LPL RESEARCH

CASH & BANKING

# LPL FINANCIAL
# DEPOSIT CASH ACCOUNT
# PROGRAM DISCLOSURE BOOKLET

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# BASICS OF THE PROGRAM

Welcome to the LPL Financial (LPL) Deposit Cash Account (DCA) program. Under the LPL DCA program, available cash balances (from securities transactions, dividend and interest payments, cash deposits, and other activities) in your eligible accounts will automatically be deposited (which we refer to as sweeping) into interest-bearing Federal Deposit Insurance Corporation (FDIC) insured deposit accounts (Deposit Accounts) at one or more of the banks or other depository institutions set forth on the LPL DCA Available Bank List (ABL) (each referred to through the rest of this document simply as a Bank).

The key elements detailed in the remainder of this document are:

- What accounts are eligible
- What is deposit insurance
- What are anticipated interest rates and fees
- What is the DCA Available Bank List (ABL)
- What are available alternatives
- What happens when there is insufficient capacity in the Banks on the DCA ABL
- Where to find further information on the program today and in the future

# WHAT ACCOUNTS ARE ELIGIBLE

The DCA program is available only to individual retirement accounts (IRAs) subject to Section 4975 of the Internal Revenue Code in certain LPL advisory programs. This would include traditional, rollover, Roth, and inherited IRAs, and Coverdell education savings accounts (ESA) held by an eligible person. Plans and IRAs that are subject to the Employee Retirement Income Security Act (ERISA) (including certain SEP and SIMPLE IRAs) are not permitted to use the LPL DCA program. LPL may at its discretion deem an eligible person or account to be an ineligible account or person if LPL becomes aware that the person or account is prohibited as a matter of law from holding funds at any Bank. Cash from all eligible accounts is swept to omnibus accounts at each Bank by LPL acting as your agent.

Eligible accounts are those IRAs in select advisory platforms:

- Strategic Asset Management
- Manager Select
- Manager Access Select
- Optimum Market Portfolios—Advisory
- Model Wealth Portfolios
- Personal Wealth Portfolios

For details on this process, please reference the *Account opening and management: Operational details* section, located in the Appendix on page 9.

Each Deposit Account constitutes a direct obligation of the Bank and is not directly or indirectly an obligation of LPL. You can obtain publicly available financial information concerning each Bank at www.ffiec.gov/nicpubweb/nicweb/nichome.aspx or by contacting the FDIC Public Information Center by mail at 3501 North Fairfax Drive, Room E-1005, Arlington, VA 22226, by email publicinfo@fdic.gov, or by phone at (877) 275-3342. LPL does not guarantee in any way the financial condition of the Banks or the accuracy of any publicly available financial information concerning such Banks. LPL is not responsible for any insured or uninsured portion of a Deposit Account.

# WHAT IS DEPOSIT INSURANCE

The funds swept to Banks through the DCA program are eligible for insurance by the FDIC, an independent agency of the U.S. government, up to $250,000 in principal and accrued interest per depositor for each FDIC-defined ownership category in an individual Bank. Different FDIC-defined ownership categories include: brokerage accounts, trust accounts, IRAs (including traditional, Roth, rollover, and inherited IRAs and ESAs), and certain other retirement accounts. Any deposits, including certificates of deposit that you maintain directly with a Bank or through an intermediary (such as LPL or another broker-dealer) in the applicable FDIC-defined ownership category will be aggregated with your funds from the DCA program held at the Bank for purposes of the $250,000 limit. This is why it is important that you monitor the assets you have at all Banks and notify your advisor if you want to designate a Bank as ineligible to receive funds through the LPL DCA Program. (Please see the *What is the DCA Available Bank List* section on page 6 for more details.)

