

significantly from adjusted EBITDA calculated by other companies, depending on long-term strategic decisions regarding capital structure, the tax jurisdictions in which companies operate, and capital investments.

Forward-Looking Statements

Statements in this press release regarding the Company's future financial and operating results, growth, business strategies and plans, including statements relating to the Company's execution of its expense and capital plans, future expense growth, new services and plans related to the U.S. Department of Labor's final rule ("DOL Rule"), as well as any other statements that are not related to present facts or current conditions or that are not purely historical, constitute forward-looking statements. These forward-looking statements are based on the Company's historical performance and its plans, estimates, and expectations as of April 28, 2016. The words "anticipates", "believes", "expects", "may", "plans", "predicts", "will", and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. Forward-looking statements are not guarantees that the future results, plans, intentions, or expectations expressed or implied by the Company will be achieved. Matters subject to forward-looking statements involve known and unknown risks and uncertainties, including economic, legislative, regulatory, competitive, and other factors, which may cause actual financial or operating results, levels of activity, or the timing of events, to be materially different than those expressed or implied by forward-looking statements. Important factors that could cause or contribute to such differences include: changes in general economic and financial market conditions, including retail investor sentiment; fluctuations in the value of advisory and brokerage assets; fluctuations in levels of net new advisory assets and the related impact on fee revenue; effects of competition in the financial services industry; changes in the number of the Company's financial advisors and institutions, and their ability to market effectively financial products and services; changes in interest rates and fees payable by banks participating in the Company's cash sweep program, including the Company's success in negotiating agreements with current or additional counterparties; changes in the growth and profitability of the Company's fee-based business; the effect of current, pending and future legislation, regulation and regulatory actions, including the DOL Rule and disciplinary actions imposed by federal and state securities regulators and self-regulatory organizations; the costs of settling and remediating issues related to pending or future regulatory matters or legal proceedings; execution of the Company's capital management plans, including its compliance with the terms of its existing credit agreement; the price, the availability of shares, and trading volumes of the Company's common stock, which will affect the timing and size of future share repurchases by the Company; changes made to the Company's offerings and services in response to the current, pending and future legislation, regulation and regulatory actions, including the DOL Rule, and the effect that such changes may have on the Company's gross profit streams; execution of the Company's plans and its success in realizing the expense savings and service improvements and efficiencies expected to result from its initiatives and programs, particularly its expense plans and technological initiatives; the Company's success in negotiating and developing commercial arrangements with third-party services providers; the performance of third-party service providers on which the Company relies; the Company's ability to control operating risks, information technology systems risks, cybersecurity risks, and sourcing risks; and the other factors set forth in Part I, "Item 1A. Risk Factors" in the Company's 2015 Annual Report on Form 10-K, as may be amended or updated in the Company's Quarterly Reports on Form 10-Q. Except as required by law, the Company specifically disclaims any obligation to update any forward-looking statements as a result of developments occurring after the date of this earnings release, even if its estimates change, and you should not rely on statements contained herein as representing the Company's views as of any date subsequent to the date of this press release.

LPL Financial Holdings Inc.
Consolidated Statements of Operations
(Dollars in thousands, except per share data)
(Unaudited)

	Three Months Ended March 31,		% Change
	2016	2015	
REVENUES			
Commission	\$ 436,727	\$ 523,399	(17)%
Advisory	319,432	342,112	(7)%
Asset-based	136,251	120,632	13 %
Transaction and fee	102,690	101,695	1 %
Other	10,205	21,464	(52)%
Total net revenues	<u>1,005,305</u>	<u>1,109,302</u>	(9)%
EXPENSES			
Production	649,600	753,988	(14)%
Compensation and benefits	114,055	112,280	2 %
General and administrative	104,673	114,354	(8)%
Depreciation and amortization	18,962	16,429	15 %
Amortization of intangible assets	9,525	9,637	(1)%
Restructuring charges	—	3,924	nm
Total operating expenses	<u>896,815</u>	<u>1,010,612</u>	(11)%
Non-operating interest expense	23,890	14,015	70 %
INCOME BEFORE PROVISION FOR INCOME TAXES	<u>84,600</u>	<u>84,675</u>	— %
PROVISION FOR INCOME TAXES	<u>34,208</u>	<u>33,997</u>	1 %
NET INCOME	<u>\$ 50,392</u>	<u>\$ 50,678</u>	(1)%
Earnings per share, basic	<u>\$ 0.57</u>	<u>\$ 0.52</u>	10 %
Earnings per share, diluted	<u>\$ 0.56</u>	<u>\$ 0.52</u>	8 %
Weighted-average shares outstanding, basic	<u>88,964</u>	<u>96,551</u>	(8)%
Weighted-average shares outstanding, diluted	<u>89,621</u>	<u>98,227</u>	(9)%

