UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2022
OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to
Commission File Number: 001-34963

LPL Financial Holdings Inc.

(Exact name of registrant as specified in its charter)

Delaware	**20-3717839**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*

4707 Executive Drive, San Diego, California 92121
(Address of Principal Executive Offices) (Zip Code)

(800) 877-7210
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol(s)	Name of Each Exchange on Which Registered
Common Stock - $0.001 par value per share	LPLA	The Nasdaq Global Select Market

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). ☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer	☒	Accelerated Filer	☐
Non-accelerated Filer	☐	Smaller Reporting Company	☐
		Emerging Growth Company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
☐ Yes ☒ No

The number of shares of Common Stock, par value $0.001 per share, outstanding as of July 28, 2022 was 79,769,788.

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WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and current reports, proxy statements and other information required by the Securities Exchange Act of 1934, as amended ("Exchange Act"), with the Securities and Exchange Commission ("SEC"). Our SEC filings are available to the public on the SEC's website at sec.gov.

We post the following filings to our website at lpl.com as soon as reasonably practicable after they are electronically filed with or furnished to the SEC: our annual reports on Form 10-K, our proxy statements, our quarterly reports on Form 10-Q, our current reports on Form 8-K and any amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act. Copies of all such filings are available free of charge by request via email (investor.relations@lpl.com), telephone ((617) 897-4574) or mail (LPL Financial Investor Relations at 75 State Street, 22nd Floor, Boston, MA 02109). The information contained or incorporated on our website is not a part of this Quarterly Report on Form 10-Q.

We may use our website as a means of disclosing material information and for complying with our disclosure obligations under Regulation Fair Disclosure promulgated by the SEC. These disclosures are included on our website in the "Investor Relations" or "Press Releases" sections. Accordingly, investors should monitor these portions of our website in addition to following the Company's press releases, SEC filings, public conference calls and webcasts.

When we use the terms "LPLFH", "LPL", "we", "us", "our" and "the Company", we mean LPL Financial Holdings Inc., a Delaware corporation, and its consolidated subsidiaries, taken as a whole, unless the context otherwise indicates.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Statements in Part I, *Item 2. "Management's Discussion and Analysis of Financial Condition and Results of Operations"* and other sections of this Quarterly Report on Form 10-Q regarding:

- the Company's future financial and operating results, outlook, growth, plans, business strategies, liquidity and future share repurchases, including statements regarding future resolution of regulatory matters, legal proceedings and related costs;
- the Company's future revenue and expense;
- future affiliation models and capabilities;
- the expected onboarding of advisors, institutions and assets in connection with our acquisition and recruitment activity;
- market and macroeconomic trends;
- projected savings and anticipated improvements to the Company's operating model, services and technologies as a result of its investments, initiatives, programs and acquisitions;
- expected impacts of the coronavirus disease 2019 ("COVID-19") pandemic on the Company's business; and
- 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 August 4, 2022. 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 from 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;
- changes in interest rates and fees payable by banks participating in the Company's client cash programs, including the Company's success in negotiating agreements with current or additional counterparties;
- the Company's strategy and success in managing client cash program fees;
- fluctuations in the levels of advisory and brokerage assets, including net new assets, and the related impact on revenue;
- effects of competition in the financial services industry;

- the success of the Company in attracting and retaining financial advisors and institutions, and their ability to market financial products and services effectively;
- whether retail investors served by newly-recruited advisors choose to move their respective assets to new accounts at the Company;
- changes in growth and profitability of the Company’s fee-based offerings;
- the effect of current, pending and future legislation, regulation and regulatory actions, including disciplinary actions imposed by federal and state regulators and self-regulatory organizations;
- the cost of settling and remediating issues related to regulatory matters or legal proceedings, including actual costs of reimbursing customers for losses in excess of our reserves;
- changes made to the Company’s services and pricing, including in response to competitive developments and current, pending and future legislation, regulation and regulatory actions, and the effect that such changes may have on the Company’s gross profit streams and costs;
- execution of the Company’s capital management plans, including its compliance with the terms of the Company’s amended and restated credit agreement (“Credit Agreement”) and the indentures governing the Company’s senior unsecured notes (the “Indentures”);
- the price, the availability and trading volumes of shares of the Company’s common stock, which will affect the timing and size of future share repurchases by the Company, if any;
- execution of the Company’s plans and its success in realizing the synergies, expense savings, service improvements or efficiencies expected to result from its investments, initiatives and acquisitions, expense plans and technology initiatives;
- the performance of third-party service providers to which business processes have been transitioned;
- the Company’s ability to control operating risks, information technology systems risks, cybersecurity risks and sourcing risks;
- the effects of the COVID-19 pandemic, including efforts to contain it; and
- the other factors set forth in Part I, *“Item 1A. Risk Factors”* in the Company’s 2021 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 Quarterly Report on Form 10-Q, 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 Quarterly Report on Form 10-Q.

GLOSSARY OF TERMS

Adjusted Net Income: A non-GAAP financial measure defined as net income plus the after-tax impact of amortization of other intangibles and acquisition costs.

Basis Point: One basis point equals 1/100th of 1%.

Core G&A: A non-GAAP financial measure defined as total expense excluding the following expenses: advisory and commission; depreciation and amortization; interest expense on borrowings; brokerage, clearing and exchange; amortization of other intangibles; loss on extinguishment of debt; promotional; acquisition costs; employee share-based compensation; and regulatory charges.

Corporate Cash: A component of cash and equivalents which includes the sum of cash and equivalents from the following: (1) cash and equivalents held at LPL Holdings, Inc., (2) cash and equivalents held at regulated subsidiaries as defined by the Company's Credit Agreement (as defined below), which include LPL Financial LLC and The Private Trust Company N.A., in excess of the capital requirements of the Company's Credit Agreement (as defined below), which, in the case of LPL Financial LLC, is net capital in excess of 10% of its aggregate debits, or five times the net capital required in accordance with the Uniform Net Capital Rule (as defined below), and (3) cash and equivalents held at non-regulated subsidiaries.

Credit Agreement: The Company's amended and restated credit agreement.

Credit Agreement EBITDA: The equivalent of "Consolidated EBITDA," as defined in the Credit Agreement, which is Consolidated Net Income (as defined in the Credit Agreement) plus interest expense on borrowings, provision for income taxes, depreciation and amortization, and amortization of other intangibles, and is further adjusted to exclude certain non-cash charges and other adjustments (including unusual or non-recurring charges) and gains, and to include future expected cost savings, operating expense reductions or other synergies from certain transactions.

EBITDA: A non-GAAP financial measure defined as net income plus interest expense on borrowings, provision for income taxes, depreciation and amortization, and amortization of other intangibles.

EPS Prior to Amortization of Intangible Assets and Acquisition Costs: A non-GAAP financial measure defined as Adjusted Net Income divided by the weighted average number of diluted shares outstanding for the applicable period.

FINRA: The Financial Industry Regulatory Authority.

GAAP: Accounting principles generally accepted in the United States of America.

Gross Profit: Non-GAAP financial measure defined as total revenue less advisory and commission expense and brokerage, clearing and exchange expense.

Indentures: Refers to the indentures governing the Company's senior unsecured notes.

Leverage Ratio: A financial metric from our Credit Agreement that is calculated by dividing Credit Agreement Net Debt, which equals consolidated total debt less Corporate Cash, by Credit Agreement EBITDA.

NFA: The National Futures Association.

OCC: The Office of the Comptroller of the Currency.

RIA: Registered investment advisor.

Uniform Net Capital Rule: Refers to Rule 15c3-1 under the Securities Exchange Act of 1934, which specifies minimum capital requirements that are intended to ensure the general financial soundness and liquidity of broker-dealers.

PART I — FINANCIAL INFORMATION

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Business Overview

LPL serves the advisor-mediated advice marketplace as the nation's largest independent broker-dealer, a leading investment advisory firm, and a top custodian. We support nearly 21,000 financial advisors, including advisors at approximately 1,100 institution-based investment programs and at approximately 500 registered investment advisor ("RIA") firms nationwide, providing the front-, middle- and back-office support our clients need to serve the large and growing market for comprehensive financial advice from an advisor. We offer a customizable platform of integrated technology, brokerage and advisory platforms, digital capabilities, clearing and compliance services, business services, planning and advice services and strategic growth resources to help our clients run their perfect practices.

We are steadfast in our commitment to the advisor-centered model and the belief that Americans deserve access to personalized guidance from a financial advisor. We believe advisors should have the freedom to manage their client relationships because they know their clients best. We believe investors achieve better outcomes when working with a financial advisor. We strive to make it easy for advisors to do what is best for their clients by promoting freedom and choice through access to a wide range of diligently evaluated non-proprietary products while protecting advisors and clients.

We believe that we are the only company that offers the unique combination of an integrated technology platform, comprehensive self-clearing services, and access to a wide range of curated non-proprietary products, all delivered in an environment unencumbered by conflicts from product manufacturing, underwriting and market-making.

Our Sources of Revenue

Our revenue is derived primarily from fees and commissions from products and advisory services offered by our advisors to their clients, a substantial portion of which we pay out to our advisors, as well as fees we receive from our advisors for the use of our technology, custody, clearing, trust and reporting platforms. We also generate asset-based revenue through our insured bank sweep vehicles, money market programs and the access we provide to a variety of product providers with the following product lines:

- Alternative Investments
- Annuities
- Exchange Traded Products
- Insurance Based Products
- Mutual Funds
- Retirement Plan Products
- Separately Managed Accounts
- Structured Products
- Unit Investment Trusts

Under our self-clearing platform, we custody the majority of client assets invested in these financial products, for which we provide statements, transaction processing and ongoing account management. In return for these services, mutual funds, insurance companies, banks and other financial product sponsors pay us fees based on asset levels or number of accounts managed. We also earn interest from margin loans made to our advisors' clients. A portion of our revenue is not asset-based or correlated with the equity financial markets.

We regularly review various aspects of our operations and service offerings, including our policies, procedures and platforms, in response to marketplace developments. We seek to continuously improve and enhance aspects of our operations and service offerings in order to position our advisors for long-term growth and to align with competitive and regulatory developments. For example, we regularly review the structure and fees of our products and services, including related disclosures, in the context of the changing regulatory environment and competitive landscape for advisory and brokerage accounts.

Executive Summary

Financial Highlights

Results for the second quarter of 2022 included net income of $160.5 million, or $1.97 per diluted share, which compares to $119.1 million, or $1.46 per diluted share, for the second quarter of 2021.

Asset Trends

Total advisory and brokerage assets served were $1.1 trillion at both June 30, 2022 and 2021. Total net new assets were $37.2 billion for the three months ended June 30, 2022, compared to $106.0 billion for the same period in 2021.

Net new advisory assets were $11.4 billion for the three months ended June 30, 2022, compared to $54.9 billion for the same period in 2021. Advisory assets were $558.6 billion, or 52% of total advisory and brokerage assets served, at June 30, 2022, down 3% from $577.6 billion at June 30, 2021.

Net new brokerage assets were $25.8 billion for the three months ended June 30, 2022, compared to $51.1 billion for the same period in 2021. Brokerage assets were $506.0 billion at June 30, 2022, down 5% from $534.7 billion at June 30, 2021.

Gross Profit Trends

Gross profit, a non-GAAP financial measure, was $711.1 million for the three months ended June 30, 2022, and increased 18% from $601.6 million for the three months ended June 30, 2021. See the *“Key Performance Metrics”* section for additional information on gross profit.

Common Stock Dividends and Share Repurchases

During the three months ended June 30, 2022, we paid shareholders cash dividends of $20.0 million and repurchased 272,359 of our outstanding shares for a total of $50.0 million.

COVID-19 Response

In response to the COVID-19 pandemic, we have taken measures to protect the health and safety of our employees, as well as the stability and continuity of our operations. For example, we have equipped and enabled a substantial majority of employees to work remotely, enhanced cleaning protocols throughout our corporate offices, and worked closely with our vendors to maintain service continuity throughout the market volatility and increased operational volumes that have occurred from time to time during the pandemic. We also made extra support available to our advisors by extending service hours and providing additional resources to enable them to deliver differentiated services to their clients. Please consult Part I, *“Item 1A. Risk Factors”* in our 2021 Annual Report on Form 10-K for more information about the risks associated with COVID-19.