As your agent, LPL will sweep assets out of your LPL account and into a single Bank (the "Intermediary Receiving Bank") and then to the Banks on the ABL. The assets are swept into an omnibus Deposit Account held for the benefit of all LPL DCA clients whose assets are located at a given Bank on the ABL. The third-party administrator will instruct LPL to allocate up to $249,000 of your available account's cash in any one Bank. As your agent, LPL will allocate your account's cash in excess of $249,000 to omnibus Deposit Accounts at additional Banks so that funds in excess of $249,000 will also be eligible for deposit insurance.

On any business day when your account's assets are transferred, all of your account's assets will be held temporarily at Intermediary Receiving Bank. As a result, your account's assets over $250,000 may be temporarily uninsured at this time. Once distributed to other Banks on the ABL, your account's assets will be insured up to the current program maximum deposit insurance.. To view the current program maximum deposit insurance visit the DCA Interest Rate page on LPL.com. The third-party administrator of the LPL DCA program has adopted procedures to ensure the movement of assets in a timely manner and expects that your assets will be transferred by the close of business each day. In the unlikely event of a failure of wire transfer systems or communication facilities, your assets could remain at the Intermediary Receiving Bank until the next business day.

We will allocate and deposit your account's funds as your agent to multiple Banks on the ABL to obtain up to the current program maximum of deposit insurance for your account's cash balances. After that current program maximum is reached, your account's additional cash will be swept to a money market mutual fund (which is not FDIC insured). For more details, please reference the *What are available alternatives* section on page 6. Please note, you will not have a direct account relationship with any of the Banks. LPL, as your agent, will establish these omnibus Deposit Accounts at the Bank(s) and make deposits to and withdrawals from the Deposit Accounts.

## When accounts transfer ownership

If you become the owner of deposits at a Bank because another depositor dies, beginning six months after the death of the original depositor the FDIC will aggregate those deposits for purposes of the $250,000 limit with any other deposits that you own in the same FDIC-defined ownership category at the Bank. The FDIC provides the six-month grace period to permit you to restructure your deposits to obtain the maximum amount of deposit insurance for which you are eligible.

If Deposit Accounts or other deposits at the Bank are assumed by another depository institution pursuant to a merger or consolidation, such deposits will continue to be separately insured from the deposits that you might have established with the acquirer until:

(i) the maturity date of the certificates of deposit or other time deposits which were assumed, or
(ii) with respect to deposits which are not time deposits, the expiration of a six-month period from the date of the acquisition.

Thereafter, any assumed deposits will be aggregated with your existing deposits with the acquirer held in the same FDIC- defined ownership category.

## If insurance becomes necessary

In the event that federal deposit insurance payments become necessary, payments of principal plus unpaid and accrued interest will be made to you. There is no specific time period during which the FDIC must make insurance payments available. Furthermore, you may be required to provide certain documentation to the FDIC and LPL before insurance payments are made.

# WHAT ARE ANTICIPATED INTEREST RATES AND FEES

## Interest rates

Your account will receive the same interest rates on all funds regardless of the Bank in which cash from your account is deposited. Interest will accrue daily on balances from the day funds are deposited into a Bank through the business day preceding the date of withdrawal from that Bank. Interest will be compounded daily and credited monthly. If you close your account during a month, your account will be credited the pro-rata amount of interest due by LPL and LPL will recoup the amount of this partial month interest payment from the Bank(s) at the close of the month as described in the Appendix.

The interest rates payable under the LPL DCA program are determined by the amount the Banks are willing to pay minus the fees paid to LPL and other parties (detailed below). The interest rates accruing on your account's funds may change as frequently as daily without prior notice. The most up-to-date interest rates are found on lplfinancial.lpl.com/disclosures.

The interest rates paid by a Bank may be higher or lower than the interest rates available to depositors making deposits directly with the Bank or other depository institutions in comparable accounts and for investments in money market mutual funds and other cash equivalent investments available through LPL. You should compare the terms, interest rates, required minimum amounts, and other features of the LPL DCA program with other accounts and alternative investments.