LPL Financial Holdings Inc.
Consolidated Statements of Operations Trend
(Dollars in thousands, except per share data)
(Unaudited)

	Quarterly Results		
	Q1 2016	Q4 2015	Q3 2015
REVENUES			
Commission	\$ 436,727	\$ 463,486	\$ 480,271
Advisory	319,432	324,241	341,217
Asset-based	136,251	124,062	123,921
Transaction and fee	102,690	96,849	105,593
Other	10,205	11,708	3,743
Total net revenues	<u>1,005,305</u>	<u>1,020,346</u>	<u>1,054,745</u>
EXPENSES			
Production	649,600	697,963	714,988
Compensation and benefits	114,055	104,938	110,494
General and administrative	104,673	121,339	117,246
Depreciation and amortization	18,962	22,526	17,232
Amortization of intangible assets	9,525	9,532	9,534
Restructuring charges	—	480	3,071
Total operating expenses	<u>896,815</u>	<u>956,778</u>	<u>972,565</u>
Non-operating interest expense	23,890	18,465	13,493
INCOME BEFORE PROVISION FOR INCOME TAXES	<u>84,600</u>	<u>45,103</u>	<u>68,687</u>
PROVISION FOR INCOME TAXES	<u>34,208</u>	<u>18,291</u>	<u>27,635</u>
NET INCOME	<u>\$ 50,392</u>	<u>\$ 26,812</u>	<u>\$ 41,052</u>
Earnings per share, basic	<u>\$ 0.57</u>	<u>\$ 0.29</u>	<u>\$ 0.43</u>
Earnings per share, diluted	<u>\$ 0.56</u>	<u>\$ 0.28</u>	<u>\$ 0.43</u>
Weighted-average shares outstanding, basic	<u>88,964</u>	<u>93,878</u>	<u>94,972</u>
Weighted-average shares outstanding, diluted	<u>89,621</u>	<u>95,340</u>	<u>96,472</u>

LPL Financial Holdings Inc.
Consolidated Statements of Financial Condition
(Dollars in thousands, except par value)
(Unaudited)

	<u>March 31, 2016</u>	<u>December 31, 2015</u>
ASSETS		
Cash and cash equivalents	\$ 775,368	\$ 724,529
Cash and securities segregated under federal and other regulations	686,457	671,339
Restricted cash	30,966	27,839
Receivables from:		
Clients, net of allowance of \$1,609 at March 31, 2016 and \$1,464 at December 31, 2015	294,838	339,089
Product sponsors, broker-dealers, and clearing organizations	168,040	161,224
Advisor loans, net allowance of \$697 at March 31, 2016 and \$697 December 31, 2015	153,701	148,978
Others, net of allowance of \$10,600 at March 31, 2016 and \$9,856 at December 31, 2015	182,249	180,161
Securities owned:		
Trading — at fair value	12,358	11,995
Held-to-maturity	7,847	9,847
Securities borrowed	7,465	6,001
Fixed assets, net of accumulated depreciation and amortization of \$346,871 at March 31, 2016 and \$328,880 at December 31, 2015	288,955	275,419
Goodwill	1,365,838	1,365,838
Intangible assets, net of accumulated amortization of \$352,263 at March 31, 2016 and \$342,740 at December 31, 2015	382,507	392,031
Other assets	215,783	206,771
Total assets	<u>\$ 4,572,372</u>	<u>\$ 4,521,061</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES:		
Drafts payable	\$ 182,460	\$ 189,083
Payables to clients	789,543	747,421
Payables to broker-dealers and clearing organizations	38,411	48,032
Accrued commission and advisory expenses payable	117,041	129,512
Accounts payable and accrued liabilities	312,808	332,492
Income taxes payable	35,978	8,680
Unearned revenue	76,726	65,480
Securities sold, but not yet purchased — at fair value	279	268
Senior secured credit facilities, net of unamortized debt issuance cost of \$25,575 at March 31, 2016 and \$26,797 at December 31, 2015	2,185,043	2,188,240
Leasehold financing obligation	74,761	59,940
Deferred income taxes, net	36,263	36,303
Total liabilities	<u>3,849,313</u>	<u>3,805,451</u>
STOCKHOLDERS' EQUITY:		
Common stock, \$.001 par value; 600,000,000 shares authorized; 119,691,739 shares and 119,572,352 shares issued at March 31, 2016 and December 31, 2015, respectively	120	119
Additional paid-in capital	1,422,794	1,418,298
Treasury stock, at cost — 30,682,767 shares and 30,048,027 shares at March 31, 2016 and December 31, 2015, respectively	(1,196,978)	(1,172,490)
Accumulated other comprehensive income	603	553
Retained earnings	496,520	469,130
Total stockholders' equity	<u>723,059</u>	<u>715,610</u>
Total liabilities and stockholders' equity	<u>\$ 4,572,372</u>	<u>\$ 4,521,061</u>

