

# BANKING & LENDING SOLUTIONS

Deposit Cash Account

Disclosure Booklet



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 LPL Financial



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## BASICS OF THE DCA PROGRAM

Welcome to the LPL Financial (LPL) Deposit Cash Account (DCA) program. Under the 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 DCA program Available Bank List (ABL) (referred to through the rest of this document simply as Banks/Bank), subject to Bank deposit capacity as discussed below.

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 program ABL
- What are available alternatives
- What happens when there is insufficient deposit capacity in the Banks on the DCA program ABL
- Where does my cash go
- Where to find further information on the DCA 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, 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 cash at any Bank. LPL acts as your agent when sweeping cash to Deposit Accounts at each Bank on the DCA program ABL.

Eligible accounts are those IRAs in select advisory platforms:

- Strategic Asset Management (except for

retirement accounts with Equitable Advisors)

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

For explicit 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](http://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 at [publicinfo@fdic.gov](mailto: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 cash 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 cash 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 cash deposits you have at all Banks and notify your advisor if you want to designate a Bank as ineligible to receive cash through the DCA Program. (Please see the “What is the DCA Program Available Bank List (ABL)” section on page 7 for more details).

As your agent, LPL will sweep your cash out of your LPL account and into the participating Banks, subject

to certain capacity limits, but not intending to exceed the maximum levels of insurance as defined by the FDIC per category. LPL will limit your total cash deposit under the DCA program at any participating Bank to allow for the monthly interest being applied to your account in an effort to maintain deposit levels that do not exceed the maximum levels of insurance (as defined by the FDIC per category). Should your cash deposits reach the maximum amount of insurance as defined by the FDIC per category, LPL will continue to place cash with other participating Banks to provide the maximum deposit insurance limits established for the DCA program, subject to the capacity limits of such Banks. The maximum FDIC insurance offered through the DCA program is \$2,500,000 per individual, which assumes that you hold no FDIC-insured deposits at a Bank other than through the DCA program and that all Banks have capacity to accept additional deposits. Note that cash held uninvested or invested in a money market mutual fund, as discussed more fully below, is not eligible for FDIC deposit insurance, but is eligible for protection by the Securities Investor Protection Corporation (SIPC) (see below). Deposit Accounts are not protected by the SIPC.

After you reach the DCA program's maximum insurance coverage for you, which is subject to Bank capacity limits and your decision to opt out of one or more Banks, any additional cash will be deposited into one or more of the Excess Banks as detailed in the "What Is The DCA Program Available Bank List (ABL)" section on page 7. If the Excess Banks do not have capacity for such cash, then any additional cash will be deposited to another ABL bank with capacity, which will then be considered an Excess Bank. Additional cash held through the DCA program that is above the DCA program's maximum insurance coverage for you will not be eligible for FDIC deposit insurance.

In addition to limitations on FDIC deposit insurance coverage for you based on the type of account and your cash holdings outside of the DCA program (including your decision to opt out of Banks on the ABL), the Banks have contractually agreed with LPL to provide certain amounts of deposit capacity for the DCA program, which can change from time to time. For more information regarding the effects of the DCA program exceeding total Bank capacity see the "What Happens When There Is Insufficient Bank Deposit Capacity" section on page 7.

On any business day when your account's cash is

transferred, all of your account's cash will be held temporarily at the clearing bank (Intermediary Receiving Bank). As a result, your account's cash balances will be temporarily uninsured. Once transferred to the participating Banks on the ABL, your account's cash will be eligible for insurance up to the current DCA program maximum deposit insurance, subject to your other holdings at such Banks, as applicable. The LPL DCA program has adopted procedures to ensure the movement of cash in a timely manner and expects that your cash 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 cash could remain at the Intermediary Receiving Bank until the next business day.

FDIC insurance protects against the loss of deposits due if an FDIC-insured bank fails. LPL itself is not an FDIC-insured institution. Only the funds deposited within the Banks are eligible for FDIC insurance. Eligibility for pass-through deposit insurance coverage is subject to fulfilling specific conditions. Furthermore, the investment products identified herein that are not covered by FDIC insurance do not constitute bank deposits and are subject to investment risks, including the potential loss of the amount invested. These products are distinct from the interest-bearing FDIC-insured deposit accounts made available through the DCA program's Banks.