## Fees

Under the LPL DCA program, each Bank will pay an amount equal to a percentage of the average daily aggregated omnibus deposit balance. This amount includes the fee for the third-party administrator, LPL's fees, and interest payable to participating accounts. Different Banks may pay different amounts. You will have no rights to the amounts paid by the Banks, except for interest actually credited to your account, as described above. However, amounts collected from the Banks during each period, less interest credited, will be allocated on a per dollar per account basis and used to offset your monthly LPL account fee, as discussed more fully below, for providing the sweep services. In addition, part of the payment by the Banks will be used to compensate the third-party administrator for its services.

For its services, the third-party administrator will charge an asset-based fee. This fee may vary period to period based on changes in prevailing interest rates and the average daily balance of accounts participating in the LPL DCA program during the period. Moreover, the administrator may, from time to time, temporarily reduce its fees during certain periods, such as when necessary to help ensure that the interest rates paid by the Banks during the period equal the applicable disclosed rate for the period. Under such circumstances, the administrator is authorized to recover any such reduced fees, subject to its targeted compensation rate, from future periods. You authorize and direct the third-party administrator to deduct its fees for its services from the amounts paid by the Banks. Based on the calculation method set forth below, the third-party administrator will calculate the fees due to LPL.

For its services under the LPL DCA program, including making the platform available, LPL receives a per account fee each month as outlined in the below "DCA Fee Schedule", however LPL reserves the right to reduce its fee in months having less than 31 days. LPL's compensation under the LPL DCA program does not vary, and is not affected by the actual amounts held in the Deposit Accounts or in your account. As provided for below, the LPL DCA program account fee schedule will be indexed to the current Federal Funds Target (FFT) Rate. Under the fee schedule, increases in the Federal Funds Target Rate will result in increased compensation for LPL. LPL can change the applicable fee schedule upon 30 days advance notice to you. Although it is generally anticipated that LPL's fees under the LPL DCA program will be offset by the amounts paid by the Banks, as discussed above, and you hereby direct the third-party administrator to collect such fees from the Bank and remit such amounts over to LPL, LPL reserves the right to withdraw the monthly account fee, or portion thereof, in the event or to the extent that the amount received from the Banks and paid over to LPL by the third party administrator for the period is less than LPL's fee for the same period.

The FFT Rate used to calculate LPL's per account fee can be expressed as either a single value or a range of values. When the FFT Rate is expressed as a single value, then FFT for purposes of the calculations will equal such value. In time periods, where the FFT Rate is represented as a range, then the FFT for purposes of the above calculations will equal the midpoint of such range rounded to the nearest basis point.

The current FFT Rate can be found here: http://www.federalreserve.gov/monetarypolicy/openmarket.htm. If an account is opened during a month, the monthly fee will be pro-rated for the portion of the month the account was funded.

### DCA Fee Schedule

| DCA Fee Schedule (Effective August 15, 2018) | |
|---|---|
| Fed Funds Target (bps) | LPL Monthly Account Fee |
| 0 – 25 | $2.00 |
| 25 – 50 | $4.00 |
| 50 – 75 | $6.00 |
| 75 – 100 | $8.00 |
| 100 – 125 | $10.00 |
| 125 – 150 | $12.00 |
| 150 – 175 | $13.25 |
| 175 – 200 | $14.50 |
| 200 – 225 | $15.75 |
| 225 – 250 | $17.00 |
| 250 – 275 | $18.25 |
| 275 – 300 | $19.50 |
| 300 – 325 | $20.75 |
| 325 – 350 | $22.00 |
| 350 – 375 | $23.25 |
| 375 – 400 | $24.50 |

The monthly per account fee will not generally be seen on your statement due to the manner in which LPL recoups its fee from the Bank payments, as discussed above. Financial advisors do not receive any of the fees received by LPL from the Banks. The LPL DCA program fees may be greater than the fees LPL receives from other sweep investment options. Other than the above stated LPL Monthly Account Fee, there will be no charges, fees, or commissions received by LPL with respect to the LPL DCA program.