LPL Financial Holdings Inc.
Management's Statements of Operations (1)
(Dollars in thousands, except per share data)
(Unaudited)

The information presented on pages 8-15 of this release is presented as reviewed by the Company's management and includes information derived from the Company's Condensed Consolidated Statement of Operations, non-GAAP measures, and operational and performance metrics. For information on non-GAAP measures, please see the section titled "Non-GAAP Financial Measures" that begins on page 3 of this release.

	Quarterly Results				
	Q1 2016	Q4 2015	% Change	Q1 2015	% Change
Revenues					
Commission	\$ 436,727	\$ 463,486	(6)%	\$ 523,399	(17)%
Advisory	319,432	324,241	(1)%	342,112	(7)%
GDC(2)	756,159	787,727	(4)%	865,511	(13)%
Cash sweep revenue(3)	43,401	27,217	59 %	21,522	102 %
Other asset-based(4)	92,850	96,845	(4)%	99,110	(6)%
Transaction and fee	102,690	96,849	6 %	101,695	1 %
Other(5)	10,205	11,708	(13)%	21,464	(52)%
Total net revenues	1,005,305	1,020,346	(1)%	1,109,302	(9)%
Production expense	649,600	697,963	(7)%	753,988	(14)%
Gross profit(6)	355,705	322,383	10 %	355,314	— %
Expense					
Core G&A(7)	175,433	179,490	(2)%	173,077	1 %
Regulatory charges(8)	1,183	7,835	(85)%	10,964	(89)%
Promotional(9)	35,684	34,782	3 %	35,692	— %
Employee share-based compensation(10)	6,428	4,083	57 %	6,158	4 %
Other historical adjustments(11)	—	567	nm	4,667	nm
Total G&A	218,728	226,757	(4)%	230,558	(5)%
EBITDA	136,977	95,626	43 %	124,756	10 %
Depreciation and amortization	18,962	22,526	(16)%	16,429	15 %
Amortization of intangible assets	9,525	9,532	— %	9,637	(1)%
Non-operating interest expense	23,890	18,465	29 %	14,015	70 %
INCOME BEFORE PROVISION FOR INCOME TAXES	84,600	45,103	88 %	84,675	— %
PROVISION FOR INCOME TAXES	34,208	18,291	87 %	33,997	1 %
NET INCOME	\$ 50,392	\$ 26,812	88 %	\$ 50,678	(1)%
Earnings per share, diluted	\$ 0.56	\$ 0.28	100 %	\$ 0.52	8 %
Weighted-average shares outstanding, diluted	89,621	95,340	(6)%	98,227	(9)%

LPL Financial Holdings Inc.
Management's Statements of Operations Trend (1)
(Dollars in thousands, except per share data)
(Unaudited)

The information presented on pages 8-15 of this release is presented as reviewed by the Company's management and includes information derived from the Company's Condensed Consolidated Statement of Operations, non-GAAP measures, and operational and performance metrics. For information on non-GAAP measures, please see the section titled "Non-GAAP Financial Measures" that begins on page 3 of this release.