#### **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 cash 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 time 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 later of the expiration of six months after the assumption and 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 assumption.

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 Deposit Account cash regardless of the Bank in which it is held. Interest will accrue daily on Deposit Account cash balances from the day cash is deposited into a Bank through the business day preceding the date of withdrawal of the cash 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's interest payment from the Bank(s) at the close of the month as described in the Appendix.

The interest rates payable under the 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 cash may change as frequently as daily without prior notice. To view the most up-to-date interest rates, see the DCA program Current Interest Rate page by visiting [www.LPL.com](http://www.LPL.com) and entering "DCA" in the search engine.

The interest rates you receive from 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, applicable fees, and other features of the DCA program with other accounts and alternative investments.

#### **Fees**

Under the DCA program, each Bank will pay an amount equal to a percentage of the average daily aggregated omnibus cash deposit balance. This amount generally covers the fee for the third-party administrator (Administrator), LPL's fees, and interest

payable to participating accounts. Different Banks 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 Administrator for its services.

For its services, the Administrator will charge a monthly fee. This fee will be paid from the amounts the Banks pay in respect of the aggregate DCA program deposits, and will vary from month-to-month. The Administrator's fee consists of a fee expressed in basis points on the average daily cash balances at the Banks. The Administrator's actual fee will be subject to adjustment as described below.

- For each month, the Administrator's actual fee will be the amount that remains after deducting the interest paid to participating accounts and the aggregate amount of LPL's per account fee (discussed below) from the amounts paid by the Banks on DCA program deposits (Administrator Actual Fee). Thus, the Administrator Actual Fee will vary from time-to-time due to changes in the amounts paid by the Banks, the interest paid on deposits, and the aggregate amount of the LPL per account fee.
- The Administrator Actual Fee will be compared to or measured against the Administrator's annual targeted fee, which will be an asset-based fee expressed in a fixed number of basis points on the average daily cash deposits (Administrator Target Fee). If, after the end of any month, the cumulative net difference (positive or negative), on a rolling basis, between the amount actually received by the Administrator versus the Administrator Target Fee (Cumulative Administrator Fee Difference) reaches or exceeds a predetermined amount, the interest rates to be paid to participating accounts will be appropriately adjusted, by the Administrator, effective the next month, for the purpose of bringing the amounts actually received by the Administrator back in line with the Administrator Target Fee. The adjustment is determined by a formula and is intended to result in the Administrator's compensation over time to closely approximate or equal the Administrator Target Fee; though it is understood that the Administrator's actual fees will vary from month to month.

Accordingly, the Administrator may, from month-to-month, temporarily collect more or less than the Administrator Target Fee during certain periods, such as when necessary to help ensure that the amounts paid by the Banks during the period are sufficient to cover the applicable disclosed client rates and the aggregate amount of the LPL per account fee (as described below) for the period. For example, under such circumstances, the Administrator will be entitled to increased fees in future periods to recover the difference with the goal of aligning its actual compensation with the Administrator Target Fee on the deposits. You authorize and direct the Administrator to deduct its fees for its services from the amounts paid by the Banks.

Based on the calculation method set forth below, the Administrator will calculate the fees due to LPL. For its services under the DCA program, including making the platform available, LPL receives a per account fee each month as outlined in the below

“DCA Program Fee Schedule.” However, LPL reserves the right to reduce its fee in months having fewer than 31 days. LPL’s compensation under the 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 DCA program account fee schedule will be indexed to the current Federal Funds Target (FFT) Rate. Under the fee schedule, increases in the FFT 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 DCA program will be offset by the amounts paid by the Banks, as discussed above, and you hereby direct the 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 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/open>

[market.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 PROGRAM FEE SCHEDULE

Fed Funds Target (bps)	LPL Monthly Account Fee
0 – 25	\$0.50
25 – 50	\$0.75
50 – 75	\$1.00
75 – 100	\$2.25
100 – 125	\$3.25
125 – 150	\$4.25
150 – 175	\$4.50
175 – 200	\$4.75
200 – 225	\$6.00
225 – 250	\$7.25
250 – 275	\$8.50
275 – 300	\$9.75
300 – 325	\$11.00
325 – 350	\$12.25
350 – 375	\$13.50
375 – 400	\$14.75
400 – 425	\$16.00
425 – 450	\$17.25
450 – 475	\$18.50
475 – 500	\$19.75
500 – 525	\$21.00
525 – 550	\$22.25
550 – 575	\$23.50
575 – 600	\$24.75

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 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 DCA program.