## WHAT IS THE DCA AVAILABLE BANK LIST (ABL)

The DCA Available Bank List is a list of available Banks into which your funds may be deposited and is available from your financial advisor and on lplfinancial.lpl.com/disclosures. The Banks appear in alphabetical order and your cash may be allocated to any bank on the list at any point in time. For each Bank on the ABL, LPL as your agent will ensure that your LPL DCA Program sweep deposits do not exceed the $250,000 FDIC-defined ownership category limits. Note, however, that if you hold deposits at a Bank on the ABL outside of the LPL DCA program, your total deposits at such bank may exceed the $250,000 FDIC limit. As described below, you can contact your advisor to designate any of the ABL Banks as ineligible to receive LPL DCA Program funds to prevent this from occurring.

You may not designate which Banks on the ABL receive your account's funds. However, you may, at any time, designate a Bank as ineligible to receive funds. This will result in funds not being deposited into this bank or if already there, we will remove your account's funds from that Bank and designate the Bank as ineligible to receive future deposits. Unless you direct us to place your account's funds in a different investment, the funds deposited in eliminated Banks will be deposited in any Bank with capacity set forth on the ABL, as amended by you. To make these amendments, you need to inform your financial advisor.

You should review the ABL carefully. If you already have funds at any Bank on the ABL, please notify your financial advisor to designate that Bank as ineligible as detailed above so that no additional funds are allocated through this program to that Bank, which should help to avoid deposits in that Bank exceeding your FDIC-defined ownership category insurance limits. You are responsible for monitoring the total amount of deposits that you have at a Bank to determine the amount of FDIC insurance you may have available to you.

On the ABL, Banks may be added, removed, or the order of the priority sequence may change. If we make a change to the

ABL, in general, you will receive prior notification of changes. However, under certain limited circumstances prior notification may not be possible. We will provide you with notice of such changes as soon as practicable. When changes are made, we will update the ABL located on lplfinancial.lpl.com/disclosures in real time and provide the most up-to-date version of the ABL in your statement at the time your statement is generated.

If a Bank at which you have funds is no longer available through the DCA program, you may choose to establish a direct depository relationship with the Bank, subject to its rules with respect to establishing and maintaining deposit accounts. If you choose not to establish a direct depository relationship with the Bank, your funds will be transferred to an available Bank set forth on the Available Bank List. As discussed in the appendix, any deposit account you establish directly in your name at a bank will be separate from the Deposit Accounts available through the LPL DCA Program, and deposits in such accounts will no longer be reflected in your account statement and LPL will have no further responsibility concerning the deposit account.

# WHAT HAPPENS WHEN THERE IS INSUFFICIENT CAPACITY

The ability of the LPL DCA program to sweep your account's uninvested cash into Bank deposit accounts depends, however, on the capacity of the Banks to accept new deposits. If during our sweep process at the end of each day, your account's cash cannot be fully deposited into any participating Bank, it will be automatically invested into a money market mutual fund the following business day just as it would be when your available cash exceeds the maximum level of available deposit insurance detailed earlier. When Bank capacity is restored, your account's funds are automatically moved from the money market mutual fund into deposit accounts with the available Bank(s), subject to the $250,000 and current program maximum deposit insurance described above.

# WHAT ARE AVAILABLE ALTERNATIVES

If your account is LPL DCA program eligible, but you do not wish to have your account's available cash swept into the LPL DCA program, you may contact your financial advisor for assistance with one of the available alternatives laid out below. Please note that none of the alternatives listed below provide FDIC insurance for your cash.

## Specific alternatives

**Alternative 1: Sweep to an IRA-oriented money market mutual fund**

*Requirements: Minimum of $500 cash balance*

A list of available money market mutual funds may be obtained from your advisor.