	Quarterly Results		
	Q1 2016	Q4 2015	Q3 2015
Revenues			
Commission	\$ 436,727	\$ 463,486	\$ 480,271
Advisory	319,432	324,241	341,217
GDC(2)	756,159	787,727	821,488
Cash sweep revenue(3)	43,401	27,217	24,024
Other asset-based(4)	92,850	96,845	99,897
Transaction and fee	102,690	96,849	105,593
Other(5)	10,205	11,708	3,743
Total net revenues	1,005,305	1,020,346	1,054,745
Production expense	649,600	697,963	714,988
Gross profit(6)	355,705	322,383	339,757
Expense			
Core G&A(7)	175,433	179,490	171,067
Regulatory charges(8)	1,183	7,835	8,290
Promotional(9)	35,684	34,782	42,040
Employee share-based compensation(10)	6,428	4,083	6,250
Other historical adjustments(11)	—	567	3,164
Total G&A	218,728	226,757	230,811
EBITDA	136,977	95,626	108,946
Depreciation and amortization	18,962	22,526	17,232
Amortization of intangible assets	9,525	9,532	9,534
Non-operating interest expense	23,890	18,465	13,493
INCOME BEFORE PROVISION FOR INCOME TAXES	84,600	45,103	68,687
PROVISION FOR INCOME TAXES	34,208	18,291	27,635
NET INCOME	\$ 50,392	\$ 26,812	\$ 41,052
Earnings per share, diluted	\$ 0.56	\$ 0.28	\$ 0.43
Weighted-average shares outstanding, diluted	89,621	95,340	96,472

LPL Financial Holdings Inc.
Monthly Metrics (1)
(Dollars in thousands, except where noted)
(Unaudited)

(End of Period \$ in billions, unless noted)	March 2016	February 2016	Feb to Mar % Change	January 2016	December 2015
<u>Assets Served</u>					
Brokerage Assets(12)	\$ 289.2	\$ 279.2	3.6%	\$ 278.3	\$ 288.4
Advisory Assets(13)	189.5	180.5	5.0%	180.4	187.2
Total Brokerage and Advisory Assets(14)	\$ 478.7	\$ 459.7	4.1%	\$ 458.7	\$ 475.6
<u>Client Cash Assets</u>					
Insured Cash Account Assets(15)	\$ 21.6	\$ 22.1	(2.3)%	\$ 21.9	\$ 20.9
Money Market Account Cash Assets(16)	8.8	9.1	(3.3)%	9.1	8.1
Total Client Cash Sweep Assets(17)	\$ 30.4	\$ 31.2	(2.6)%	\$ 31.0	\$ 29.0
<u>Market Indices</u>					
S&P 500 Index (end of period)	2,060	1,932	6.6%	1,940	2,044
Fed Funds Effective Rate (average bps)	36	38	nm	35	24

LPL Financial Holdings Inc.
Operating Measures (1)
(Dollars in thousands, except where noted)
(Unaudited)