Key Performance Metrics

We focus on several key metrics in evaluating the success of our business relationships and our resulting financial position and operating performance. Our key operating, business and financial metrics are as follows:

	As of and for the Three Months Ended		
Operating Metrics (dollars in billions)(1)	**June 30, 2022**	**March 31, 2022**	**June 30, 2021**
Advisory and Brokerage Assets			
Advisory assets(2)(3)	$ 558.6	$ 624.3	$ 577.6
Brokerage assets(2)(4)	506.0	538.8	534.7
Total Advisory and Brokerage Assets(2)	**$ 1,064.6**	**$ 1,163.1**	**$ 1,112.3**
Advisory as a % of total Advisory and Brokerage Assets	52.5%	53.7%	51.9%
Net New Assets			
Net new advisory assets(5)	$ 11.4	$ 17.4	$ 54.9
Net new brokerage assets(6)	25.8	0.2	51.1
Total Net New Assets	**$ 37.2**	**$ 17.6**	**$ 106.0**
Organic Net New Assets(7)			
Organic net new advisory assets	$ 11.4	$ 17.4	$ 21.4
Organic net new brokerage assets	25.8	0.2	15.6
Total Organic Net New Assets	**$ 37.2**	**$ 17.6**	**$ 37.1**
Organic advisory net new assets annualized growth(7)	7.3%	10.8%	17.3%
Total organic net new assets annualized growth(7)	12.8%	5.8%	15.5%
Client Cash Balances(2)(8)			
Insured cash account sweep	$ 40.8	$ 32.6	$ 34.1
Deposit cash account sweep	12.3	9.4	7.6
Total Bank Sweep	**53.1**	**42.0**	**41.7**
Money market sweep	15.0	18.2	5.0
Total Client Cash Sweep Held by Third Parties	**68.1**	**60.2**	**46.7**
Client cash account	1.5	1.6	1.5
Total Client Cash Balances	**$ 69.6**	**$ 61.7**	**$ 48.2**
Client Cash Balances as a % of Total Assets	6.5%	5.3%	4.3%
Net buy (sell) activity(9)	$ 5.3	$ 11.0	$ 18.1

	As of and for the Three Months Ended		
Business and Financial Metrics (dollars in millions)	**June 30, 2022**	**March 31, 2022**	**June 30, 2021**
Advisors	20,871	20,091	19,114
Average total assets per advisor(10)	$ 51.0	$ 57.9	$ 58.2
Employees	6,099	6,026	5,265
Share repurchases	$ 50.0	$ 50.0	$ —
Dividends	$ 20.0	$ 20.0	$ 20.0
Leverage ratio(11)	2.09	2.16	2.26

Financial Metrics (dollars in millions, except per share data)	Three Months Ended June 30, 2022	Three Months Ended June 30, 2021	Six Months Ended June 30, 2022	Six Months Ended June 30, 2021
Total revenue	$ 2,038.9	$ 1,898.3	$ 4,104.6	$ 3,605.9
Net income	$ 160.5	$ 119.1	$ 294.3	$ 248.7
Earnings per share (“EPS”), diluted	$ 1.97	$ 1.46	$ 3.61	$ 3.05
Non-GAAP Financial Metrics (dollars in millions, except per share data)				
EPS prior to amortization of intangible assets and acquisition costs(12)	$ 2.24	$ 1.85	$ 4.20	$ 3.62
Gross profit(13)	$ 711.1	$ 601.6	$ 1,380.1	$ 1,181.0
EBITDA(14)	$ 310.7	$ 243.4	$ 577.9	$ 486.6
Core G&A(15)	$ 286.0	$ 251.7	$ 566.9	$ 487.9

(1) Totals may not foot due to rounding.

(2) Advisory and brokerage assets consist 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. Client cash balances are also included in total advisory and brokerage assets.

(3) Advisory assets consist of total advisory assets under custody at the Company’s broker-dealer subsidiary, LPL Financial LLC (“LPL Financial”), and Waddell & Reed, LLC. As of June 30, 2022, there were no advisory assets under custody at Waddell & Reed, LLC. Please consult the “*Results of Operations”* section for a tabular presentation of advisory assets.

(4) Brokerage assets consist of total brokerage assets under custody at the Company’s broker-dealer subsidiary, LPL Financial, and Waddell & Reed, LLC. As of June 30, 2022, there were no brokerage assets under custody at Waddell & Reed, LLC. Please consult the *“Results of Operations”* section for a tabular presentation of brokerage assets.

(5) Net new advisory assets consist of total client deposits into custodied advisory accounts less total client withdrawals from custodied advisory accounts, plus dividends, plus interest, minus advisory fees. We consider conversions from and to brokerage accounts as deposits and withdrawals, respectively.

(6) Net new brokerage assets consist of total client deposits into brokerage accounts less total client withdrawals from brokerage accounts, plus dividends, plus interest. We consider conversions from and to advisory accounts as deposits and withdrawals, respectively.

(7) Calculated as annualized current period net new assets divided by preceding period assets in their respective categories of advisory assets or total advisory and brokerage assets.

(8) During the second quarter of 2022, the Company updated its definition of client cash balances to include client cash accounts and exclude purchased money market funds. Client cash accounts include cash that clients have deposited with LPL Financial that is included in Client payables in the condensed consolidated balance sheets. Prior period disclosures have been updated to reflect this change as applicable.

(9) Represents the amount of securities purchased less the amount of securities sold in client accounts custodied with LPL Financial.

(10) Calculated based on the end-of-period total advisory and brokerage assets divided by the end-of-period advisor count.

(11) The leverage ratio is a financial metric from our Credit Agreement and is calculated by dividing Credit Agreement net debt, which equals consolidated total debt less Corporate Cash, by Credit Agreement EBITDA. Credit Agreement EBITDA, a non-GAAP measure, is defined by the Credit Agreement as "Consolidated EBITDA," which is Consolidated Net Income (as defined in the Credit Agreement) plus interest expense on borrowings, provision for income taxes, depreciation and amortization, and amortization of other intangibles, and is further adjusted to exclude certain non-cash charges and other adjustments (including unusual or non-recurring charges) and gains, and to include future expected cost savings, operating expense reductions or other synergies from certain transactions. Please consult the *"Debt and Related Covenants"* section for more information. Below is a reconciliation of corporate debt and other borrowings to Credit Agreement net debt as of the dates below and net income to EBITDA and Credit Agreement EBITDA for the trailing twelve month periods presented below (in millions):

Credit Agreement Net Debt Reconciliation	**June 30, 2022**	**March 31, 2022**	**June 30, 2021**
Corporate debt and other borrowings	$ 2,743.3	$ 2,745.9	$ 2,754.0
Corporate cash(16)	(241.5)	(270.2)	(278.4)
Credit Agreement Net Debt(†)	$ 2,501.8	$ 2,475.8	$ 2,475.6

EBITDA and Credit Agreement EBITDA Reconciliation	**June 30, 2022**	**March 31, 2022**	**June 30, 2021**
Net income	$ 505.4	$ 464.0	$ 464.1
Interest expense on borrowings	110.2	106.6	100.4
Provision for income taxes	154.8	145.6	143.9
Depreciation and amortization	173.1	161.4	128.4
Amortization of other intangibles	84.3	83.0	71.5
EBITDA(†)	$ 1,027.8	$ 960.5	$ 908.2
Credit Agreement Adjustments:			
Acquisition costs and other	$ 86.9	$ 101.2	$ 45.1
Employee share-based compensation expense	45.8	43.2	37.5
M&A accretion(17)	32.1	40.4	77.0
Advisor share-based compensation expense	2.3	2.3	2.3
Loss on extinguishment of debt	—	—	24.4
Credit Agreement EBITDA(†)	$ 1,194.9	$ 1,147.7	$ 1,094.5

	June 30, 2022	**March 31, 2022**	**June 30, 2021**
Leverage Ratio	**2.09**	**2.16**	**2.26**

(†) Totals may not foot due to rounding.

(12) EPS prior to amortization of intangible assets and acquisition costs is a non-GAAP financial measure defined as adjusted net income, a non-GAAP financial measure defined as net income plus the after-tax impact of amortization of other intangibles and acquisition costs, divided by the weighted average number of diluted shares outstanding for the applicable period. The Company presents adjusted net income and EPS prior to amortization of intangible assets and acquisition costs because management believes that these metrics can provide investors with useful insight into the Company's core operating performance by excluding non-cash items and acquisition costs that management does not believe impact the Company's ongoing operations. Adjusted net income and EPS prior to amortization of intangible assets and acquisition costs are not measures of the Company's financial performance under GAAP and should not be considered as alternatives to net income, earnings per diluted share or any other performance measure derived in accordance with GAAP. Below is a reconciliation of net income and earnings per diluted share to adjusted net income and EPS prior to amortization of intangible assets and acquisition costs for the periods presented (in millions, except per share data):

	Three Months Ended June 30,				**Six Months Ended June 30,**			
	2022		**2021**		**2022**		**2021**	
Adjusted net income / EPS prior to amortization of intangible assets and acquisition costs Reconciliation	**Amount**	**Per Share**	**Amount**	**Per Share**	**Amount**	**Per Share**	**Amount**	**Per Share**
Net income / earnings per diluted share	$ 160.5	$ 1.97	$ 119.1	$ 1.46	$ 294.3	$ 3.61	$ 248.7	$ 3.05
Amortization of other intangibles	21.2	0.26	19.9	0.24	42.4	0.52	37.4	0.46
Acquisition costs(18)	8.9	0.11	23.8	0.29	22.2	0.27	26.2	0.32
Tax benefit	(7.9)	(0.10)	(11.7)	(0.14)	(16.9)	(0.21)	(17.0)	(0.21)
Adjusted net income / EPS prior to amortization of intangible assets and acquisition costs(†)	$ 182.7	$ 2.24	$ 151.1	$ 1.85	$ 342.0	$ 4.20	$ 295.3	$ 3.62
Weighted-average shares outstanding, diluted	81.4		81.7		81.5		81.6	

(†) Totals may not foot due to rounding.

(13) Gross profit is a non-GAAP financial measure defined as total revenue less advisory and commission expense and brokerage, clearing and exchange expense. All other expense categories, including depreciation and amortization of property and equipment and amortization of other intangibles, are considered by management to be general and administrative in nature. Because our gross profit amounts do not include any depreciation and amortization expense, we consider our gross profit amounts to be non-GAAP financial measures that may not be comparable to those of others in our industry. We believe that gross profit amounts can provide investors with useful insight into our core operating performance before indirect costs that are general and administrative in nature. Below is a reconciliation of gross profit for the periods presented (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
Gross Profit Reconciliation	**2022**	**2021**	**2022**	**2021**
Total revenue	$ 2,038.9	$ 1,898.3	$ 4,104.6	$ 3,605.9
Advisory and commission expense	1,304.4	1,273.2	2,678.6	2,382.1
Brokerage, clearing and exchange expense	23.4	23.5	46.0	42.8
Gross Profit(†)	**$ 711.1**	**$ 601.6**	**$ 1,380.1**	**$ 1,181.0**

(†) Totals may not foot due to rounding.

(14) EBITDA is a non-GAAP financial measure defined as net income plus interest expense on borrowings, provision for income taxes, depreciation and amortization, and amortization of other intangibles. The Company presents EBITDA because management believes that it can be a useful financial metric in understanding the Company's earnings from operations. EBITDA is not a measure of the Company's financial performance under GAAP and should not be considered as an alternative to net income or any other performance measure derived in accordance with GAAP. Below is a reconciliation of EBITDA for the periods presented (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
EBITDA Reconciliation	**2022**	**2021**	**2022**	**2021**
Net income	$ 160.5	$ 119.1	$ 294.3	$ 248.7
Interest expense on borrowings	28.8	25.2	$ 56.0	50.2
Provision for income taxes	51.8	42.5	$ 91.4	78.1
Depreciation and amortization	48.5	36.7	$ 93.9	72.2
Amortization of other intangibles	21.2	19.9	$ 42.4	37.4
EBITDA(†)	**$ 310.7**	**$ 243.4**	**$ 577.9**	**$ 486.6**

(†) Totals may not foot due to rounding.