**Alternative 2: Turn off the automatic sweep option**

*Requirements: Not a centrally-managed account*

If you elect not to have available cash swept into a sweep investment, this means your account's available cash will not be invested (and therefore will not earn income) unless you give your financial advisor a direction to invest a specific amount of your account's funds in an available money market mutual fund, certificate of deposit, or other investment available through LPL. If you go this route, and you do not have sufficient cash to cover a debit from your account, you or your financial advisor would need to liquidate separately purchased money market mutual fund holdings or other securities to cover the required debits.

## Overarching details about DCA alternatives

Please note, if you maintain an eligible centrally-managed automatically rebalanced account (i.e., Optimum Market Portfolios, Model Wealth Portfolios or Personal Wealth Portfolios), because of the systematic functionality associated with these accounts, the LPL DCA program is the only option. The only exception is accounts that have been grandfathered into a money market mutual fund because they were in money market mutual funds before DCA was established.

If you choose to invest in a money market mutual fund instead of the LPL DCA program, please make sure you understand the details of those investments. For more complete information about any money market mutual fund, including all yields, charges, and expenses, please contact your financial advisor for a free prospectus. Read the prospectus carefully before you invest or send money. Additionally, please know that money market mutual funds are not guaranteed or insured by the FDIC. Although money market mutual funds seek to preserve a net asset value of $1.00 per share, there is no guarantee that this will occur. Money market mutual funds are eligible for SIPC coverage.

### SIPC coverage

SIPC is a non-profit membership corporation created by the Securities Investor Protection Act of 1970, funded primarily by its member securities brokerage firms registered with the U.S. Securities and Exchange Commission. SIPC provides protection against custodial risk to clients of securities brokerage firms, like LPL, in the event such firms become insolvent. Unlike FDIC insurance, SIPC does not insure against the loss of your investment. Nor does SIPC insurance insure the quality of investments or protect against a decline or fluctuations in the value of your investment. SIPC protects each client's securities and cash held in a client's brokerage account at an insolvent brokerage firm. SIPC protects against the loss of customer securities and cash up to a total of $500,000 (including a maximum of $250,000 for claims for uninvested cash awaiting investment) per customer in each separate capacity under SIPC rules. Additionally, LPL Financial accounts have additional securities protection to cover the net equity of customer accounts up to an overall aggregate firm limit of $575,000,000 subject to conditions and limitations. If you have questions about SIPC coverage and additional SIPC-like coverage, please contact your financial advisor or visit our website at http://lplfinancial.lpl.com/disclosures.htm. For more information on SIPC, including obtaining an explanatory brochure, please contact SIPC at (202) 371-8300 or www.sipc.org.

## WHERE TO FIND FURTHER INFORMATION

Transactions and activity with respect to your funds will appear on your periodic account statement. For each statement period, your account statement will reflect:

- Deposits to and withdrawals on your behalf into the omnibus Deposit Accounts
- The closing balance of your funds in the omnibus Deposit Accounts at each Bank
- Interest earned on your DCA cash sweep balances

Please note that the Banks where your cash is swept may change at any time during a month—your statement will reflect which Banks hold your cash as of the date of the statement. Your financial advisor can assist you if you have any questions about how your account statement reflects your balances at each Bank. You may obtain additional information about your account's funds by calling your financial advisor or, if applicable, by accessing your account through LPL AccountView. If you have not subscribed to LPL AccountView and wish to do so, please contact your financial advisor to subscribe.

All notices from LPL detailed in this document may be made by means of a letter, an entry on or insert with your account statement, or an entry on a trade confirmation or by other means. Many pieces of information are also found on lpl.com.

**Investment in a money market mutual fund is not insured or guaranteed by the Federal Deposit Insurance Corporation (FDIC) or any other government agency. Although the fund seeks to preserve the value of your investment at $1.00 per share, it is possible to lose money by investing in the fund.**

# APPENDIX

Included in this Appendix are additional details on several concepts discussed within the brochure.

## Account opening and management: Operational details

When sweeping cash to Banks under the LPL DCA program, an omnibus account is established at each Bank on the ABL on behalf of your account and the accounts of other LPL clients under the program: either a money market deposit account (MMDA), which is a type of savings deposit, or a demand deposit account (DDA). The MMDAs and DDAs are non-transferable.