	Q1 2016	Q4 2015	% Change	Q1 2015	% Change
Market Drivers					
S&P 500 Index (end of period)	2,060	2,044	1%	2,068	—%
Russell 2000 Index (end of period)	1,114	1,136	(2)%	1,253	(11)%
Fed Funds Daily Effective Rate (FFER) (average bps)	36	16	20bps	11	25bps
Assets (dollars in billions)					
Brokerage Assets(12)	\$ 289.2	\$ 288.4	—%	\$ 301.7	(4)%
Advisory Assets(13)	189.5	187.2	1%	183.7	3%
Total Advisory and Brokerage Assets(14)	\$ 478.7	\$ 475.6	1%	\$ 485.4	(1)%
Advisory % of Total Assets	39.6%	39.4%	20bps	37.8%	180bps
Net New Advisory Assets(18)	\$ 2.0	\$ 3.1	n/m	\$ 5.2	n/m
Annualized Growth(19)	4%	7%	n/m	11%	n/m
Total Hybrid Platform Assets(20)	\$ 125.3	\$ 118.7	6%	\$ 104.8	20%
Corporate Assets(21)	353.4	356.9	(1)%	380.6	(7)%
Total Brokerage and Advisory Assets(14)	\$ 478.7	\$ 475.6	1%	\$ 485.4	(1)%
Brokerage Assets Associated with Hybrid RIAs(20)	\$ 55.5	\$ 52.9	5%	\$ 48.1	15%
Hybrid Platform Advisory Assets(20)	69.8	65.8	6%	56.7	23%
Total Hybrid Platform Assets(20)	\$ 125.3	\$ 118.7	6%	\$ 104.8	20%
Hybrid % of Total Assets	26.2%	25.0%	120bps	21.6%	460bps
Brokerage Retirement Assets(22)	\$ 142.6	\$ 142.6	—%	\$ 149.2	(4)%
Advisory Retirement Assets(22)	102.2	100.7	1%	97.9	4%
Total Brokerage and Advisory Retirement Assets(22)	\$ 244.8	\$ 243.3	1%	\$ 247.1	(1)%
Retirement % of Total Assets	51.1%	51.2%	(10bps)	50.9%	20bps
Insured Cash Account Assets(15)	\$ 21.6	\$ 20.9	3%	\$ 17.7	22%
Money Market Account Cash Assets(16)	8.8	8.1	9%	6.9	28%
Total Cash Sweep Assets(17)	\$ 30.4	\$ 29.0	5%	\$ 24.6	24%
Cash Sweep % of Total Assets	6.4%	6.1%	30bps	5.1%	130bps
Insured Cash Account Fee - bps(23)	69	50	19	45	24
Money Market Account Fee - bps(23)	29	13	16	8	21
Total Cash Sweep Fee - bps(23)	57	39	18	35	22

LPL Financial Holdings Inc.
Financial Measures (1)
(Dollars in thousands, except where noted)
(Unaudited)

	Q1 2016	Q4 2015	% Change	Q1 2015	% Change
Commission Revenue by Product					
Variable annuities	\$ 171,686	\$ 189,255	(9%)	\$ 192,351	(11%)
Mutual funds	133,733	137,392	(3%)	151,153	(12%)
Alternative investments	7,803	16,299	(52%)	58,692	(87%)
Fixed annuities	52,066	44,359	17%	35,107	48%
Equities	20,619	21,822	(6%)	27,334	(25%)
Fixed income	20,667	21,104	(2%)	23,988	(14%)
Insurance	18,234	20,290	(10%)	21,689	(16%)
Group annuities	11,757	12,730	(8%)	12,992	(10%)
Other	162	235	(31%)	93	74%
Total commission revenue	\$ 436,727	\$ 463,486	(6%)	\$ 523,399	(17%)

Commission Revenue by Sales-based and Trailing Commission					
Sales-based	\$ 214,814	\$ 229,303	(6%)	\$ 283,467	(24%)
Trailing	221,913	234,183	(5%)	239,932	(8%)
Total commission revenue	\$ 436,727	\$ 463,486	(6%)	\$ 523,399	(17%)

Payout Rate					
Base Payout Rate(24)	82.51 %	82.80%	(29bps)	83.45%	(94bps)
Production Based Bonuses	1.70 %	3.46%	(176bps)	1.80%	(10bps)
GDC Sensitive Payout	84.21 %	86.26%	(205bps)	85.25%	(104bps)
Non-GDC Sensitive Payout (25)	(0.10)%	0.72%	(82bps)	0.39%	(49bps)
Total Payout Ratio	84.11 %	86.98%	(287bps)	85.64%	(153bps)
Production Based Bonuses Ratio (Trailing Twelve Months)	2.7 %	2.7%	—bps	2.8%	(10bps)

LPL Financial Holdings Inc.
Capital Management Measures (1)
(Dollars in thousands, except where noted)
(Unaudited)