(15) Core G&A is a non-GAAP financial measure defined as total expense less the following expenses: advisory and commission; depreciation and amortization; interest expense on borrowings; brokerage, clearing and exchange; amortization of other intangibles; loss on extinguishment of debt; promotional; acquisition costs; employee share-based compensation; and regulatory charges. Management presents Core G&A because it believes Core G&A reflects the corporate expense categories over which management can generally exercise a measure of control, compared with expense items over which management either cannot exercise control, such as advisory and commission expense, or which management views as promotional expense necessary to support advisor growth and retention, including conferences and transition assistance. Core G&A is not a measure of the Company's total expense as calculated in accordance with GAAP. Below is a reconciliation of Core G&A for the periods presented (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
Core G&A Reconciliation	**2022**	**2021**	**2022**	**2021**
Total expense	$ 1,826.6	$ 1,736.6	$ 3,718.9	$ 3,279.1
Advisory and commission	1,304.4	1,273.2	2,678.6	2,382.1
Depreciation and amortization	48.5	36.7	93.9	72.2
Interest expense on borrowings	28.8	25.2	56.0	50.2
Brokerage, clearing and exchange	23.4	23.5	46.0	42.8
Amortization of other intangibles	21.2	19.9	42.4	37.4
Loss on extinguishment of debt	—	—	—	24.4
Total G&A(†)	400.4	358.1	802.1	670.0
Promotional (ongoing)(18)(19)	83.8	64.1	171.2	118.3
Employee share-based compensation	13.7	11.1	26.4	22.5
Acquisition costs(18)	8.9	23.8	22.2	26.2
Regulatory charges	8.1	7.4	15.4	15.0
Core G&A(†)	**$ 286.0**	**$ 251.7**	**$ 566.9**	**$ 487.9**

(†) Totals may not foot due to rounding.

(16) See the *"Liquidity and Capital Resources"* section for additional information about Corporate Cash.

(17) M&A accretion is an adjustment to reflect the annualized expected run rate EBITDA of an acquisition as permitted by the Credit Agreement for up to eight fiscal quarters following the close of the transaction.

(18) Acquisition costs include the costs to setup, onboard and integrate acquired entities. The below table summarizes the primary components of acquisition costs for the periods presented (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
Acquisition costs	**2022**	**2021**	**2022**	**2021**
Compensation and benefits	$ 6.7	$ 13.9	$ 12.3	$ 15.5
Professional services	1.9	6.3	7.5	6.9
Promotional(19)	—	0.2	1.9	0.2
Other	0.3	3.4	0.5	3.6
Acquisition costs	**$ 8.9**	**$ 23.8**	**$ 22.2**	**$ 26.2**

(19) Promotional (ongoing) for the three and six months ended June 30, 2022 includes $5.8 million and $8.1 million, respectively, of support costs related to full-time employees that are classified within Compensation and benefits expense in the condensed consolidated statements of income. Promotional (ongoing) for the six months ended June 30, 2022 excludes $1.9 million of expenses incurred as a result of acquisitions, which are included in the Acquisition costs line item.

Legal and Regulatory Matters

The financial services industry is subject to extensive regulation by U.S. federal, state and international government agencies as well as various self-regulatory organizations. We seek to participate in the development of significant rules and regulations that govern our industry. We have been investing in our compliance functions to monitor our adherence to the numerous legal and regulatory requirements applicable to our business. Compliance with all applicable laws and regulations involves a significant investment in time and resources. Any new laws or regulations applicable to our business, any changes to existing laws or regulations, or any changes to the interpretations or enforcement of those laws or regulations may affect our operations and/or financial condition.

As a regulated entity, we are subject to regulatory oversight and inquiries related to, among other items, our compliance and supervisory systems and procedures and other controls, as well as our disclosures, supervision and reporting. We review these items in the ordinary course of business in our effort to adhere to legal and regulatory requirements applicable to our operations. Nevertheless, additional regulation and enhanced regulatory enforcement has resulted, and may result in the future, in additional operational and compliance costs, as well as increased costs in the form of penalties and fines, investigatory and settlement costs, customer restitution and remediation related to regulatory matters. In the ordinary course of business, we periodically identify or become aware of purported inadequacies, deficiencies and other issues. It is our policy to evaluate these matters for potential legal or regulatory violations and other potential compliance issues. It is also our policy to self-report known violations and issues as required by applicable law and regulation. When deemed probable that matters may result in financial losses, we accrue for those losses based on an estimate of possible fines, customer restitution and losses related to the repurchase of sold securities and other losses, as applicable. Certain regulatory and other legal claims and losses may be covered through our wholly-owned captive insurance subsidiary, which is chartered with the insurance commissioner in the state of Tennessee.

Assessing the probability of a loss occurring and the timing and amount of any loss related to a regulatory matter or legal proceeding, whether or not covered by our captive insurance subsidiary, is inherently difficult and requires judgments based on a variety of factors and assumptions. There are particular uncertainties and complexities involved when assessing the adequacy of loss reserves for potential liabilities that are self-insured by our captive insurance subsidiary, which depends in part on historical claims experience, including the actual timing and costs of resolving matters that begin in one policy period and are resolved in a subsequent period.

Our accruals, including those established through our captive insurance subsidiary at June 30, 2022, include estimated costs for significant regulatory matters or legal proceedings, generally relating to the adequacy of our compliance and supervisory systems and procedures and other controls, for which we believe losses are both probable and reasonably estimable.

The outcome of regulatory or legal proceedings could result in legal liability, regulatory fines or monetary penalties in excess of our accruals and insurance, which could have a material adverse effect on our business, results of operations, cash flows or financial condition. For more information on management's loss contingency policies, see Note 10 - *Commitments and Contingencies*, within the notes to the condensed consolidated financial statements.

Acquisitions, Integrations and Divestitures

We continuously assess the competitive landscape in connection with our capital allocation framework as we pursue acquisitions, integrations and divestitures. These activities are part of our overall growth strategy but can distort comparability when reviewing revenue and expense trends for periods presented. On April 30, 2021, we acquired the wealth management business of Waddell & Reed Financial, Inc. (“Waddell & Reed”). See Note 4 - *Acquisitions*, within the notes to the condensed consolidated financial statements for further detail.

Economic Overview and Impact of Financial Market Events

Our business is directly and indirectly sensitive to several macroeconomic factors and the state of the United States financial markets. According to the most recent estimate from the U.S. Bureau of Economic Analysis, the U.S. economy contracted at an annualized pace of 0.9% in the second quarter of 2022 after contracting at an annualized pace of 1.6% in the first quarter of 2022. The economy was negatively impacted by elevated inflation, a drag from net exports and geopolitical uncertainties from the Russian invasion of Ukraine.

Although inflation was an issue for policy-makers and consumers alike, companies continued to add jobs: the U.S. economy added 1.1 million jobs in the second quarter of 2022. The unemployment rate remained unchanged throughout the quarter at 3.6%, signaling a tight labor market. The equity markets experienced intense volatility from an increasingly hawkish Federal Reserve (“Fed”) and from monthly inflation metrics that regularly were higher than anticipated. The S&P 500 and the Bloomberg Barclays U.S. Aggregate Bond Index declined 16.1% and 4.7%, respectively, during the second quarter of 2022.

Our business is also sensitive to current and expected short-term interest rates, which are largely driven by Fed policy. During the second quarter of 2022, Fed policymakers increased the target range for the federal funds rate to 1.50% to 1.75%. Fed policymakers further raised rates by 0.75% at the July policy meeting, increasing the target range for the federal funds rate to 2.25% to 2.50%. The Fed anticipates that ongoing increases to the target range will be appropriate.

Please consult the *“Risks Related to Our Business and Industry”* section within Part I, *“Item 1A. Risk Factors”* in our 2021 Annual Report on Form 10-K for more information about the risks associated with significant interest rate changes and the potential related effects on our profitability and financial condition.

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Results of Operations

The following discussion presents an analysis of our results of operations for the three and six months ended June 30, 2022 and 2021 (in thousands):

	Three Months Ended June 30,			Six Months Ended June 30,		
	2022	2021	% Change	2022	2021	% Change
REVENUE						
Advisory	$ 1,001,851	$ 846,313	18.4 %	$2,048,948	$1,568,359	30.6 %
Commission	573,376	598,233	(4.2)%	1,158,901	1,155,462	0.3 %
Asset-based	363,597	279,620	30.0 %	659,998	544,326	21.3 %
Service and fee	112,802	99,473	13.4 %	225,614	196,297	14.9 %
Transaction	44,416	37,627	18.0 %	91,142	81,747	11.5 %
Interest income	10,121	6,914	46.4 %	17,866	13,432	33.0 %
Other	(67,276)	30,078	n/m	(97,889)	46,252	n/m
Total revenue	2,038,887	1,898,258	7.4 %	4,104,580	3,605,875	13.8 %
EXPENSE						
Advisory and commission	1,304,422	1,273,202	2.5 %	2,678,556	2,382,101	12.4 %
Compensation and benefits	196,699	183,853	7.0 %	388,733	345,393	12.5 %
Promotional	78,027	64,349	21.3 %	165,029	118,530	39.2 %
Occupancy and equipment	55,906	41,452	34.9 %	107,018	85,036	25.9 %
Depreciation and amortization	48,453	36,704	32.0 %	93,907	72,203	30.1 %
Interest expense on borrowings	28,755	25,171	14.2 %	55,966	50,230	11.4 %
Brokerage, clearing and exchange	23,362	23,459	(0.4)%	45,962	42,823	7.3 %
Amortization of other intangibles	21,168	19,925	6.2 %	42,364	37,356	13.4 %
Professional services	17,290	22,500	(23.2)%	36,312	38,125	(4.8)%
Communications and data processing	16,223	14,930	8.7 %	31,350	26,923	16.4 %
Loss on extinguishment of debt	—	—	— %	—	24,400	(100.0)%
Other	36,261	31,064	16.7 %	73,683	55,964	31.7 %
Total expense	1,826,566	1,736,609	5.2 %	3,718,880	3,279,084	13.4 %
INCOME BEFORE PROVISION FOR INCOME TAXES	212,321	161,649	31.3 %	385,700	326,791	18.0 %
PROVISION FOR INCOME TAXES	51,776	42,548	21.7 %	91,411	78,070	17.1 %
NET INCOME	$ 160,545	$ 119,101	34.8 %	$ 294,289	$ 248,721	18.3 %

Revenue

Advisory

Advisory revenue represents fees charged to advisors' clients' advisory accounts on our corporate RIA advisory platform and is based on a percentage of the market value of the eligible assets in the clients' advisory accounts. We provide ongoing investment advice and act as a custodian, providing brokerage and execution services on transactions, and perform administrative services for these accounts. Advisory fees are primarily billed to clients in advance, on a quarterly basis, and are recognized as revenue ratably during the quarter. The performance obligation for advisory fees is considered a series of distinct services that are substantially the same and are satisfied daily. As the value of the eligible assets in an advisory account is susceptible to changes due to customer activity, this revenue includes variable consideration and is constrained until the date that the fees are determinable. The majority of our client accounts are on a calendar quarter and are billed using values as of the last business day of the preceding quarter. The value of the eligible assets in an advisory account on the billing date is adjusted for estimates of contributions and withdrawals to determine the amount billed, and accordingly, the revenue earned in the following three-month period. Advisory revenue collected on our corporate advisory platform is proposed by the advisor and agreed to by the client and averaged 1% on an annualized basis of the underlying assets for the six months ended June 30, 2022.

We also support separate investment advisor firms ("Independent RIAs") through our Independent RIA advisory platform, which allows advisors to engage us for technology, clearing and custody services, as well as access the capabilities of our investment platforms. The assets held under an Independent RIA's investment advisory accounts custodied with LPL Financial are included in total advisory assets and net new advisory assets. The advisory revenue generated by an Independent RIA is not included in our advisory revenue. We charge separate fees to Independent RIAs for technology, clearing, administrative, oversight and custody services, which may vary and are included in our Service and fee revenue in our condensed consolidated statements of income.

The following table summarizes the composition of advisory assets for the periods presented (in billions):

	June 30,			
	2022	2021	$ Change	% Change
Corporate platform advisory assets	$ 372.1	$ 383.6	$ (11.5)	(3.0)%
Independent RIA advisory assets	186.5	194.0	(7.5)	(3.9)%
Total advisory assets	$ 558.6	$ 577.6	$ (19.0)	(3.3)%

Net new advisory assets are generated throughout the quarter, therefore, the full impact of net new advisory assets to advisory revenue is not realized in the same period. The following table summarizes activity impacting advisory assets for the periods presented (in billions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Balance - Beginning of period	$ 624.3	$ 496.7	$ 643.2	$ 461.2
Net new advisory assets(1)	11.4	54.9	28.8	77.6
Market impact(2)	(77.1)	26.0	(113.4)	38.8
Balance - End of period	$ 558.6	$ 577.6	$ 558.6	$ 577.6

(1) Net new advisory assets consist of total client deposits into custodied advisory accounts less total client withdrawals from custodied advisory accounts, plus dividends, plus interest, minus advisory fees. We consider conversions from and to brokerage accounts as deposits and withdrawals, respectively.