Deposit Account ownership will be evidenced by a book entry on the account records of each Bank showing the Deposit Account as an agency account held by LPL for the benefit of your account and the accounts of other LPL customers and by records maintained by LPL as your agent. No evidence of ownership, such as a passbook or certificate, will be issued to you. Your account statements will reflect your balances at the Banks. You should retain the account statements for your records. You may at any time obtain information about your account's funds by contacting your financial advisor. The Banks will not provide you with information or accept instructions from you with respect to your account's funds in the omnibus Deposit Account that have been established by LPL on your behalf through this program.

Your account's funds may be placed at any Bank on the ABL. Your account's assets are placed in a given Bank based upon our third-party administrator's allocation algorithm. This is a non-discretionary allocation methodology that provides that at the open of each business day, the Banks on the ABL are ranked according to the following objective process and, accordingly, our administrator does not intend to be a fiduciary in conjunction with the allocation:

- Each Bank is initially priority ranked according to the amount of stated capacity that it has available to accept deposits for that day (this is referred to as the Bank's "target level"). Under this ranking process, the Bank with the greatest target level is ranked first, the Bank with the second greatest target level is ranked second, and so on; and The initial priority ranking shall be adjusted, as needed, to take into account Bank-specific conditions that may, pursuant to the terms of its participation agreement and certain regulatory requirements, restrict its ability to receive individual client deposits below certain minimum dollar amounts (e.g., only deposits of $100,000 or more per individual depositor may be accepted).

With respect to the above adjustment, Banks that require specific deposit minimums per individual depositor will be moved to the top of the priority ranking, based first on the dollar amount of such individual depositor minimum, and then based on the target level, each by descending amounts. The initial ranking as so adjusted for each business day is referred to as that business day's "Deposit Allocation Ranking" (DAR).

Once established, your account's swept cash is allocated (and re-allocated), each business day, to the Banks on the ABL according to the current DAR, subject to (i) your individual Bank opt-out requests you asked your advisor to submit on your behalf, (ii) the Bank's individual depositor minimum, where applicable and (iii) the Bank's stated capacity. Your swept cash is allocated to the Banks individually, based on deposit size, in descending order. Accordingly, larger deposits will be processed and allocated before smaller balances.

With respect to the allocation of your account's swept cash, the first Bank in the DAR for any business day will receive your cash first until such Bank holds an amount of your cash not to exceed $249,000. To the extent that your account has allocable cash in excess of $249,000, it is then allocated to the second Bank in the DAR, and this process is continued until all cash is allocated or the FDIC insurance limit is reached. To the extent that a Bank has already received deposits up to such Bank's target level, or to the extent the level of your account cash deposits is insufficient to satisfy a Bank's per individual depositor minimum deposit requirements, such Bank will be skipped when allocating your account's cash, and your account's cash will be allocated to the next Bank in the DAR. Any Bank as to which you have exercised your opt-out rights will also be skipped.

After the current program maximum deposit insurance limit has been reached in the last Bank, any excess funds will be deposited in a money market mutual fund. As your agent, LPL will deposit available cash balances in the MMDA or DDA at each Bank as set forth above. All withdrawals will be made from the MMDA or DDA at a Bank by LPL as your agent.

If you decide to terminate your account's participation in the LPL DCA program sweep option, you may establish a direct relationship with each Bank by making a request to the Bank to establish a deposit account in your name (or the name of your IRA), subject to each Bank's rules with respect to establishing and maintaining deposit accounts. Once that is done, you would contact LPL and request a transfer of the funds in the LPL DCA Program into your individual deposit account.
Deposit accounts established directly in your name at a Bank will be separate from the Deposit Accounts available through the LPL DCA Program. If you establish a direct depository relationship with a Bank, the deposit account will no longer be reflected in your account statement and LPL will have no further responsibility concerning the deposit account.

