory relationship. The amount of the commission in a brokerage relationship varies depending on the security or investment product selected by the client. For mutual funds, the commission or sales load is typically paid up front, is charged directly against the investment, and is based on the amount of assets invested. For example, if you have \$1,000 and want to invest it in a mutual fund Class A share with a 5% front-end load through a brokerage



relationship, the \$50 sales charge you must pay comes off the top, and the remaining \$950 is invested in the fund. Mutual funds typically offer multiple share classes that have different fees and expenses and pay brokers in different ways. The applicable sales charge is described in the prospectus or other offering document of the investment product provided to the client in connection with the investment. As a broker/dealer, LPL receives other types of fees and compensation, such as trail payments (also called 12b-1 fees) and markups.

When LPL acts as a broker/dealer, it has a duty to deal fairly with its brokerage clients. When an LPL advisor makes a recommendation about a security in a brokerage relationship, LPL has an obligation to determine that the recommendation is suitable for the client based on the client's stated investment objective, risk tolerance, tax status, and other information provided by the client. Unlike an investment advisory program account, the LPL advisor does not have a duty to provide ongoing investment advice with respect to a brokerage account. LPL does not take discretion from its brokerage clients; in other words, LPL will place transactions for its brokerage clients only upon direction from the client. LPL's obligation to disclose detailed information to clients about the nature and scope of its business, fees, conflicts of interest, and other matters is more limited than in the context of an investment advisory relationship.

### Important Things to Consider When Deciding Between an Investment Advisory or Brokerage Relationship

Here are some questions you may wish to ask yourself when deciding whether to work with an LPL advisor in an advisory or brokerage relationship:

- **Do you want or need an advisor to manage your investment portfolio?** If so, an advisory relationship may be the right choice.
- **Do you prefer, instead, to make the investment decisions yourself and are you looking for the advisor to just execute on your orders?** If so, a brokerage relationship may be the right choice.

- **Do you want to engage an advisor in a fiduciary capacity with a duty to provide you ongoing investment services?** If so, an advisory relationship may be the right choice.
- **Do you desire, instead, only occasional advice or recommendations on particular investments from an advisor?** If so, a brokerage relationship may be the right choice.
- **What do you expect will be the number and size of the holdings and transactions in your portfolio?** If you plan to hold a number of securities and to be transacting and rebalancing the portfolio on a frequent basis, an advisory account may be the right choice. However, if you plan to buy only a few securities and follow a buy-and-hold strategy for a long period of time without ongoing advice from an advisor, a brokerage relationship may be the right choice.
- **Do you wish to work with an advisor where the fee is consistent, and not tied to the number or types of transactions in the account?** If so, an advisory relationship may be the right choice.
- **Do you prefer, instead, to pay your advisor for each transaction that you place?** If so, a brokerage relationship may be the right choice.

In some cases, an advisory relationship may cost you more than a brokerage relationship. However, in other cases, a brokerage relationship may cost you more. The questions and information above will help you determine what level of service and pricing structure is appropriate for you. Keep in mind that your needs and goals may change over time, and how you transact business with your advisor may change as well. Therefore, this should be a topic you review with your advisor over the course of your relationship. If you have any questions about the differences between an advisory and brokerage relationship, ask your LPL advisor, who is a valuable resource to help you make the investment decisions that are best for you.

For more information regarding the services provided by LPL, please see the documents available at <https://lplfinancial.lpl.com/disclosures/>

To the extent you are receiving investment advice from a separately registered independent investment advisor, please note that LPL Financial is not an affiliate of and makes no representation with respect to such entity.

Not FDIC/NCUA Insured	Not Bank/Credit Union Guaranteed	May Lose Value	Not Guaranteed by Any Government Agency	Not a Bank/Credit Union Deposit
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This piece is intended for use with retail and institutional accounts. Retirement plan accounts may be subject to other considerations.

Securities and Advisory services offered through LPL. A registered investment advisor. Member FINRA/SIPC.

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