(2) Market impact is the difference between the beginning and ending asset balance less the net new asset amounts, representing the implied growth or decline in asset balances due to market changes over the same period of time.

The growth in advisory revenue for the three and six months ended June 30, 2022 compared to 2021 was due to an increase in billable advisory assets from continued organic growth and the completion of onboarding Waddell & Reed assets during the third quarter of 2021, partially offset by a decline in advisory asset balances due to market changes.

Commission

We generate two types of commission revenue: (1) sales-based commissions that are recognized at the point of sale on the trade date and are based on a percentage of an investment product's current market value at the time of purchase and (2) trailing commissions that are recognized over time as earned and are generally based on the market value of investment holdings in trail-eligible assets. Sales-based commission revenue, which occurs when clients trade securities or purchase various types of investment products, primarily represents gross commissions generated by our advisors, and can vary from period to period based on the overall economic environment, number of trading days in the reporting period and investment activity of our advisors' clients. We earn trailing commission revenue primarily on mutual funds and variable annuities held by clients of our advisors. See Note 3 - *Revenue*, within the notes to the condensed consolidated financial statements for further detail regarding our commission revenue by product category.

The following table sets forth the components of our commission revenue (in thousands):

	Three Months Ended June 30,				Six Months Ended June 30,			
	2022	2021	$ Change	% Change	2022	2021	$ Change	% Change
Sales-based	$ 252,493	$ 249,596	$ 2,897	1.2 %	$ 492,824	$ 485,869	$ 6,955	1.4 %
Trailing	320,883	348,637	(27,754)	(8.0)%	666,077	669,593	(3,516)	(0.5)%
Total commission revenue	$ 573,376	$ 598,233	$ (24,857)	(4.2)%	$1,158,901	$1,155,462	$ 3,439	0.3 %

The increase in sales-based commission revenue for the three and six months ended June 30, 2022 compared to 2021 was primarily driven by increases in sales of annuities and insurance products due to rising interest rates, which were partially offset by decreases in sales of mutual funds, equity and fixed income products. The decrease in trailing commission revenue for the three and six months ended June 30, 2022 compared to 2021 was primarily due to volatility driven declines in trail eligible assets.

Commission revenue is generated from trading activity related to brokerage assets. The following table summarizes activity impacting brokerage assets for the periods presented (in billions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Balance - Beginning of period	$ 538.8	$ 461.6	$ 563.2	$ 441.9
Net new brokerage assets[1]	25.8	51.1	26.0	57.3
Market impact[2]	(58.6)	22.0	(83.2)	35.5
Balance - End of period	$ 506.0	$ 534.7	$ 506.0	$ 534.7

(1) Net new brokerage assets consist of total client deposits into brokerage accounts less total client withdrawals from brokerage accounts, plus dividends, plus interest. We consider conversions from and to advisory accounts as deposits and withdrawals, respectively.

(2) Market impact is the difference between the beginning and ending asset balance less the net new asset amounts, representing the implied growth or decline in asset balances due to market changes over the same period of time.

Asset-Based

Asset-based revenue consists of fees from our client cash programs, fees from our sponsorship programs with financial product manufacturers, and fees from omnibus processing and networking services (collectively referred to as "recordkeeping"). Client cash revenue is generated on advisors' clients' cash balances in insured bank sweep accounts and money market programs. We also receive fees from certain financial product manufacturers in connection with sponsorship programs that support our marketing and sales force education and training efforts. Compensation for these performance obligations is either a fixed fee, a percentage of the average annual amount of product sponsor assets held in advisors' clients' accounts, a percentage of new sales or a combination. Omnibus processing revenue is paid to us by mutual fund product sponsors or their affiliates and is based on the value of mutual fund assets in accounts for which the Company provides omnibus processing services and the number of accounts in which the related mutual fund positions are held. Networking revenue on brokerage assets is correlated to the number of positions we administer and is paid to us by mutual fund product sponsors and annuity product manufacturers.

Asset-based revenue for the three and six months ended June 30, 2022 increased compared to 2021, due to increases in client cash revenue and revenues from recordkeeping and sponsorship programs.

Revenue for our recordkeeping and sponsorship programs for the three and six months ended June 30, 2022, which is largely based on the market value of the underlying assets, increased compared to 2021 primarily due to continued organic growth in our assets under management.

Client cash revenue for the three and six months ended June 30, 2022 increased compared to 2021, primarily due to increases to the federal funds effective rate in the three and six months ended June 30, 2022.

Service and Fee

Service and fee revenue is generated from advisor and retail investor services, including technology, insurance, conferences, licensing, LPL Services Group, which includes Business Services and Planning and Advice Services, IRA custodian, and other client account fees. We charge separate fees to Independent RIAs for technology, clearing, administrative, oversight and custody services, which may vary. We also host certain advisor conferences that serve as training, education, sales and marketing events for which we charge sponsors a fee. Service and fee revenue for the three and six months ended June 30, 2022 increased compared to 2021, primarily due to increases in contract and licensing fees, fees from LPL Services Group solutions, conference fees and other client account fees.

Interest Income

We earn interest income primarily from client margin loans and advisor loans. Period-over-period variances correspond to changes in the average balances of loans, as well as changes in interest rates. Interest income for the three and six months ended June 30, 2022 increased compared to 2021, primarily due to an increase in interest earned on advisor and margin loans.

Other

Other revenue primarily includes unrealized gains and losses on assets held by us in our advisor non-qualified deferred compensation plan and model research portfolios, and other miscellaneous revenue, which is not generated from contracts with customers.

Other revenue for the three and six months ended June 30, 2022 decreased compared to 2021, primarily due to realized and unrealized losses on assets held in our advisor non-qualified deferred compensation plan, which are based on the market performance of the underlying investment allocations chosen by advisors in the plan, partially offset by an increase in dividend income on assets held in our advisor non-qualified deferred compensation plan.

Expense

Advisory and Commission

Advisory and commission expense consists of the following: payout amounts that are earned by and paid out to advisors and institutions based on advisory and commission revenue earned on each client's account, production-based bonuses earned by advisors and institutions based on the levels of advisory and commission revenue they produce, the recognition of share-based compensation expense from equity awards granted to advisors and financial institutions based on the fair value of the awards at grant date and the deferred advisory and commission fee expense associated with mark-to-market gains or losses on the non-qualified deferred compensation plan offered to our advisors.

The following table sets forth our payout rate, which is a statistical or operating measure:

	Three Months Ended June 30,			Six Months Ended June 30,		
	2022	2021	Change	2022	2021	Change
Payout rate	86.97 %	86.35 %	62 bps	86.53 %	86.01 %	52 bps

Our payout rate for the three and six months ended June 30, 2022 increased compared to 2021, primarily due to the impact of onboarding large financial institutions during 2021.

Compensation and Benefits

Compensation and benefits expense includes salaries, wages, benefits, share-based compensation and related taxes for our employees, as well as compensation for temporary workers and contractors. The following table sets forth our average number of employees for the three and six months ended June 30, 2022 as compared to 2021:

	Three Months Ended June 30,			Six Months Ended June 30,		
	2022	2021	Change	2022	2021	Change
Average number of employees	6,107	5,137	18.9%	6,083	4,962	22.6%

Compensation and benefits expense for the three and six months ended June 30, 2022 increased by $12.8 million and $43.3 million compared to 2021, primarily due to an increase in salary and employee benefit expense resulting from an increase in headcount.

Promotional

Promotional expense includes business development costs related to advisor recruitment and retention, costs related to hosting certain advisory conferences that serve as training, sales and marketing events, and other costs that support advisor business growth. Promotional expense for the three and six months ended June 30, 2022 increased by $13.7 million and $46.5 million compared to 2021, primarily due to increases in recruited assets and advisors that led to higher costs to support transition assistance and retention, as well as increases in conference spend as we returned to in-person events.

Occupancy and Equipment

Occupancy and equipment expense includes the costs of leasing and maintaining our office spaces, software licensing and maintenance costs and maintenance expense on computer hardware and other equipment. Occupancy and equipment expense for the three and six months ended June 30, 2022 increased by $14.5 million and $22.0 million compared to 2021, primarily due to increases in expenses related to software licenses and our technology portfolio.

Depreciation and Amortization

Depreciation and amortization expense relates to the use of property and equipment, which includes internally developed software, hardware, leasehold improvements and other equipment. Depreciation and amortization expense for the three and six months ended June 30, 2022 increased by $11.7 million and $21.7 million compared to 2021, primarily due to our continued investment in technology to support integrations, enhance our advisor platform and end-client experience, and support large financial institution onboarding.

Brokerage, Clearing and Exchange

Brokerage, clearing and exchange expense includes expenses originating from trading or clearing operations as well as any exchange membership fees. These fees fluctuate largely in line with the volume of sales and trading activity. Brokerage, clearing and exchange expense remained constant for the three months ended June 30, 2022 and increased by $3.1 million for the six months ended June 30, 2022 compared to 2021, primarily due to an increase in the volume of sales and trading activity.

Amortization of Other Intangibles

Amortization of other intangibles expense represents the benefits received for the use of long-lived intangible assets established through our acquisitions. Amortization of other intangibles for the three and six months ended June 30, 2022 increased by $1.2 million and $5.0 million compared to 2021, primarily due to increases in intangible assets resulting from our acquisition of the wealth management business of Waddell & Reed on April 30, 2021. See Note 4 - *Acquisitions*, for additional information.

Professional Services

Professional services expense includes costs paid to outside firms for assistance with legal, accounting, technology, regulatory and general corporate matters, as well as non-capitalized costs related to service and technology enhancements. Professional services expense for the three and six months ended June 30, 2022 decreased by $5.2 million and $1.8 million compared to 2021, primarily due to a decrease in consulting services as internal hiring has replaced the use of certain consultants.

Communications and Data Processing

Communications and data processing expense consists primarily of the cost of voice and data telecommunication lines supporting our business, including connectivity to data centers, exchanges and markets, as well as customer statement processing and postage costs. Communications and data processing expense for the three and six months ended June 30, 2022 increased by $1.3 million and $4.4 million compared to 2021, primarily due to increases in costs associated with client statement production due to growth in our advisor count, which led to an increase in the customer base.

Loss on Extinguishment of Debt

On March 15, 2021, we issued senior unsecured notes due in 2029 and redeemed our existing senior unsecured notes due in 2025. In connection with these transactions, we incurred a $24.4 million loss on extinguishment of debt for the six months ended June 30, 2021.

Other Expense

Other expense includes the costs of the investigation, settlement and resolution of regulatory matters (including customer restitution and remediation), licensing fees, insurance, broker-dealer regulatory fees, travel-related expenses and other miscellaneous expenses. Other expense depends in part on the size and timing of resolving regulatory matters and the availability of self-insurance coverage, which depends in part on the amount and timing of resolving historical claims. Other expense for the three months ended June 30, 2022 increased by $5.2 million compared to 2021, primarily due to increases in travel related costs. Other expense for the six months ended June 30, 2022 increased by $17.7 million compared to 2021, primarily due to Waddell & Reed transitional support through April 2022 and an increase in travel related costs.

Provision for Income Taxes

Our effective income tax rate was 24.4% and 26.3% for the three months ended June 30, 2022 and 2021, respectively, and 23.7% and 23.9% for the six months ended June 30, 2022 and 2021, respectively. The Company's effective income tax rate differs from the federal corporate tax rate of 21.0%, primarily as a result of state taxes, state and federal settlement contingencies, tax credits and other permanent differences in tax deductibility of certain expenses. Our effective income tax rates for the three and six months ended June 30, 2022 and 2021 benefited from share-based compensation and option exercises during those periods, partially offset by settlement contingencies recognized during the three and six months ended June 30, 2022 and 2021.

Liquidity and Capital Resources

We have established liquidity and capital policies intended to support the execution of strategic initiatives, while meeting regulatory capital requirements and maintaining ongoing and sufficient liquidity. We believe liquidity is of critical importance to the Company and, in particular, to LPL Financial, our broker-dealer subsidiary. The objective of our policies is to ensure that we can meet our strategic, operational and regulatory liquidity and capital requirements under both normal operating conditions and under periods of stress in the financial markets.

Liquidity

Our liquidity needs are primarily driven by capital requirements at LPL Financial, interest due on our corporate debt and other capital returns to shareholders. Our liquidity needs at LPL Financial are driven primarily by the level and volatility of our client activity. Management maintains a set of liquidity sources and monitors certain business trends and market metrics closely in an effort to ensure we have sufficient liquidity. We believe that based on current levels of cash flows from operations and anticipated growth, together with available external liquidity sources, we have adequate liquidity to satisfy our working capital needs, the payment of all of our obligations and the funding of anticipated capital expenditures for the foreseeable future.