Additionally, if you decide to terminate your participation in the LPL DCA program at a time between interest payments, LPL will advance the amount of interest due to you. This process is for administrative convenience for you and LPL and avoids the need to make a separate payment to you at a later time. Your account will not be charged interest on such advanced amount, nor will any of your account's assets serve as a security for repayment of the advance. Thus, the amount advanced will effectively be treated like an interest-free, unsecured loan from LPL to your account, recouped only out of the subsequent interest payments received from the Banks.

<u>Taxes</u>
For most clients, interest earned on deposits in the Deposit Accounts will generally not be taxed in the year earned. Tax interest earned by your IRA is generally not taxed until you take a distribution, and may not be subject tax if your IRA is a Roth IRA, subject to certain conditions. You should consult with your tax advisor about how the LPL DCA program affects you.

<u>Federal regulations</u>
Federal banking regulations limit the transfers from an MMDA to a total of six (6) during a monthly statement cycle. However, the program is administered so that the limits on MMDA transfers will not limit the number of withdrawals you can make from your DCA program funds, the interest you earn, or the amount of FDIC insurance coverage for which you are eligible.

Due to federal banking regulations, each Bank reserves the right on MMDAs to require seven business days' prior notice before you withdraw cash balances from your Deposit Accounts. The Banks have informed us that they do not currently intend to exercise this right. So long as this right is not exercised, your ability to access funds, including the ability to write checks against your account, should not be impacted.

## FDIC insurance: Details and examples

The application of the $250,000 federal deposit insurance limitation is illustrated by several common factual situations discussed below.

<u>Non-retirement accounts</u>
*Individual Customer Accounts:* Funds owned by an individual and held in an account in the name of an agent or nominee of such individual (such as the Deposit Accounts held through LPL) are not treated as owned by the agent or nominee, but are added to other deposits of such individual held in the same capacity (including funds held in a sole proprietorship) and are insured up to $250,000 in the aggregate.

*Custodial Accounts:* Funds in accounts held by a custodian are not treated as owned by the custodian, but are added to other deposits of the minor or other beneficiary held in the same insurable capacity and are insured up to $250,000 in the aggregate.

*Joint Accounts:* An individual's interest in funds in all accounts held under any form of joint ownership valid under applicable state law (what we refer to as a joint account) may be insured up to $250,000 in the aggregate, separately and in addition to the $250,000 allowed on other deposits individually owned by any of the co-owners of such accounts. For example, a joint account owned by two persons would be eligible for insurance coverage of up to $500,000 ($250,000 for each person), subject to aggregation with each owner's interests in other joint accounts at the same depository institution.

Joint accounts will be insured separately from individually owned accounts only if each of the co-owners is an individual person and has a right of withdrawal on the same basis as the other co-owners.

*Revocable Trust Accounts:* Deposits at any one Bank held in a revocable trust are generally insured up to $250,000 per beneficiary if the beneficiary is a natural person, charity, or other non-profit organization. There are two types of revocable trusts recognized by the FDIC: informal and formal. Informal revocable trusts include accounts in which the owner evidences intent that at his or her death the funds shall belong to one or more specified beneficiaries. These trusts may be referred to as a Totten trust account, payable upon death account or transfer on death account. Each beneficiary must be included in the account records of LPL. Formal revocable trusts are written trust arrangements in which the owner retains ownership and control of the assets and designation of beneficiaries during his or her lifetime. The trusts may be referred to as living or family trusts. The beneficiaries of a formal revocable trust do not need to be included in the account records of LPL. Under the FDIC rules, FDIC coverage will be $250,000 per beneficiary, multiplied by the number of beneficiaries, regardless of the proportional interest of each beneficiary in the revocable trust, if the trust has $1,250,000 or less in deposits at any one Bank. If the trust has more than $1,250,000 in deposits at any one Bank and more than five beneficiaries, the funds will be insured for the greater of $1,250,000 or the aggregate amount of all beneficiaries' proportional interest, limited to $250,000 per beneficiary. Deposits in all revocable trusts of the same owner—informal and formal—at the same Bank will be aggregated for insurance purposes. A revocable trust established by two owners where the owners are the sole beneficiaries will be treated as a Joint Account under applicable rules and will be aggregated with other Joint Accounts.

