

STRATEGIC ASSET MANAGEMENT (SAM) PROGRAMS PROGRAM FORM BROCHURE

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

Additional information about LPL also is available on the SEC’s website at www.adviserinfo.sec.gov.

ITEM 1 COVER PAGE

ITEM 2 MATERIAL CHANGES

The following is a summary of certain changes made to this Brochure from the time of the annual update of the Brochure dated March 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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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. 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 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 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.



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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. 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 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.



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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 "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.



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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.

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.



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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 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.



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- 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 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.

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.



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- *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.

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.



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- *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 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



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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 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



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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 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-



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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.

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:



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- 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).
- 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).



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- 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 or FINRA BrokerCheck at www.finra.org.

Other Financial Industry Activities and Affiliations

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



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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.

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.

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



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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 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 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, 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



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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 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.



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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 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



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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.

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.



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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:

- 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.



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

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

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 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



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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 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.



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Brochure Supplements

Accompanying this Brochure are Brochure Supplements for individual employees or officers of LPL. Note that although these individuals are responsible for investment advice provided by LPL and may meet with clients from time to time, they are not 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 lpifinancial.adv@lpl.com.



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BROCHURE SUPPLEMENTS

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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.

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.

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.



STRATEGIC ASSET MANAGEMENT (SAM) PROGRAMS - PROGRAM FORM BROCHURE

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 certain portfolios over others. However, LPL mitigates this conflict by basing the bonus calculation on short and long-term



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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.



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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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