	<u>Q1 2016</u>	<u>Q4 2015</u>
Credit Agreement EBITDA(26)		
Net income	\$ 50,392	\$ 26,812
Non-operating interest expense	23,890	18,465
Provision for income taxes	34,208	18,291
Depreciation and amortization	18,962	22,526
Amortization of intangible assets	9,525	9,532
EBITDA	136,977	95,626
Credit Agreement Adjustments:		
Employee share-based compensation expense(10)	6,428	4,083
Advisor share-based compensation expense(27)	(1,408)	2,553
Other(28)	1,824	9,684
Credit Agreement EBITDA(29)	\$ 143,821	\$ 111,946
Total Debt		
Revolving Credit Facility Loans	\$ —	\$ —
Term Loan Outstanding	2,210,618	2,215,037
Total Debt	\$ 2,210,618	\$ 2,215,037
Cash Available for Corporate Use(30)		
Cash at Parent(31)	\$ 448,979	\$ 421,536
Excess Cash at Broker-Dealer subsidiary per Credit Agreement	70,691	62,607
Other Available Cash	\$ 7,048	\$ 27,587
Total Cash Available for Corporate Use	\$ 526,718	\$ 511,730
Credit Agreement Net Leverage		
Total Debt	\$ 2,210,618	\$ 2,215,037
Cash Available (up to \$300 million)	300,000	300,000
Net Debt	\$ 1,910,618	\$ 1,915,037
Credit Agreement EBITDA (trailing twelve months)	517,952	510,268
Net Leverage Ratio	3.7x	3.8x

LPL Financial Holdings Inc.
Debt Schedule (1)
(Dollars in thousands, except where noted)
(Unaudited)

Credit Facilities	Outstanding	Applicable Margin	Interest Rate	Maturity
Revolving Credit Facility Loans(a)	\$ —	L+250 bps	—	9/30/2019
Senior Secured Term Loans:				
2019 Term Loan A	459,375	L+250 bps	2.93%	9/30/2019
2019 Term Loan B(b)	423,584	L+250 bps	3.25%	3/29/2019
2021 Term Loan B(b)	629,409	L+350 bps	4.25%	3/29/2021
2022 Term Loan B(b)	698,250	L+450 bps	4.75%	11/20/2022
Total / Weighted Average (at current rate)	\$ 2,210,618		3.94%	

(a) The Company's Revolving Credit Facility has a borrowing capacity of \$400 million

(b) The Company's Term Loan B Credit Facilities have a LIBOR floor of 75 basis points

LPL Financial Holdings Inc.
Key Business and Financial Metrics (1)
(Dollars in thousands, except where noted)
(Unaudited)

	Q1 2016	Q4 2015	% Change	Q1 2015	% Change
Advisors					
Advisors	14,093	14,054	—%	14,098	—%
Net New Advisors	39	(19)	nm	62	nm
Custom Clearing Service Subscribers(32)	4,177	4,200	(1%)	4,304	(3%)
Annualized commissions revenue per Advisor(33)	\$ 124	\$ 132	(6%)	\$ 149	(17%)
Annualized GDC per Advisor(33)	\$ 215	\$ 224	(4%)	\$ 246	(13%)
Transition assistance loan amortization(\$ millions)(34)	\$ 11.0	\$ 10.7	3%	\$ 9.1	21%
Employees - period end					
	3,403	3,410	—%	3,352	2%
Productivity Metrics					
Advisory Revenue as a percentage of Advisory Assets, excluding Hybrid RIA assets(35)	1.05%	1.10%	(5bps)	1.09%	(4bps)
Annualized Gross Profit / Total Advisory and Brokerage Assets	0.30%	0.27%	3bps	0.29%	1bp
Production Retention Rate (YTD Annualized)(36)	97.0%	96.3%	70bps	97.0%	—bps
Attachment Rate, excluding Cash Sweep Revenue(37)	27.2%	26.1%	110bps	25.6%	160bps
Recurring Revenue Rate	73.7%	73.0%	70bps	69.2%	450bps
EBITDA as a percentage of Gross Profit	38.5%	31.1%	740bps	38.0%	50bps
Capital Allocation per Share(38) (in millions, except per share data)					
Share Repurchases	\$ 25	\$ 250	(90%)	\$ 30	(17%)
Dividends	22	24	(8%)	24	(8%)
Total Capital Allocated	\$ 47	\$ 274	(83%)	54	(13%)
Weighted-average Share Count, Diluted	89.6	95.3	(6%)	98.2	(9%)
Total Capital Allocated per Share	\$ 0.52	\$ 2.88	(82%)	\$ 0.55	(5%)