*Irrevocable Trust Accounts:* Deposits of any one Bank held pursuant to one or more irrevocable trust agreements created by the same grantor (as determined under applicable state law) will be insured for up to $250,000 for the interest of each beneficiary provided that the beneficiary's interest in the account is non-contingent (i.e., capable of determination without evaluation of contingencies).

Retirement accounts

You may have interests in various retirement plans and accounts that have placed deposits in accounts at the Banks. The amount of deposit insurance you will be entitled to, including whether the deposits held by the retirement plan or account will be considered separately or aggregated with the deposits of the same Bank held by other retirement plans or accounts, will vary depending on the type of retirement plan or account. It is therefore important to understand the type of retirement plan or account holding the deposits.

*IRAs and other Self-Directed Retirement Accounts:* IRAs (including Roth IRAs), self-directed Keogh accounts, and certain other self-directed retirement accounts (such as government-sponsored 457 plans and private employer-sponsored 401(k) plans) are insured up to $250,000 per depositor. Each person's deposits in self-directed retirement accounts at the same Bank are added together and insured up to $250,000, separately from any retirement accounts that are not self-directed and any non-retirement accounts.

*Pass-through Deposit Insurance for Employee Benefit Plan Deposits:* Employee benefit plan accounts are deposits of a pension plan, profit-sharing plan or other employee benefit plan that is not self-directed. Employee benefit plan deposits are insured up to $250,000 for each participant's interest in the plan if certain requirements are met. This coverage is known as pass-through insurance because the insurance coverage passes through the plan administrator to each participant's interest or share. This means that instead of an employee benefit plan's deposits at one Bank being entitled to only $250,000 of insurance in total per Bank, each participant in the employee benefit plan is entitled to insurance of his or her interest in the employee benefit plan's deposits of up to $250,000 per Bank (subject to the aggregation of the participant's interests in different plans, as discussed below). The pass-through insurance provided to an individual as an employee benefit plan participant is in addition to the $250,000 deposit insurance allowed on other deposits held in an individual or other recognized insurance capacity by an individual with the Bank.

A deposit held by an employee benefit plan eligible for pass-through insurance is insured for an amount equal to the number of plan participants multiplied by $250,000. For example, an employee benefit plan owns $550,000 in deposits at one Bank. The employee benefit plan has two participants, one with a vested non-contingent interest of $300,000 and one with a vested non-contingent interest of $250,000. In this case, the employee benefit plan's deposits would be insured up to only $500,000; the individual with the $300,000 interest would be insured up to the $250,000 limit and the individual with the $250,000 interest would be insured up to the full value of such interest.

The contingent interests of employees in an employee benefit plan and overfunded amounts attributed to any employee benefit plan are not insured on a pass-through basis. Contingent interests of an employee in an employee benefit plan deposit are interests that are not capable of evaluation in accordance with FDIC rules, and are aggregated and insured up to $250,000. Similarly, overfunded amounts are insured, in the aggregate for all participants, up to $250,000 separately from the insurance provided for any other funds owned by or attributable to the employer or an employee benefit plan participant.

*Aggregation of Plan and Account Deposits:* Under FDIC regulations, an individual's interests in Plans maintained by the same employer or employee organization (e.g., a union) which are holding deposits of the same institution will be insured up to $250,000 in the aggregate. In addition, under FDIC regulations an individual's interest in the deposits of one Bank held, for example, in (i) an IRA, (ii) government-sponsored 457 plan, (iii) self-directed Keogh plan, or (iv) self-directed defined contribution plan will be insured up to $250,000 in the aggregate, whether or not maintained by the same employer or employee organization.



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