

ICA SWEEP PROGRAM UPDATE

INVESTOR Q&A

Last updated: 6/21/22

LPL investors with accounts eligible for LPL's Insured Cash Account (ICA) program received statement messages in their second-quarter 2022 statement regarding LPL's long-term solution for ICA overflow capacity. Those statement messages are below. Also below are answers to questions you may have.

Q2 2022 Investor Statement Messages

1. Important Changes to the Process for Returning ICA Overflow Balances to Bank Deposits

In April 2021, LPL first notified investors that we would implement a temporary ICA investment alternative for customer cash remaining after exhaustion of our ICA bank deposit capacity ("overflow balances"). Since September 2021, LPL has maintained such overflow balances in the Goldman Sachs Asset Management Government Square Fund ("GSAM"), a money market mutual fund.

We previously told you that we would move overflow balances from GSAM back to bank deposits only when deposit capacity in the banks was sufficient for **all** overflow balances. In an effort to move overflow balances back into banks more quickly, effective August 15, 2022, we're changing our approach and will instead move overflow balances back to the ICA banks **as capacity becomes available**.

2. Important Changes to our Insured Cash Account Sweep Program

In the second half of third-quarter 2022, we'll eliminate the use of GSAM for ICA overflow balances and begin maintaining such cash balances in client accounts at LPL, commonly referred to in our industry as "free credits." We'll refer to these overflow balances as "Client Cash Account" or "CCA." Cash held in the CCA represents a direct liability of LPL to you, and the balances will earn interest at the same rate available under the ICA. The yield paid under the ICA program is typically less than that paid by GSAM; as of May 31, 2022, the ICA yield was 0.01% and the GSAM yield was 0.32%. While GSAM will no longer be available through the ICA overflow, it's available for purchase as referenced below.

LPL is a member of the Securities Investor Protection Corporation ("SIPC"), which protects securities of its members up to \$500,000 (including \$250,000 for claims for cash). Balances maintained in the CCA are eligible for coverage as cash under SIPC, and are not eligible for insurance coverage by the Federal Deposit Insurance Corporation ("FDIC"). An explanatory brochure is available at <https://www.sipc.org/news-and-media/brochures>.

No action is required, as this change will automatically take effect in the second half of third-quarter 2022. You will not have an option for ICA overflow balances being held in CCA. **However, if you do not wish to use ICA as your sweep option, please contact your financial professional to discuss the following options: (1) holding all cash as uninvested free credit balances, with funds being eligible to receive interest, (2) using your cash to invest in other securities, such as money market mutual funds or certificates of deposit (GSAM and other money market mutual fund options remain available for purchase outside of ICA), or (3) withdrawing your cash balance.**

To learn more about these changes and the ICA program, along with detailed information on FDIC and SIPC insurance coverage, ICA interest rates, conflicts of interest, and more, please visit

www.lpl.com/disclosures/lpl-financial-fdic-insured-bank-deposit-sweep-programs.html and www.lpl.com/disclosures/sipc-coverage.html. If you have any questions or wish to discuss the options above, please contact your financial professional.

Questions and Answers

Why is LPL implementing this?

In February 2021, LPL implemented the money market overflow as a temporary solution to address systemic bank deposit capacity constraints. Because bank deposits may continue to be constrained for the foreseeable future, LPL is instituting a new long-term process for cash holdings that exceed cash sweep programs' capacity.

How will the new CCA solution work?

When we implement the CCA overflow in the second half of Q3 2022, any investor withdrawals from the ICA program will automatically be taken from money market overflow balances first, second from CCA overflow balances, and last from ICA bank deposit balances. Also, at that time, no further ICA deposits will be made to the money market overflow. Deposits made to the ICA program will be placed in bank deposits if sufficient capacity exists at the time of the deposit, and in the CCA if sufficient bank capacity does not exist. After the implementation, when investors' ICA overflow balances move to CCA, the balances will be reflected on statements and in Account View as part of the "Cash" line item. All of this will occur automatically, with no additional action required by the investor or your financial professional.

Where will I see the new CCA on my statement?

The CCA balance will be reflected in "Cash" balances. "Cash" will include CCA balances and any free credit balances in the account. You will see interest earned on CCA balances in the Account Activity portion of your statement, reflected as Credit Interest. Please see below for examples of where to locate Cash balances and CCA interest paid.