Parent Company Liquidity

LPL Holdings, Inc. ("Parent"), the direct holding company of our operating subsidiaries, considers its primary source of liquidity to be Corporate Cash. Corporate Cash, a component of cash and equivalents, is the sum of cash and equivalents from the following: (1) cash and equivalents held at the Parent, (2) cash and equivalents held at regulated subsidiaries as defined by the Company's Credit Agreement, which include LPL Financial and The Private Trust Company, N.A. ("PTC"), in excess of the capital requirements of the Company's Credit Agreement (which, in the case of LPL Financial, is net capital in excess of 10% of its aggregate debits, or five times the net capital required in accordance with Exchange Act Rule 15c3-1), and (3) cash and equivalents held at non-regulated subsidiaries.

We believe Corporate Cash is a useful measure of the Parent's liquidity, as it represents the capital available for use in excess of the amount we are required to reserve pursuant to the Credit Agreement. The following table presents the components of Corporate Cash (in thousands):

	June 30, 2022	December 31, 2021
Cash and equivalents	$ 700,395	$ 495,246
Cash at regulated subsidiaries	(546,299)	(284,105)
Excess cash at regulated subsidiaries per the Credit Agreement	87,400	25,846
Corporate Cash	**$ 241,496**	**$ 236,987**
Corporate Cash		
Cash at Parent	$ 144,358	$ 202,407
Excess cash at regulated subsidiaries per the Credit Agreement	87,400	25,846
Cash at non-regulated subsidiaries	9,738	8,734
Corporate Cash	**$ 241,496**	**$ 236,987**

Corporate Cash is monitored as part of our liquidity risk management. We target maintaining $200.0 million in Corporate Cash, which covers approximately 18 months of principal and interest due on our corporate debt. The Company maintains additional liquidity through a $1.0 billion secured committed revolving credit facility. The Parent has the ability to borrow against the credit facility for working capital and general corporate purposes. Dividends from and excess capital generated by regulated subsidiaries are the primary sources of liquidity. Subject to regulatory approval or notification, capital generated by regulated subsidiaries can be distributed to the Parent to the extent the capital levels exceed regulatory requirements, Credit Agreement requirements and internal capital thresholds. During the six months ended June 30, 2022 and 2021, regulated subsidiaries paid dividends of $331.0 million and $275.0 million to the Parent, respectively.

Share Repurchases

We engage in share repurchase programs, which are approved by our Board of Directors, pursuant to which we may repurchase our issued and outstanding shares of common stock from time to time. Purchases may be effected in open market or privately negotiated transactions. Our current capital deployment framework remains focused on investing in organic growth first, pursuing acquisitions where appropriate, and returning excess capital to shareholders. In the first half of 2021, the majority of our capital deployment was focused on supporting organic growth and acquisitions. While we continue to see opportunities to deploy capital in this manner, we resumed share repurchases in the third quarter of 2021 with the initial focus on an amount to offset dilution. We repurchased $100.0 million, representing 564,522 shares, during the six months ended June 30, 2022. The timing and amount of share repurchases, if any, is determined at our discretion within the constraints of our Credit Agreement, the Indentures, applicable laws and consideration of our general liquidity needs. See Note 11 - *Stockholders' Equity*, within the notes to the condensed consolidated financial statements for additional information regarding our share repurchases.

Common Stock Dividends

The payment, timing and amount of any dividends are subject to approval by the Board of Directors, as well as certain limits under our Credit Agreement and the Indentures. See Note 11 - *Stockholders' Equity*, within the notes to the condensed consolidated financial statements for additional information regarding our dividends.

LPL Financial Liquidity

LPL Financial relies primarily on client payables to fund margin lending. LPL Financial maintains additional liquidity through external lines of credit totaling $500.0 million at June 30, 2022. LPL Financial also maintains a line of credit with the Parent.

External Liquidity Sources

The following table presents amounts outstanding and available under our external lines of credit at June 30, 2022 (in millions):

Description	Borrower	Maturity Date	Outstanding	Available
Senior secured, revolving credit facility	LPL Holdings, Inc.	March 2026	$ —	$ 1,000
Broker-dealer revolving credit facility[(1)]	LPL Financial LLC	July 2024	$ —	$ 300
Unsecured, uncommitted lines of credit	LPL Financial LLC	September 2022	$ —	$ 75
Unsecured, uncommitted lines of credit	LPL Financial LLC	September 2022	$ —	$ 50
Unsecured, uncommitted lines of credit	LPL Financial LLC	None	$ —	$ 75
Secured, uncommitted lines of credit	LPL Financial LLC	None	$ —	unspecified
Secured, uncommitted lines of credit	LPL Financial LLC	None	$ —	unspecified

(1) On August 4, 2022, LPL Financial LLC entered into a committed senior unsecured revolving credit facility that matures on August 3, 2023 and allows for a maximum borrowing of $1.0 billion. This credit facility replaced the $300.0 million committed senior unsecured revolving credit facility that was scheduled to mature on July 31, 2024.

Capital Resources

The Company seeks to manage capital levels in support of its business strategy of generating and effectively deploying capital for the benefit of our shareholders.

Our primary requirement for working capital relates to funds we loan to our advisors' clients for trading conducted on margin and funds we are required to maintain for regulatory capital and reserves based on the requirements of our regulators and clearing organizations, which also consider client balances and trading activities. We have several sources of funds that enable us to meet increases in working capital requirements that relate to increases in client margin activities and balances. These sources include cash and equivalents on hand, cash segregated under federal or other regulations, the committed revolving credit facility of LPL Financial and proceeds from repledging or selling client securities in margin accounts. When an advisor's client purchases securities on margin or uses securities as collateral to borrow from us on margin, we are permitted, pursuant to the applicable securities industry regulations, to repledge, loan or sell securities, up to 140% of the client's margin loan balance, that collateralize those margin accounts.

Our other working capital needs are primarily related to loans we are making to advisors and timing associated with receivables and payables, which we have satisfied in the past from internally generated cash flows.

We may sometimes be required to fund timing differences arising from the delayed receipt of client funds associated with the settlement of client transactions in securities markets. These timing differences are funded either with internally generated cash flows or, if needed, with funds drawn on our uncommitted lines of credit at LPL Financial or one of our revolving credit facilities.

LPL Financial is subject to the SEC's Uniform Net Capital Rule, which requires the maintenance of minimum net capital. LPL Financial computes net capital requirements under the alternative method, which requires firms to maintain minimum net capital equal to the greater of $250,000 or 2% of aggregate debit balances arising from client transactions. At June 30, 2022, LPL Financial had net capital of $156.9 million with a minimum net capital requirement of $15.4 million.

LPL Financial's ability to pay dividends greater than 10% of its excess net capital during any 35-day rolling period requires approval from FINRA. In addition, payment of dividends is restricted if LPL Financial's net capital would be less than 5% of aggregate customer debit balances.

LPL Financial also acts as an introducing broker for commodities and futures. Accordingly, its trading activities are subject to the NFA financial requirements and it is required to maintain net capital that is in excess of or equal to the greatest of NFA's minimum financial requirements. The NFA was designated by the Commodity Futures Trading

Commission as LPL Financial's primary regulator for such activities. Currently, the highest NFA requirement is the minimum net capital calculated and required pursuant to the SEC's Uniform Net Capital Rule.

Our subsidiary PTC is also subject to various regulatory capital requirements. Failure to meet the respective minimum capital requirements can result in certain mandatory and discretionary actions by regulators that, if undertaken, could have substantial monetary and non-monetary impacts on PTC's operations.

Debt and Related Covenants

The Credit Agreement and the Indentures contain a number of covenants that, among other things, restrict, subject to certain exceptions, our ability to:

- incur additional indebtedness or issue disqualified stock or preferred stock;
- declare dividends, or other distributions to stockholders;
- repurchase equity interests;
- redeem indebtedness that is subordinated in right of payment to certain debt instruments;
- make investments or acquisitions;
- create liens;
- sell assets;
- guarantee indebtedness;
- engage in certain transactions with affiliates;
- enter into agreements that restrict dividends or other payments from subsidiaries; and
- consolidate, merge or transfer all or substantially all of our assets.

Our Credit Agreement and the Indentures allow us to pay dividends and distributions or repurchase our common stock only when certain conditions are met. In addition, our revolving credit facility requires us to be in compliance with certain financial covenants as of the last day of each fiscal quarter. The financial covenants require the calculation of Credit Agreement EBITDA, as defined in, and calculated by management in accordance with, the Credit Agreement. The Credit Agreement defines Credit Agreement EBITDA as "Consolidated EBITDA," which is Consolidated Net Income (as defined in the Credit Agreement) plus interest expense on borrowings, provision for income taxes, depreciation and amortization, and amortization of other intangibles, and is further adjusted to exclude certain non-cash charges and other adjustments (including unusual or non-recurring charges) and gains, and to include future expected cost savings, operating expense reductions or other synergies from certain transactions.

As of June 30, 2022, we were in compliance with both financial covenants, a maximum Consolidated Total Debt to Consolidated EBITDA Ratio (as defined in the Credit Agreement) or "Leverage Ratio" and a minimum Consolidated EBITDA to Consolidated Interest Expense Ratio (as defined in the Credit Agreement) or "Interest Coverage". The breach of these financial covenants would be subject to certain equity cure rights. The required ratios under our financial covenants and actual ratios were as follows:

	June 30, 2022	
Financial Ratio	**Covenant Requirement**	**Actual Ratio**
Leverage Ratio (Maximum)	5.00	2.09
Interest Coverage (Minimum)	3.00	12.22

See Note 9 - *Corporate Debt and Other Borrowings, Net,* within the notes to the condensed consolidated financial statements for further detail regarding the Credit Agreement and the Indentures.

Contractual Obligations

During the six months ended June 30, 2022, there were no material changes in our contractual obligations, other than in the ordinary course of business, from those disclosed in our 2021 Annual Report on Form 10-K. See Note 9 - *Corporate Debt and Other Borrowings, Net* and Note 10 - *Commitments and Contingencies,* within the notes to the condensed consolidated financial statements, as well as the Contractual Obligations section within Part II, *"Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations"* in our 2021 Annual Report on Form 10-K, for further detail.

Critical Accounting Policies and Estimates

In the notes to our consolidated financial statements and in Part II, *"Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations"* included in our 2021 Annual Report on Form 10-K, we have disclosed those accounting policies that we consider to be most significant in determining our results of operations and financial condition and involve a higher degree of judgment and complexity. There have been no changes to those policies that we consider to be material since the filing of our 2021 Annual Report on Form 10-K. The accounting principles used in preparing our condensed consolidated financial statements conform in all material respects to GAAP.

Item 1. Financial Statements (unaudited)

LPL FINANCIAL HOLDINGS INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Income
(In thousands, except per share data)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
REVENUE				
Advisory	$ 1,001,851	$ 846,313	$2,048,948	$1,568,359
Commission	573,376	598,233	1,158,901	1,155,462
Asset-based	363,597	279,620	659,998	544,326
Service and fee	112,802	99,473	225,614	196,297
Transaction	44,416	37,627	91,142	81,747
Interest income	10,121	6,914	17,866	13,432
Other	(67,276)	30,078	(97,889)	46,252
Total revenue	2,038,887	1,898,258	4,104,580	3,605,875
EXPENSE				
Advisory and commission	1,304,422	1,273,202	2,678,556	2,382,101
Compensation and benefits	196,699	183,853	388,733	345,393
Promotional	78,027	64,349	165,029	118,530
Occupancy and equipment	55,906	41,452	107,018	85,036
Depreciation and amortization	48,453	36,704	93,907	72,203
Interest expense on borrowings	28,755	25,171	55,966	50,230
Brokerage, clearing and exchange	23,362	23,459	45,962	42,823
Amortization of other intangibles	21,168	19,925	42,364	37,356
Professional services	17,290	22,500	36,312	38,125
Communications and data processing	16,223	14,930	31,350	26,923
Loss on extinguishment of debt	—	—	—	24,400
Other	36,261	31,064	73,683	55,964
Total expense	1,826,566	1,736,609	3,718,880	3,279,084
INCOME BEFORE PROVISION FOR INCOME TAXES	212,321	161,649	385,700	326,791
PROVISION FOR INCOME TAXES	51,776	42,548	91,411	78,070
NET INCOME	$ 160,545	$ 119,101	$ 294,289	$ 248,721
EARNINGS PER SHARE				
Earnings per share, basic	$ 2.01	$ 1.49	$ 3.68	$ 3.11
Earnings per share, diluted	$ 1.97	$ 1.46	$ 3.61	$ 3.05
Weighted-average shares outstanding, basic	79,947	80,063	79,961	79,880
Weighted-average shares outstanding, diluted	81,410	81,728	81,493	81,608

See notes to unaudited condensed consolidated financial statements.