The amounts paid to LPL and the Administrator reduces the interest rate paid on your cash, and depending on the interest rate and other market factors. You should understand that, depending on interest rates and other market factors, the yields on the DCA program have been, and may continue in the future to be, lower than the aggregate fees and expenses received by LPL for your participation in the DCA program. This can result in you experiencing a negative overall investment return with respect to cash reserves in the DCA program. The DCA Program Fees that LPL receives is in addition to the advisory fee that you pay LPL and your financial professional. Therefore, we have an incentive to encourage you to enroll in the DCA Program.

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

The DCA Program Available Bank List (ABL) is a list of available Banks into which your cash may be deposited and is available by visiting [www.LPL.com](http://www.LPL.com) and entering "DCA" in the search engine, by clicking here [DCA- available-bank-list.pdf \(lpl.com\)](#), or by contacting your financial advisor directly. The Banks appear in alphabetical order with some being notated as "Excess Banks" and your cash may be allocated to any Bank on the list at any point in time. For each Bank on the ABL except these Excess Banks, LPL as your agent will maintain your Deposit Accounts in accordance with the FDIC-defined ownership category limits (\$250,000). For the Excess Banks, your cash may be deposited without consideration of the \$250,000. Note, however, that if you hold cash deposits at a Bank on the ABL outside of the DCA program, your total deposits at such bank may exceed the \$250,000 FDIC limit. As described below, you can contact your financial advisor to designate any of the ABL Banks as ineligible to receive your cash under the DCA program to prevent this from occurring. Opting out of one or more Banks on the ABL can reduce the maximum insurance available to you under the DCA program.

You may not designate or direct LPL as to which

Banks on the ABL receive your cash. However, you may, at any time, designate a Bank as ineligible to receive your cash; i.e., "opt-out" of such Bank. This will result in your cash not being deposited into this Bank or if already there, LPL will remove your cash from that Bank and designate the Bank as ineligible to receive future cash deposits. Your cash previously deposited in eliminated (including Banks that cease participating in the DCA program or reduce their capacity resulting in a return of deposits) or "opted-out" Banks will be reallocated and deposited in other Banks on the ABL. To designate Banks that are ineligible to receive your cash (i.e., to "opt-out" of specific Banks), you need to inform your financial advisor.

You should review the ABL carefully. If you already have cash deposits at any Bank on the ABL, please notify your financial advisor to designate that Bank as ineligible as detailed above so that no additional cash is allocated through the DCA 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 whether you have other accounts with cash deposits at any of the Banks and the total amount of such cash deposits that may limit the amount of FDIC insurance available to you under the DCA program, and for notifying your financial advisor if you do, or if you wish to remove an opt-out previously made.

On the ABL, Banks may be added or removed. In addition, the Banks identified as Excess Banks may change. When changes are made, we will update the ABL which can be found by visiting [www.LPL.com](http://www.LPL.com) and entering "DCA" in the search engine. Please consult your financial advisor or LPL.com periodically throughout the month for recent updates and information regarding how these changes may impact your account.

If a Bank at which you have cash 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 account.

#### **WHAT HAPPENS WHEN THERE IS INSUFFICIENT BANK DEPOSIT CAPACITY**

The ability of the DCA program to sweep your uninvested cash into Deposit Accounts depends on the capacity of the Banks (including Excess Banks) to accept additional deposits. If the Banks have insufficient capacity to accept additional deposits, or otherwise reduce capacity levels and LPL believes

that sweeping additional deposits to the Banks is unfeasible, uninsured cash balances in your account will automatically be invested in shares of a money market mutual fund (MMF) that LPL makes available. Uninsured cash balances are comprised of cash in the DCA that exceed the FDIC insurance limits (described above) and cash for which there is not sufficient deposit capacity in the Banks. Share purchases will be made within one business day after uninsured cash balances move into your account, or existing cash balances in your account become uninsured, at the then-current net asset value of the MMF. Overflow balances will be held in the MMF, as opposed to Deposit Accounts, until Bank deposit capacity becomes available. At such time, new cash deposits in the DCA program will be allocated to the Banks on the ABL, as detailed above, and amounts invested in the MMF will be converted to cash at the then-current market price, and then allocated to the Banks on the ABL as detailed above.