Endnote Disclosures

- (1) The information presented on pages 8-15 includes non-GAAP financial measures and operational and performance metrics. For more information on non-GAAP measures, please see the section titled "Non-GAAP Financial Measures" on page 3.
- (2) GDC, or gross dealer concessions, a non-GAAP measure, is equal to the sum of Commission and Advisory revenues.
- (3) Cash sweep revenue consists of fees from the Company's cash sweep program, specifically a money market sweep vehicle involving money market fund providers and an insured bank deposit sweep vehicle. Cash sweep revenues are a component of asset-based revenues and are derived from the Company's Condensed Consolidated Statement of Operations.
- (4) Other asset-based revenues consists of the Company's sponsorship programs with financial product manufacturers and omnibus processing and networking services, but not including fees from cash sweep programs. Other asset-based revenues are a component of asset-based revenues and are derived from the Company's Condensed Consolidated Statement of Operations.
- (5) Other consists of interest income as well as Other revenues, as presented on the Company's Condensed Consolidated Statement of Operations.
- (6) Gross Profit is calculated as net revenues less production expenses. Production expenses consist of the following expense categories from the Company's condensed consolidated statements of income: (i) commission and advisory and (ii) brokerage, clearing, and exchange. All other expense categories, includes depreciation and amortization, are considered general and administrative in nature. Because the Company's gross profit amounts do not include any depreciation and amortization expense, the Company considers its gross profit amounts to be non-GAAP measures that may not be comparable to those of others in its industry.
- (7) Core G&A expenses consists of total operating expenses excluding the following expenses: commission and advisory, regulatory (see FN 8), promotional (see FN 9), employee share-based compensation (see FN 10), other historical adjustments (see FN 11), depreciation and amortization, and brokerage, clearing, and exchange.
- (8) Regulatory charges consist of items that the Company's management relates to the resolution of regulatory issues (including remediation, restitution, and fines).
- (9) Promotional expenses include costs related to hosting of advisor conferences, business development costs related to recruiting, such as transition assistance, and amortization related to forgivable loans issued to advisors.
- (10) Employee share-based compensation expense represents share-based compensation for equity awards granted to employees, officers, and directors. Such awards are measured based on the grant date fair value and recognized over the requisite service period of the individual awards, which generally equals the vesting period.
- (11) Primarily includes acquisition and integration costs resulting from various acquisitions and organizational restructuring and conversion costs. Beginning in Q1 2016, these items are included in Core G&A expenses (see FN 7).
- (12) Brokerage assets is a component of Total Brokerage and Advisory Assets (see FN 14) and consist of assets serviced by advisors licensed with the Company's broker-dealer subsidiary LPL Financial LLC ("LPL Financial") that are custodied, networked, and non-networked, and reflect market movement in addition to new assets, inclusive of new business development and net of attrition.
- (13) Advisory assets is a component of Total Brokerage and Advisory Assets (see FN 14) and consists of advisory assets under management on the Company's corporate advisory platform (see FN 21) and Hybrid RIA assets in advisory accounts custodied at the Company (see FN 20).
- (14) End of period Total Brokerage and Advisory Assets are comprised of assets that are custodied, networked, and non-networked, and reflect market movement in addition to new assets, inclusive of new business development and net of attrition. End of period insured cash account and money market account balances are also included in Total Brokerage and Advisory Assets.
- (15) Insured Cash Account Assets represents advisors' clients' accounts balances in an insured bank deposit sweep vehicle at the end of the reporting period. These assets are included in Total Advisory and Brokerage Assets (see FN 14).