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LPL FINANCIAL HOLDINGS INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Financial Condition
(In thousands, except share data)
(Unaudited)

ASSETS	June 30, 2022	December 31, 2021
Cash and equivalents	$ 700,395	$ 495,246
Cash segregated under federal or other regulations	863,500	1,496,463
Restricted cash	89,833	80,655
Receivables from clients, net	695,405	578,889
Receivables from brokers, dealers and clearing organizations	71,555	102,503
Advisor loans, net	1,035,158	963,869
Other receivables, net	600,906	581,483
Investment securities	47,695	49,192
Property and equipment, net	726,224	658,841
Goodwill	1,642,468	1,642,443
Other intangibles, net	433,485	455,028
Other assets	829,862	886,988
Total assets	$ 7,736,486	$ 7,991,600
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES:		
Client payables	$ 1,498,374	$ 1,712,224
Payables to brokers, dealers and clearing organizations	154,909	170,119
Accrued advisory and commission expenses payable	199,691	222,379
Corporate debt and other borrowings, net	2,720,747	2,814,044
Accounts payable and accrued liabilities	363,768	384,025
Other liabilities	954,937	1,018,276
Total liabilities	5,892,426	6,321,067
Commitments and contingencies (Note 10)		
STOCKHOLDERS' EQUITY:		
Common stock, $0.001 par value; 600,000,000 shares authorized; 129,365,714 shares and 128,758,086 shares issued at June 30, 2022 and December 31, 2021, respectively	129	129
Additional paid-in capital	1,879,312	1,841,402
Treasury stock, at cost — 49,427,892 shares and 48,768,145 shares at June 30, 2022 and December 31, 2021, respectively	(2,620,798)	(2,498,600)
Retained earnings	2,585,417	2,327,602
Total stockholders' equity	1,844,060	1,670,533
Total liabilities and stockholders' equity	$ 7,736,486	$ 7,991,600

See notes to unaudited condensed consolidated financial statements.

LPL FINANCIAL HOLDINGS INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Stockholders' Equity
(In thousands)
(Unaudited)

	Common Stock		Additional Paid-In Capital	Treasury Stock		Retained Earnings	Total Stockholders' Equity
	Shares	Amount		Shares	Amount		
BALANCE — March 31, 2021	128,137	$ 128	$ 1,787,095	48,211	$(2,406,221)	$ 2,053,319	$ 1,434,321
Net income	—	—	—	—	—	119,101	119,101
Issuance of common stock to settle restricted stock units	67	—	—	10	(1,453)	—	(1,453)
Cash dividends on common stock - $0.25 per share	—	—	—	—	—	(20,031)	(20,031)
Stock option exercises and other	227	—	9,299	(18)	639	1,295	11,233
Share-based compensation	—	—	11,741	—	—	—	11,741
BALANCE — June 30, 2021	128,431	$ 128	$ 1,808,135	48,203	$(2,407,035)	$ 2,153,684	$ 1,554,912

	Common Stock		Additional Paid-In Capital	Treasury Stock		Retained Earnings	Total Stockholders' Equity
	Shares	Amount		Shares	Amount		
BALANCE — March 31, 2022	129,221	$ 129	$ 1,861,019	49,160	$(2,569,035)	$ 2,442,893	$ 1,735,006
Net income	—	—	—	—	—	160,545	160,545
Issuance of common stock to settle restricted stock units	32	—	—	13	(2,397)	—	(2,397)
Treasury stock purchases	—	—	—	272	(50,005)	—	(50,005)
Cash dividends on common stock - $0.25 per share	—	—	—	—	—	(19,982)	(19,982)
Stock option exercises and other	113	—	3,975	(17)	639	1,961	6,575
Share-based compensation	—	—	14,318	—	—	—	14,318
BALANCE — June 30, 2022	129,366	$ 129	$ 1,879,312	49,428	$(2,620,798)	$ 2,585,417	$ 1,844,060

	Common Stock		Additional Paid-In Capital	Treasury Stock		Retained Earnings	Total Stockholders' Equity
	Shares	Amount		Shares	Amount		
BALANCE — December 31, 2020	127,586	127	$ 1,762,770	48,115	$(2,391,062)	$ 1,943,019	$ 1,314,854
Net income	—	—	—	—	—	248,721	248,721
Issuance of common stock to settle restricted stock units	363	—	—	130	(17,483)	—	(17,483)
Cash dividends on common stock - $0.50 per share	—	—	—	—	—	(40,011)	(40,011)
Stock option exercises and other	482	1	21,648	(42)	1,510	1,955	25,114
Share-based compensation	—	—	23,717	—	—	—	23,717
BALANCE — June 30, 2021	128,431	$ 128	$ 1,808,135	48,203	$(2,407,035)	$ 2,153,684	$ 1,554,912

	Common Stock		Additional Paid-In Capital	Treasury Stock		Retained Earnings	Total Stockholders' Equity
	Shares	Amount		Shares	Amount		
BALANCE — December 31, 2021	128,758	$ 129	$ 1,841,402	48,768	$(2,498,600)	$ 2,327,602	$ 1,670,533
Net income	—	—	—	—	—	294,289	294,289
Issuance of common stock to settle restricted stock units	311	—	—	128	(23,359)	—	(23,359)
Treasury stock purchases	—	—	—	564	(100,011)	—	(100,011)
Cash dividends on common stock - $0.50 per share	—	—	—	—	—	(39,995)	(39,995)
Stock option exercises and other	297	—	10,249	(32)	1,172	3,521	14,942
Share-based compensation	—	—	27,661	—	—	—	27,661
BALANCE — June 30, 2022	129,366	$ 129	$ 1,879,312	49,428	$(2,620,798)	$ 2,585,417	$ 1,844,060

See notes to unaudited condensed consolidated financial statements.

LPL FINANCIAL HOLDINGS INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows
(In thousands)
(Unaudited)

	Six Months Ended June 30,	
	2022	**2021**
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 294,289	$ 248,721
Adjustments to reconcile net income to net cash used in operating activities:		
Noncash items:		
Depreciation and amortization	93,907	72,203
Amortization of other intangibles	42,364	37,356
Amortization of debt issuance costs	2,977	2,750
Share-based compensation	27,661	23,717
Provision for credit losses	7,840	3,357
Deferred income taxes	(305)	(252)
Loss on extinguishment of debt	—	24,400
Loan forgiveness	88,069	62,920
Other	875	(4,341)
Changes in operating assets and liabilities:		
Receivables from clients, net	(116,476)	(126,839)
Receivables from brokers, dealers and clearing organizations	30,948	(17,166)
Advisor loans, net	(161,539)	(301,272)
Other receivables, net	(20,325)	(82,414)
Investment securities - trading	3,164	147
Other assets	(50,318)	(49,887)
Client payables	(213,850)	(50,894)
Payables to brokers, dealers and clearing organizations	(15,210)	19,346
Accrued advisory and commission expenses payable	(22,688)	22,500
Accounts payable and accrued liabilities	71,813	(49,158)
Other liabilities	(64,733)	107,051
Operating lease assets	(899)	(979)
Net cash used in operating activities	(2,436)	(58,734)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(149,805)	(84,976)
Acquisitions, net of cash acquired	(19,913)	(243,007)
Purchases of securities classified as held-to-maturity	(4,919)	—
Proceeds from maturities of securities classified as held-to-maturity	2,500	2,500
Net cash used in investing activities	(172,137)	(325,483)

Continued on following page

LPL FINANCIAL HOLDINGS INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows
(In thousands)
(Unaudited)

	Six Months Ended June 30, 2022	Six Months Ended June 30, 2021
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from revolving credit facilities	465,000	695,000
Repayments of revolving credit facilities	(555,000)	(695,000)
Repayment of senior unsecured notes	—	(900,000)
Repayment of senior secured term loans	(5,350)	(5,350)
Proceeds from senior unsecured notes	—	1,300,000
Payment of debt issuance costs	—	(15,929)
Make-whole premium on redemption of senior unsecured notes	—	(25,875)
Payment of contingent consideration	—	(7,298)
Tax payments related to settlement of restricted stock units	(23,359)	(17,483)
Repurchase of common stock	(100,011)	—
Dividends on common stock	(39,995)	(40,011)
Proceeds from stock option exercises and other	14,942	25,114
Principal payment of finance leases and obligations	(290)	(1,185)
Net cash (used in) provided by financing activities	(244,063)	311,983
NET DECREASE IN CASH AND EQUIVALENTS, CASH SEGREGATED UNDER FEDERAL OR OTHER REGULATIONS AND RESTRICTED CASH	(418,636)	(72,234)
CASH AND EQUIVALENTS, CASH SEGREGATED UNDER FEDERAL OR OTHER REGULATIONS AND RESTRICTED CASH — Beginning of period	2,072,364	1,799,034
CASH AND EQUIVALENTS, CASH SEGREGATED UNDER FEDERAL OR OTHER REGULATIONS AND RESTRICTED CASH — End of period	$1,653,728	$1,726,800
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Interest paid	$ 53,936	$ 51,611
Income taxes paid	$ 92,727	$ 100,594
Cash paid for amounts included in the measurement of operating lease liabilities	$ 12,052	$ 10,910
Cash paid for amounts included in the measurement of finance lease liabilities	$ 4,477	$ 5,309
NONCASH DISCLOSURES:		
Capital expenditures included in accounts payable and accrued liabilities	$ 31,969	$ 16,013
Lease assets obtained in exchange for operating lease liabilities	$ 7,837	$ —

	June 30, 2022	June 30, 2021
Cash and equivalents	$ 700,395	$ 906,720
Cash segregated under federal or other regulations	863,500	741,432
Restricted cash	89,833	78,648
Total cash and equivalents, cash segregated under federal or other regulations and restricted cash shown in the statements of cash flows	$1,653,728	$1,726,800

See notes to unaudited condensed consolidated financial statements.

NOTE 1 - ORGANIZATION AND DESCRIPTION OF THE COMPANY

LPL Financial Holdings Inc. (“LPLFH”), a Delaware holding corporation, together with its consolidated subsidiaries (collectively, the “Company”), provides an integrated platform of brokerage and investment advisory services to independent financial advisors and financial advisors at financial institutions (collectively, “advisors”) in the United States. Through its custody and clearing platform, using both proprietary and third-party technology, the Company provides access to diversified financial products and services, enabling its advisors to offer personalized financial advice and brokerage services to retail investors (their “clients”). The Company’s most significant, wholly owned subsidiaries are described below:

- LPL Holdings, Inc. (“LPLH” or “Parent”), a Massachusetts holding corporation, is an intermediate holding company and directly or indirectly owns 100% of the issued and outstanding common stock of all of LPLFH’s indirect subsidiaries, including a captive insurance subsidiary (the “Captive Insurance Subsidiary”) that underwrites insurance for various legal and regulatory risks of the Company.
- LPL Financial LLC (“LPL Financial”), with primary offices in San Diego, California; Fort Mill, South Carolina; Boston, Massachusetts; and Austin, Texas, is a clearing broker-dealer and an investment advisor that principally transacts business as an agent for its advisors and financial institutions on behalf of their clients in a broad array of financial products and services. LPL Financial is licensed to operate in all 50 states, Washington D.C., Puerto Rico and the U.S. Virgin Islands.
- Fortigent Holdings Company, Inc. and its subsidiaries provide solutions and consulting services to registered investment advisors (“RIAs”), banks and trust companies serving high-net-worth clients.
- LPL Insurance Associates, Inc. operates as an insurance brokerage general agency that offers life and disability insurance products and services for LPL Financial advisors.
- AW Subsidiary, Inc. is a holding company for AdvisoryWorld and Blaze Portfolio Systems LLC (“Blaze”). AdvisoryWorld offers technology products, including proposal generation, investment analytics and portfolio modeling, to both the Company’s advisors and external clients in the wealth management industry. Blaze provides an advisor-facing trading and portfolio rebalancing platform.
- PTC Holdings, Inc. (“PTCH”) is a holding company for The Private Trust Company, N.A. (“PTC”). PTC is chartered as a non-depository limited purpose national bank, providing a wide range of trust, investment management oversight, and custodial services for estates and families. PTC also provides Individual Retirement Account (“IRA”) custodial services for LPL Financial. Each member of PTCH’s Board of Directors meets the direct equity ownership interest requirements that are required by the Office of the Comptroller of the Currency (“OCC”).
- LPL Employee Services, LLC and its subsidiary, Allen & Company of Florida, LLC, provide primary support for the Company’s employee advisor affiliation model.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The unaudited condensed consolidated financial statements (“condensed consolidated financial statements”) are prepared in accordance with accounting principles generally accepted in the United States (“GAAP”), which require the Company to make estimates and assumptions regarding the valuation of certain financial instruments, goodwill and other intangibles, allowance for credit losses on receivables, share-based compensation, accruals for liabilities, income taxes, revenue and expense accruals, and other matters that affect the condensed consolidated financial statements and related disclosures. The unaudited condensed consolidated financial statements reflect all adjustments which are, in the opinion of management, necessary to present fairly the results of operations for the interim periods presented. Actual results could differ from those estimates under different assumptions or conditions and the differences may be material to the condensed consolidated financial statements.