During times that you maintain investments in the MMF made through the DCA program, and you use cash in your account, such cash will first be deducted from any uninvested cash balances held in the account, then redeemed from your MMF investments, and finally withdrawn from your Bank Deposit Account balances, as applicable.

### **MONEY MARKET MUTUAL FUND FEATURES AND DISCLOSURES**

The MMF is currently the Goldman Sachs Asset Management (GSAM) Financial Square Government Fund. The GSAM Financial Square Government Fund's prospectus is available [here](#). Cash swept into the MMF is not FDIC insured, but is protected by SIPC coverage up to applicable limits.

The dividends earned on your shares of the MMF will not be payable in cash but will be reinvested each month in additional shares of the MMF at the then-current net asset value. The rates of return you receive on the MMF investment will differ from the rate of interest being paid on the Deposit Accounts and vary because such rates are based on the investments made by the MMF net of the MMF's operating expenses. There is no guarantee that the rate of return or the yields you earn on the MMF investment will equal or exceed rates of return or yields available at other financial institutions or invested in other similar products. Yields fluctuate, and past performance is no guarantee of future results. For more information about the current rates of interest or yields on the MMF, as well as current interest rates offered on the Deposit Accounts,

please visit [www.LPL.com](http://www.LPL.com) and enter "DCA" in the search engine or contact your financial advisor directly. Although MMF typically seeks to preserve the value of an investment at \$1.00 per share, there can be no assurance that will occur, and it is possible to lose money should the value per share of the MMF fall. Most money market mutual funds are required to maintain a stable \$1.00 net asset value per share, but some are not. An investment in a money market mutual fund is not insured or guaranteed by the FDIC or any other government agency, but is protected by SIPC coverage.

### **WHAT ARE AVAILABLE ALTERNATIVES**

If your account is DCA program eligible and you do not wish to have your available cash swept into the DCA program, you may contact your financial advisor for assistance to turn off the automatic sweep, whereby your cash balances will be held as a Free Credit Balance as described in your account agreement.

Shares in the money market mutual funds that LPL offers as a non-sweep investment alternative may be purchased. Cash balances in your account, however, will not be automatically swept into those money market mutual funds.

Investment in a money market mutual fund is not insured or guaranteed by the 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.

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

### **WHERE TO FIND FURTHER INFORMATION**

Transactions and activity with respect to your cash 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 Deposit Accounts



- The closing balance of your cash in the omnibus Deposit Accounts at each Bank
- Interest earned on your DCA program cash sweep balances

Please note that the Banks where your cash is swept may change at any time during a month—your account 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 cash 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](http://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 DCA program, an omnibus account is established at each Bank on the ABL on behalf of you and other LPL clients under the DCA 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 you and 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 cash by contacting your financial advisor. The Banks will not provide you with information or accept instructions from you with respect to your cash in the Deposit Account that has been established by LPL on your behalf through the DCA program.

Your cash may be placed at any Bank on the ABL. Your cash is 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 adjusted for each business day is referred to as that business day's "Deposit Allocation Ranking" (DAR).

Once established, your 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 financial 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

and allocated before smaller balances.

With respect to the allocation of your 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 you have 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 of your 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 cash is insufficient to satisfy a Bank's per-individual-depositor minimum deposit requirements, such Bank will be skipped when allocating your cash, and your 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.

If you decide to terminate your account's participation in the 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 cash in the 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 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.

If you decide to terminate your participation in the 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 cash 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.

## **TAXES**

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 liable to tax if your IRA is

a Roth IRA, subject to certain conditions. You should consult with your tax advisor about how the DCA program affects you.

## **FEDERAL REGULATIONS**

Federal banking regulations limit the transfers from an MMDA to a total of six (6) during a monthly statement cycle. However, the DCA program is administered so that the limits on MMDA transfers will not limit the number of withdrawals you can make from your DCA program cash, 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 cash, 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.