- (16) Money Market Account Cash Assets represents advisors' clients' accounts balances in money market fund providers at the end of the reporting period. These assets are included in Total Advisory and Brokerage Assets (see FN 14).
- (17) Represents the sum of Insured Cash Account Assets and Money Market Account Cash Assets, which together comprise end of period assets in the Company's cash sweep program. These assets are included in Total Advisory and Brokerage Assets (see FN 14).
- (18) Net New Advisory Assets consist of funds deposited into new advisory accounts and additional funds deposited into existing advisory accounts that are custodied in the Company's fee-based advisory platforms during the period, and exclude market impact.
- (19) Annualized growth is calculated by dividing Net New Advisory Assets (see FN 18) by end of period advisory assets and multiplying by four.
- (20) The Company serves independent RIAs that conduct their advisory business through separate entities ("Hybrid RIAs") operating pursuant to the Investment Advisers Act of 1940 or through their respective states' investment advisory licensing rules, rather than through LPL Financial. Advisors associated with Hybrid RIAs pay fees to access the Company's Hybrid RIA platform for an integrated offering of technology, clearing, compliance, and custody services to Hybrid RIAs. Most financial advisors associated with Hybrid RIAs carry their brokerage license with LPL Financial, although some financial advisors associated with Hybrid RIAs do not carry a brokerage license through LPL Financial. Total Hybrid Platform Assets consist of assets managed or serviced by advisors associated with a Hybrid RIA firm that are custodied, networked, and non-networked with the Company, and reflect market movement in addition to new assets, inclusive of new business development and net of attrition. This measure does not include assets managed by Hybrid RIAs that are custodied with a third-party custodian.
- (21) Corporate assets include assets served on the Company's corporate brokerage and corporate advisory platforms.
- (22) Total Retirement Assets are a component of Total Advisory and Brokerage Assets (see FN 14), and consist of retirement plan assets held in advisory and brokerage accounts that are custodied, networked, and non-networked at the Company, and reflect market movement in addition to new assets, inclusive of new business development and net of attrition. This measure does not include additional retirement plan assets serviced by advisors through either LPL Financial or Hybrid RIAs, which assets the Company currently estimates at approximately \$121 billion.
- (23) Reflects insured cash account and money market fees quarterly average.
- (24) The Company's production payout ratio is calculated as production expenses (see FN 6), excluding brokerage, clearing, and exchange fees, divided by GDC (see FN 2).
- (25) Production Non-GDC Sensitive Payout, a non-GAAP measure, includes share-based compensation expense from equity awards granted to advisors and financial institutions (see FN 27) and mark-to-market gains or losses on amounts designated by advisors as deferred.
- (26) The Company presents Credit Agreement EBITDA because management believes that it can be a useful financial metric in understanding the Company's debt capacity and covenant compliance.
- (27) Advisor share-based compensation expense represents share-based compensation for the stock options and warrants awarded to advisors and financial institutions based on the fair value of the awards at each reporting period.
- (28) Other represents items that were adjusted in accordance with the Credit Agreement to calculate Credit Agreement EBITDA, including employee severance costs, employee signing costs, and employee retention or completion bonuses.
- (29) Credit Agreement EBITDA as presented for Q4 2015 reflects the final amounts for the period as calculated and delivered to the Company's agent under the Credit Agreement and represents a \$1 million increase to the amount presented in the Company's Q4 2015 earnings release on February 11, 2016.
- (30) Consists of cash unrestricted by the Credit Agreement and other regulations available for operating, investing, and financing uses.
- (31) Parent refers to LPL Holdings, Inc., an intermediate subsidiary of the Company, which is the Borrower under the Credit Agreement.
- (32) Custom Clearing Services subscribers are financial advisors who are affiliated and licensed with insurance companies that receive customized clearing services, advisory platforms, and technology solutions from the Company.

- (33) A simple average advisor count is used to calculate "per advisor" metrics by taking the average advisor count from the current period and sequential period. The calculation uses the average advisor count at the beginning and the end of period, and excludes Custom Clearing Services subscribers (see FN 32).
- (34) Transition assistance consists of payments to newly recruited advisors and financial institutions to assist in the transition process. Smaller advisor practices receive payments that are charged to earnings in the current period, whereas larger advisor practices and financial institutions typically receive transition assistance in the form of forgivable loans or recoverable advances that are generally amortized into earnings over a period of three to five years. Transition assistance loan amortization represents the amortizable amount of forgivable loans or recoverable advances that are charged to earnings in the period presented.
- (35) Based on annualized advisory revenues over corporate advisory assets at the prior quarter's end (corporate advisory assets is defined as total Advisory (see FN 14) less Hybrid Platform Advisory Assets (see FN 20)).
- (36) Reflects retention of commission and advisory revenues, calculated by deducting the prior year production of the annualized year-to-date attrition rate, over the prior year total production.
- (37) Attachment revenue is comprised of asset-based revenues (including revenue from cash sweep programs), transaction and fee revenue, and other revenue. Attachment rate, excluding cash revenue is calculated as attachment revenue (less revenue from cash sweep programs) over total commission and advisory revenues for the quarter.
- (38) Capital allocation per share equals the amount of capital allocated for share repurchases and cash dividends over the diluted weighted average shares outstanding.