The condensed consolidated financial statements include the accounts of LPLFH and its subsidiaries. Intercompany transactions and balances have been eliminated. The unaudited condensed consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements and the related notes for the year ended December 31, 2021, contained in the Company's Annual Report on Form 10-K as filed with the Securities and Exchange Commission ("SEC").

Condensed Consolidated Financial Statement Presentation Changes

The Company reclassified certain financial statement line items in the consolidated statements of income included in its Annual Report on Form 10-K for the year ended December 31, 2021 to more closely align with industry practice and the Company's business and to better serve financial statement users. Prior period amounts in the condensed consolidated statements of income have been reclassified to conform to this presentation as follows:

- The Company has disaggregated the activity previously reported in the Transaction and fee line item in Total revenue into its Service and fee and Transaction components; and
- The Company has included Interest expense on borrowings and Loss on extinguishment of debt in Total expense. Previously, these amounts were presented after Total operating expense.

These changes did not impact total net income for the three and six months ended June 30, 2021. The Company also updated the condensed consolidated statement of cash flows for the six months ended June 30, 2021 to conform to changes made to the presentation of the statements of financial condition during the year ended December 31, 2021. See Note 2 - *Summary of Significant Accounting Policies* in the Company's 2021 Annual Report on Form 10-K for additional information.

In addition, during the year ended December 31, 2021, the Company concluded that it is acting in a principal capacity for fractional shares held in customer brokerage accounts resulting from the dividend reinvestment program ("DRIP") that the Company offers. The Company concluded that it should account for these shares as a secured borrowing with underlying financial assets pledged as collateral. The Company corrected its condensed consolidated statement of cash flows for the six months ended June 30, 2021 to reflect the changes in the condensed consolidated statement of financial condition related to this activity in the prior period. As a result, the Company corrected the condensed consolidated statement of cash flows to reflect an increase in the change in other assets line item and an offsetting increase in the change in other liabilities line item of $18.2 million for the six months ended June 30, 2021. This adjustment did not have an impact on earnings, earnings per share, or net cash provided by operating activities in the prior period. The Company has evaluated the impact of the error on previously issued condensed consolidated financial statements and determined, based on consideration of quantitative and qualitative factors, that the impact of the error is immaterial.

Related Party Transactions

In the ordinary course of business, the Company has related party transactions with beneficial owners of more than five percent of the Company's outstanding common stock. Additionally, through its subsidiary LPL Financial, the Company provides services and charitable contributions to LPL Financial Charitable Foundation Inc., a charitable organization that provides volunteer and financial support within the Company's local communities.

The Company recognized revenue for services provided to these related parties of $1.4 million and $1.5 million during the three months ended June 30, 2022 and 2021, respectively, and $3.0 million and $2.9 million during the six months ended June 30, 2022 and 2021, respectively. The Company incurred expense for the services provided by these related parties of $0.4 million during both the three months ended June 30, 2022 and 2021, and $2.3 million and $0.8 million during the six months ended June 30, 2022 and 2021, respectively. As of June 30, 2022 and December 31, 2021, receivables from and payables to related parties were not material.

Recently Issued or Adopted Accounting Pronouncements

There are no relevant recently issued accounting pronouncements that would materially impact the Company's condensed consolidated financial statements and related disclosures. There were no new accounting pronouncements adopted during the six months ended June 30, 2022 that materially impacted the Company's condensed consolidated financial statements and related disclosures.

NOTE 3 - REVENUE

Commission

The following table presents total commission revenue disaggregated by product category (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Commission revenue				
Annuities	$ 311,263	$ 305,100	$ 610,997	$ 585,876
Mutual funds	168,234	195,688	357,761	368,838
Fixed income	29,013	34,862	54,218	67,024
Equities	29,909	30,517	64,542	69,428
Other	34,957	32,066	71,383	64,296
Total commission revenue	$ 573,376	$ 598,233	$1,158,901	$1,155,462

The following table presents sales-based and trailing commission revenue disaggregated by product category (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Commission revenue				
Sales-based				
Annuities	$ 129,371	$ 112,619	$ 236,104	$ 208,158
Mutual funds	39,522	50,250	87,067	97,529
Fixed income	29,013	34,862	54,218	67,024
Equities	29,909	30,517	64,542	69,428
Other	24,678	21,348	50,893	43,730
Total sales-based revenue	252,493	249,596	492,824	485,869
Trailing				
Annuities	181,892	192,481	374,893	377,718
Mutual funds	128,712	145,438	270,694	271,309
Other	10,279	10,718	20,490	20,566
Total trailing revenue	320,883	348,637	666,077	669,593
Total commission revenue	$ 573,376	$ 598,233	$1,158,901	$1,155,462

Asset-Based

The following table sets forth asset-based revenue disaggregated by product category (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Asset-based revenue				
Client cash	$ 154,700	$ 90,377	$ 239,416	$ 187,481
Sponsorship programs	104,593	95,978	205,975	177,690
Recordkeeping	104,304	93,265	214,607	179,155
Total asset-based revenue	$ 363,597	$ 279,620	$ 659,998	$ 544,326

Service and Fee

The following table sets forth service and fee revenue disaggregated by recognition pattern (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Service and fee revenue				
Point-in-time(1)	$ 24,061	$ 25,283	$ 55,868	$ 48,558
Over time(2)	88,741	74,190	169,746	147,739
Total service and fee revenue	$ 112,802	$ 99,473	$ 225,614	$ 196,297

(1) Service and fee revenue recognized at a point-in-time includes revenue such as IRA termination fees, confirmation fees and account fees.

(2) Service and fee revenue recognized over time includes revenue such as error and omission insurance fees, IRA custodian fees and technology fees.

Unearned Revenue

The Company records unearned revenue when cash payments are received or due in advance of the Company's performance obligations, including amounts which are refundable. The increase in the unearned revenue balance for the six months ended June 30, 2022 is primarily driven by cash payments received or due in advance of satisfying the Company's performance obligations, offset by $158.5 million of revenue recognized that was included in the unearned revenue balance as of December 31, 2021.

The Company receives cash in advance for advisory services to be performed and conferences to be held in future periods. For advisory services, revenue is recognized as the Company provides the administration, brokerage and execution services over time to satisfy the performance obligations. For conference revenue, the Company recognizes revenue as the conferences are held.

NOTE 4 - ACQUISITIONS

On April 30, 2021, the Company acquired the wealth management business of Waddell & Reed Financial, Inc. for $300.0 million in order to expand its addressable markets and complement organic growth (the "Waddell & Reed Acquisition"). The Company accounted for the acquisition under the acquisition method of accounting for business combinations. The Company allocated $128.6 million of the purchase price to goodwill, $122.7 million to definite-lived intangible assets, $62.3 million to cash acquired, and the remainder to other assets acquired and liabilities assumed as part of the acquisition. The goodwill primarily includes the synergies expected to result from combining operations and onboarding advisors and assets to the Company's platform and is deductible for tax purposes. See Note 7 - *Goodwill and Other Intangibles, Net*, for additional information.

NOTE 5 - FAIR VALUE MEASUREMENTS

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. Inputs used to measure fair value are prioritized within a three-level fair value hierarchy. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

Level 1 — Quoted prices in active markets for identical assets or liabilities.

Level 2 — Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 — Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

There have been no transfers of assets or liabilities between these fair value measurement classifications during the six months ended June 30, 2022 or 2021.

The Company’s fair value measurements are evaluated within the fair value hierarchy, based on the nature of inputs used to determine the fair value at the measurement date. At June 30, 2022 and December 31, 2021, the Company had the following financial assets and liabilities that are measured at fair value on a recurring basis:

Cash Equivalents — The Company’s cash equivalents include money market funds, which are short term in nature with readily determinable values derived from active markets.

Trading Securities and Securities Sold, But Not Yet Purchased — The Company’s trading securities consist of house account model portfolios established and managed for the purpose of benchmarking the performance of its fee-based advisory platforms and temporary positions resulting from the processing of client transactions.

The Company uses prices obtained from independent third-party pricing services to measure the fair value of its trading securities. Prices received from the pricing services are validated using various methods including comparison to prices received from additional pricing services, comparison to available quoted market prices and review of other relevant market data including implied yields of major categories of securities. In general, these quoted prices are derived from active markets for identical assets or liabilities. When quoted prices in active markets for identical assets and liabilities are not available, the quoted prices are based on similar assets and liabilities or inputs other than the quoted prices that are observable, either directly or indirectly. For negotiable certificates of deposit and treasury securities, the Company utilizes market-based inputs, including observable market interest rates that correspond to the remaining maturities or the next interest reset dates. At June 30, 2022 and December 31, 2021, the Company did not adjust prices received from the independent third-party pricing services.

Other Assets — The Company’s other assets include: (1) deferred compensation plan assets that are invested in money market and other mutual funds, which are actively traded and valued based on quoted market prices; and (2) certain non-traded real estate investment trusts and auction rate notes, which are valued using quoted prices for identical or similar securities and other inputs that are observable or can be corroborated by observable market data.

Fractional Shares — The Company’s investment in fractional shares held by customers is reflected in other assets while the related purchase obligation for such shares is reflected in other liabilities. The Company uses prices obtained from independent third-party pricing services to measure the fair value of its investment in fractional shares held by customers and the related repurchase obligation. Prices received from the pricing services are validated using various methods including comparison to prices received from additional pricing services, comparison to available quoted market prices and review of other relevant market data including implied yields of major categories of securities. At June 30, 2022 and December 31, 2021, the Company did not adjust prices received from the independent third-party pricing services.

Accounts Payable and Accrued Liabilities — The Company's accounts payable and accrued liabilities include contingent consideration liabilities that are measured using Level 3 inputs.

Level 3 Recurring Fair Value Measurements

The Company determines the fair value for its contingent consideration obligations using a scenario-based approach whereby the Company assesses the expected number of future transactions. The contingent payment is estimated by applying a discount rate to the expected payment to calculate the fair value as of the valuation date. The Company evaluates the underlying projections and other related factors used in determining fair value each period and makes updates when there have been significant changes in management's expectations.

Recurring Fair Value Measurements

The following table summarizes the Company's financial assets and financial liabilities measured at fair value on a recurring basis (in thousands):

June 30, 2022	Level 1	Level 2	Level 3	Total
Assets				
Cash equivalents	$ 72,316	$ —	$ —	$ 72,316
Investment securities — trading:				
U.S. treasury obligations	24,493	—	—	24,493
Mutual funds	9,820	—	—	9,820
Equity securities	876	—	—	876
Money market funds	126	—	—	126
Other	50	12	—	62
Total investment securities — trading	35,365	12	—	35,377
Other assets:				
Deferred compensation plan	437,994	—	—	437,994
Other investments	—	8,458	—	8,458
Fractional shares — investment(1)	102,834	—	—	102,834
Total other assets:	540,828	8,458	—	549,286
Total assets at fair value	$ 648,509	$ 8,470	$ —	$ 656,979
Liabilities				
Accounts payable and accrued liabilities	$ —	$ —	$ 3,690	$ 3,690
Other liabilities:				
Securities sold, but not yet purchased:				
Mutual funds	541	—	—	541
Equity securities	208	—	—	208
Debt securities	—	62	—	62
Total securities sold, but not yet purchased	749	62	—	811
Fractional shares — repurchase obligation(1)	102,834	—	—	102,834
Total other liabilities	103,583	62	—	103,645
Total liabilities at fair value	$ 103,583	$ 62	$ 3,690	$ 107,335

(1) Investment in and related repurchase obligation for fractional shares resulting from the Company's DRIP program.