Cash and Cash Equivalents

Description	Interest / Dividend Paid in March	Interest / Dividend Rate ⁴	Current Balance
Cash ⁵			\$149.63
Insured Cash Account ¹			
UBS Bank USA			\$970.20
Truist Bank			\$788.84
US Bank National Association			\$151.59
Total Insured Cash Account	—	0.010%	\$1,910.63
Money Market Funds			
Goldman Sachs Asset Management-Financial Square Government Fund	\$0.09	0.014%	\$7,236.84
Total Money Market Funds			\$7,236.84
Total Cash and Cash Equivalents			\$9,297.10

Account Activity March 1 - March 31, 2022 (Since last statement) Continued

Date	Transaction Type	Description/Security ID	Price(\$) Quantity	Amount
03/15/2022	Cash Dividend	VICTORYSHARES U S EQ INCOME ENH VOLATILITY WTD ETF 031522 680 CDC	— —	\$169.05
03/15/2022	Interest	GOLDMAN SACHS GROUP INC MEDIUM TERM NOTE SURVIVOR OPTION CPN 4.250% DUE 11/15/32 DTD 11/29/12 FC 12/15/12 031522 25,000 38143CAD3	— —	\$88.54
03/15/2022	Interest	GENL ELECTRIC CAP CORP INTERNOTES SURVIVOR OPTION CPN 4.250% DUE 09/15/22 DTD 09/10/10 FC 03/15/11 031522 25,000 36966R7M2	— —	\$531.25
03/16/2022	Sweep (Deposit)*	INSURED CASH ACCOUNT	— —	\$788.84
03/30/2022	Cash Dividend	HARTFORD BALANCED INCOME CL I 033022 1,267.27400 HBLIX	— —	\$113.88
03/30/2022	Dividend Reinvest	HARTFORD BALANCED INCOME CL I REINVEST AT 15.430 HBLIX	— 7.38	(\$113.88)
03/30/2022	Cash Dividend	ISHARES RUSSELL 1000 GROWTH ETF 033022 173 IWF	— —	\$69.67
03/31/2022	Cash Dividend	FIRST TRUST LARGE CAP CORE ALPHADDEX ETF 033122 367 FEX	— —	\$80.19
03/31/2022	Cash Dividend	FIRST TRUST CAP STRENGTH ETF 033122 355 FTCS	— —	\$69.44
03/31/2022	Cash Dividend	GOLDMAN SACHS MONEY MKT FINL SQUARE GOV PREM CL 033122 7.236	— —	\$0.09
03/31/2022	Credit Interest	CLIENT CASH ACCOUNT 033122 355.555	— —	\$35.56
03/31/2022	Sweep (Deposit)*	INSURED CASH ACCOUNT	— —	\$69.67

What do I do if I don't want to use CCA as my sweep overflow?

If you use ICA as your sweep to manage the operational cash in your account, you must use the CCA as the overflow solution. If you do not wish to use ICA as your sweep option, contact your financial professional to discuss the following options:

- Holding all cash as uninvested free credit balances, with funds being eligible to receive interest,
- Using your cash to invest in other securities, such as money market mutual funds or certificates of deposit (GSAM and other money market mutual fund options remain available for purchase outside of ICA), or
- Withdrawing your cash balance.

It's important to discuss cash allocations in your account with your financial professional, particularly if you maintain cash balances for reasons other than operational purposes.

Can I purchase GSAM and/or other money market mutual funds in my LPL account?

Yes. LPL makes several money market mutual funds available for investors to purchase outside of ICA. Our cash sweep programs, including ICA, are designed to provide operational convenience for investors, such as automated transfers to enable cash deposits/withdrawals, trade settlements, and other cash movements, while providing the opportunity to earn interest income at a competitive rate for similar programs. Investors who prioritize higher yields over operational convenience should discuss other options, such as traded money market mutual funds, with their financial professional.

Does LPL have a financial incentive to make this change?

Yes. LPL makes money on the cash that is in the ICA, whether those funds are deposited at ICA Banks, held in GSAM, or, after implementation of this change, in the CCA. LPL has the ability to make more money on the CCA than it made on GSAM because the GSAM fees are capped at 0.45% of the balances and the amount LPL can earn on CCA is uncapped, though dependent on market factors. Please review the [ICA Disclosure Booklet](#) for more information about the compensation LPL earns with respect to balances deposited with ICA banks and in the CCA.

Where can I get more information?

For detailed information on FDIC and SIPC insurance coverage, ICA interest rates, conflicts of interest (including compensation paid to LPL for cash in the ICA and CCA), and more, please visit www.lpl.com/disclosures/lpl-financial-fdic-insured-bank-deposit-sweep-programs.html and www.lpl.com/disclosures/sipc-coverage.html.

An investment in the GSAM, or any money market mutual fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although these Funds seek to preserve the value of your investment at \$1.00 per share, it is possible to lose money by investing in the Funds. To obtain a current prospectus and, if applicable, a summary prospectus, which includes details about the investment objectives, risks, charges, expenses and other important information, [click here](#). This information should be read and considered carefully before investing.

Securities and advisory services offered through LPL Financial (LPL), a registered investment advisor and broker-dealer (member FINRA/SIPC). Insurance products are offered through LPL or its licensed affiliates. To the extent you are receiving investment advice from a separately registered independent investment advisor that is not an LPL Financial affiliate, please note LPL Financial makes no representation with respect to such entity.

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