## **NON-RETIREMENT ACCOUNTS**

*Individual Customer Accounts:* Cash 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) is not treated as owned by the agent or nominee, but is added to other deposits of such individual held in the same capacity and is insured up to \$250,000 in the aggregate. This category includes, as well, accounts of "sole proprietorships," single-name accounts containing community property funds, and accounts of a decedent and accounts held by executors or administrators of a decedent's estate.

*Guardian, Custodian, or Conservator Accounts:* Cash in accounts held by an agent, guardian, custodian or conservator for the benefit of their ward, or for the benefit of a minor under the Uniform Gifts to Minors Act, is not treated as owned by the agent, guardian, custodian or conservator, but is added to other deposits of the minor or other beneficiary held in the same insurable capacity, and is insured up to \$250,000 in the aggregate.

*Joint Accounts:* An individual's interest in cash 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.

*Trust Accounts:* Deposits at any one Bank held in either of the following types of relationships would be treated for deposit insurance purposes as described below:

- (i) Informal revocable trusts, such as eligible accounts that are payable-on-death accounts, in-trust-for accounts, and Totten trust accounts;
- (ii) formal revocable trusts, defined to mean eligible accounts held pursuant to a written revocable trust agreement under which a deposit passes to one or more beneficiaries upon the grantor's death; and
- (iii) irrevocable trust deposits, meaning eligible accounts held pursuant to an irrevocable trust established by written agreement or by statute.

Because these deposits are considered to be part of the same category for deposit insurance purposes, they would be aggregated when applying the deposit insurance limit. Deposits from such accounts will be insured in an amount up to the \$250,000 multiplied by the total number of beneficiaries identified by each grantor, up to a maximum of 5 beneficiaries. In the case of trusts interests of a beneficiary that pass from the same grantor, they would be aggregated for purposes of determining deposit insurance coverage at the individual Bank, whether or not held in connection with an informal revocable trust, formal revocable trust, or irrevocable trust. The deposit insurance coverage provided to beneficiaries of such trusts is separate from coverage provided for other deposits held by such beneficiaries at the same Bank.

Accounts held in connection with a trust established by multiple grantors are presumed to have been owned or funded by each grantor in equal shares.

The total number of beneficiaries with respect to an eligible account held by a trust will be determined as follows:

- (i) Eligible beneficiaries include only natural persons, and charitable organizations and other non-profit entities recognized as such under the Internal Revenue Code of 1986, as amended.
- (ii) Beneficiaries do not include:
  - a. The grantor(s) of the trust; or
  - b. A person or entity that would only obtain an interest in the trust if one or more identified beneficiaries are deceased.
- (iii) If the trust agreement provides that trust assets will pass into one or more new trusts upon the death of the grantor(s) ("future trusts"), the future trust(s) are not treated as beneficiaries of the trust. Instead, the future trust(s) are viewed as mechanisms for distributing the trust and the beneficiaries that are eligible beneficiaries would be treated as the "beneficiaries" that will receive the trust assets through the future trusts.
- (iv) If an informal revocable trust designates the holder of the account's trust as its beneficiary, the informal revocable trust account will be treated as if the account were titled in the name of the formal trust.

In the case of an informal revocable trusts, account records must reflect the names of beneficiaries. In the case of a formal revocable trust, the title of the account must include terminology sufficient to identify the account as a trust account, such as "family trust" or "living trust," or must otherwise be identified as a testamentary trust in the account records. If eligible beneficiaries of such formal revocable trust are specifically named in the account records, the FDIC will presume the continued validity of the named beneficiary's interest in the trust unless the FDIC has reason to believe that such records misrepresent the actual ownership of deposited funds and such misrepresentation would increase deposit insurance coverage, in which case the FDIC may consider all available evidence and pay claims for insured deposits on the basis of the actual rather than the misrepresented ownership.

In the case of revocable trust co-owners that are sole beneficiaries of the trust, deposits held in connection with the trust are treated as joint ownership deposits. Deposits of employee benefit plans, even if held in connection with a trust, are treated as an employee benefit plan described

below under “Retirement Accounts.”

## 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 non-contingent 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 cash 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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