The following table summarizes the Company's financial assets and financial liabilities measured at fair value on a recurring basis (in thousands):

December 31, 2021	Level 1	Level 2	Level 3	Total
Assets				
Cash equivalents	$ 12,056	$ —	$ —	$ 12,056
Investment securities - trading:				
U.S. treasury obligations	19,599	—	—	19,599
Mutual funds	19,112	—	—	19,112
Equity securities	440	—	—	440
Money market funds	123	—	—	123
Total investment securities — trading	39,274	—	—	39,274
Other assets:				
Deferred compensation plan	499,548	—	—	499,548
Other investments	—	9,166	—	9,166
Fractional shares - investment[(1)]	114,574	—	—	114,574
Total other assets	614,122	9,166	—	623,288
Total assets at fair value	$ 665,452	$ 9,166	$ —	$ 674,618
Liabilities				
Accounts payable and accrued liabilities	$ —	$ —	$ 3,530	$ 3,530
Other liabilities:				
Securities sold, but not yet purchased:				
Equity securities	467	—	—	467
Debt securities	—	105	—	105
Total securities sold, but not yet purchased	467	105	—	572
Fractional shares - repurchase obligation[(1)]	114,574	—	—	114,574
Total other liabilities	115,041	105	—	115,146
Total liabilities at fair value	$ 115,041	$ 105	$ 3,530	$ 118,676

(1) Investment in and related repurchase obligation for fractional shares resulting from the Company's DRIP program.

Fair Value of Financial Instruments Not Measured at Fair Value

The following tables summarize the carrying values, fair values and fair value hierarchy level classification of financial instruments that are not measured at fair value (in thousands):

June 30, 2022	Carrying Value	Level 1	Level 2	Level 3	Total Fair Value
Assets					
Cash	$ 628,079	$ 628,079	$ —	$ —	$ 628,079
Cash segregated under federal or other regulations	863,500	863,500	—	—	863,500
Restricted cash	89,833	89,833	—	—	89,833
Receivables from clients, net	695,405	—	695,405	—	695,405
Receivables from brokers, dealers and clearing organizations	71,555	—	71,555	—	71,555
Advisor repayable loans, net(1)	231,249	—	—	199,898	199,898
Other receivables, net	600,906	—	600,906	—	600,906
Investment securities — held-to-maturity securities	12,318	—	12,059	—	12,059
Other assets:					
Securities borrowed	6,155	—	6,155	—	6,155
Deferred compensation plan(2)	8,387	8,387	—	—	8,387
Other investments(3)	4,645	—	4,645	—	4,645
Total other assets	19,187	8,387	10,800	—	19,187
Liabilities					
Client payables	$ 1,498,374	$ —	$ 1,498,374	$ —	$ 1,498,374
Payables to brokers, dealers and clearing organizations	154,909	—	154,909	—	154,909
Corporate debt and other borrowings, net	2,720,747	—	2,515,982	—	2,515,982

December 31, 2021	Carrying Value	Level 1	Level 2	Level 3	Total Fair Value
Assets					
Cash	$ 483,190	$ 483,190	$ —	$ —	$ 483,190
Cash segregated under federal or other regulations	1,496,463	1,496,463	—	—	1,496,463
Restricted cash	80,655	80,655	—	—	80,655
Receivables from clients, net	578,889	—	578,889	—	578,889
Receivables from brokers, dealers and clearing organizations	102,503	—	102,503	—	102,503
Advisor repayable loans, net(1)	191,242	—	—	176,864	176,864
Other receivables, net	581,483	—	581,483	—	581,483
Investment securities - held-to-maturity securities	9,918	—	9,915	—	9,915
Other assets:					
Securities borrowed	9,958	—	9,958	—	9,958
Other investments(3)	4,595	—	4,595	—	4,595
Total other assets	14,553	—	14,553	—	14,553
Liabilities					
Client payables	$ 1,712,224	$ —	$ 1,712,224	$ —	$ 1,712,224
Payables to brokers, dealers and clearing organizations	170,119	—	170,119	—	170,119
Corporate debt and other borrowings, net	2,814,044	—	2,885,536	—	2,885,536

(1) Includes repayable loans and forgivable loans which have converted to repayable upon advisor termination.

(2) Includes cash balances awaiting investment or distribution to plan participants.

(3) Other investments include Depository Trust Company common shares and Federal Reserve stock.

NOTE 6 - INVESTMENT SECURITIES

The Company's investment securities include debt and equity securities that the Company has classified as trading securities, which are carried at fair value, as well as investments in U.S. government notes, which are held by The Private Trust Company, N.A. to satisfy minimum capital requirements of the OCC. These securities are recorded at amortized cost and classified as held-to-maturity as the Company has both the intent and ability to hold these investments to maturity.

The following table summarizes investment securities (in thousands):

	June 30, 2022	December 31, 2021
Trading securities - at fair value:		
U.S. treasury obligations	$ 24,493	$ 19,599
Mutual funds	9,820	19,112
Equity securities	876	440
Money market funds	126	123
Other	62	—
Total trading securities	$ 35,377	$ 39,274
Held-to-maturity securities - at amortized cost:		
U.S. government notes	$ 12,318	$ 9,918
Total held-to-maturity securities	$ 12,318	$ 9,918
Total investment securities	$ 47,695	$ 49,192

At June 30, 2022, the held-to-maturity securities were scheduled to mature as follows (in thousands):

	Within one year	After one but within five years	After five but within ten years	After ten years	Total
U.S. government notes — at amortized cost	$ 5,545	$ 6,773	$ —	$ —	$ 12,318
U.S. government notes — at fair value	$ 5,483	$ 6,576	$ —	$ —	$ 12,059

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NOTE 7 - GOODWILL AND OTHER INTANGIBLES, NET

On April 30, 2021, the Company completed the Waddell & Reed Acquisition. The Company allocated $128.6 million of the purchase price to goodwill, $122.7 million to definite-lived intangible assets, $62.3 million to cash acquired, and the remainder to other assets acquired and liabilities assumed as part of the Waddell & Reed Acquisition. The intangible assets are comprised primarily of advisor relationships with a weighted average useful life of approximately 9 years. See Note 4 - *Acquisitions*, for additional information.

The components of other intangibles, net were as follows at June 30, 2022 (in thousands):

	Weighted-Average Life Remaining (in years)	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
Definite-lived intangibles, net[(1)]:				
Advisor and financial institution relationships	5.5	$ 806,372	$ (509,294)	$ 297,078
Product sponsor relationships	3.7	234,086	(191,210)	42,876
Client relationships	7.9	66,603	(25,306)	41,297
Technology	5.9	19,040	(6,625)	12,415
Trade names	0.0	1,200	(1,200)	—
Total definite-lived intangible assets, net		$ 1,127,301	$ (733,635)	$ 393,666
Other indefinite-lived intangibles:				
Trademark and trade name				39,819
Total other intangibles, net				$ 433,485

(1) Definite-lived intangibles, net includes the impact of immaterial acquisitions during the period presented that were made in the normal course of business.

The components of other intangibles, net were as follows at December 31, 2021 (in thousands):

	Weighted-Average Life Remaining (in years)	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
Definite-lived intangibles, net:				
Advisor and financial institution relationships	5.9	$ 806,531	$ (476,000)	$ 330,531
Product sponsor relationships	4.1	234,086	(185,255)	48,831
Client relationships	7.2	45,623	(23,379)	22,244
Technology	6.4	19,040	(5,477)	13,563
Trade names	0.3	1,200	(1,160)	40
Total definite-lived intangibles, net		$ 1,106,480	$ (691,271)	$ 415,209
Other indefinite-lived intangibles:				
Trademark and trade name				39,819
Total other intangibles, net				$ 455,028

Total amortization of intangible assets was $21.2 million and $19.9 million for the three months ended June 30, 2022 and 2021, respectively, and $42.4 million and $37.4 million for the six months ended June 30, 2022 and 2021, respectively. Future amortization is estimated as follows (in thousands):

2022 - remainder	$	43,088
2023		81,852
2024		81,080
2025		72,707
2026		34,450
Thereafter		80,489
Total	$	393,666

NOTE 8 - OTHER ASSETS AND OTHER LIABILITIES

The components of other assets and other liabilities were as follows (thousands):

		June 30, 2022		December 31, 2021
Other assets:				
Deferred compensation	$	446,381	$	499,548
Prepaid assets		119,846		115,018
Fractional shares — investment[(1)]		102,834		114,574
Operating lease assets		97,656		95,075
Debt issuance costs, net		6,378		7,303
Deferred income taxes, net		5,953		5,648
Other		50,814		49,822
Total other assets	$	829,862	$	886,988
Other liabilities:				
Deferred compensation	$	446,356	$	499,245
Unearned revenue[(2)]		166,862		160,926
Operating lease liabilities		131,986		130,304
Finance lease liabilities		105,777		106,067
Fractional shares — repurchase obligation[(1)]		102,834		114,574
Other		1,122		7,160
Total other liabilities	$	954,937	$	1,018,276

(1) Investment in and related repurchase obligation for fractional shares resulting from the Company's DRIP program.

(2) See Note 3 - *Revenue* for further information.

NOTE 9 - CORPORATE DEBT AND OTHER BORROWINGS, NET

The Company's outstanding corporate debt and other borrowings, net were as follows (in thousands):

	June 30, 2022			December 31, 2021			
Corporate Debt	**Balance**	**Applicable Margin**	**Interest Rate**	**Balance**	**Applicable Margin**	**Interest rate**	**Maturity**
Term Loan B[(1)]	$ 1,043,250	LIBOR+175 bps	2.81 %	$ 1,048,600	LIBOR+175 bps	1.85 %	11/12/2026
2027 Senior Notes[(1)]	400,000	Fixed Rate	4.63 %	400,000	Fixed Rate	4.63 %	11/15/2027
2029 Senior Notes[(1)]	900,000	Fixed Rate	4.00 %	900,000	Fixed Rate	4.00 %	3/15/2029
2031 Senior Notes[(1)]	400,000	Fixed Rate	4.38 %	400,000	Fixed Rate	4.38 %	5/15/2031
Total Corporate Debt	2,743,250			2,748,600			
Less: Unamortized Debt Issuance Cost	(22,503)			(24,556)			
Corporate debt, net	$ 2,720,747			$ 2,724,044			
Other Borrowings							
Revolving Credit Facility[(2)]	—	LIBOR+125 bps	3.04 %	55,000	ABR+25 bps	3.50 %	3/15/2026
Unsecured, Uncommitted Lines of Credit	—	Broker Base Rate+75 bps	1.00 %	35,000	Broker Base Rate+75 bps	1.00 %	9/30/2022
Total other borrowings	$ —			$ 90,000			
Corporate Debt and Other Borrowings, Net	$ 2,720,747			$ 2,814,044			

(1) No leverage or interest coverage maintenance covenants.

(2) Borrowings bear interest at a rate per annum ranging from 125 to 175 basis points over the Eurodollar Rate or 25 to 75 basis points over the base rate (PRIME rate), depending on the Consolidated Secured Debt to Consolidated EBITDA Ratio (as defined in the Credit Agreement).

The following table presents amounts outstanding and available under the Company's external lines of credit at June 30, 2022 (in millions):

Description	Borrower	Maturity Date	Outstanding	Available
Senior secured, revolving credit facility	LPL Holdings, Inc.	March 2026	$ —	$ 1,000
Broker-dealer revolving credit facility[(1)]	LPL Financial LLC	July 2024	$ —	$ 300
Unsecured, uncommitted lines of credit	LPL Financial LLC	September 2022	$ —	$ 75
Unsecured, uncommitted lines of credit	LPL Financial LLC	September 2022	$ —	$ 50
Unsecured, uncommitted lines of credit	LPL Financial LLC	None	$ —	$ 75
Secured, uncommitted lines of credit	LPL Financial LLC	None	$ —	unspecified
Secured, uncommitted lines of credit	LPL Financial LLC	None	$ —	unspecified

(1) On August 4, 2022, LPL Financial LLC entered into a committed senior unsecured revolving credit facility that matures on August 3, 2023 and allows for a maximum borrowing of $1.0 billion. This credit facility replaced the $300.0 million committed senior unsecured revolving credit facility that was scheduled to mature on July 31, 2024.

Outstanding balances under our external lines of credit at December 31, 2021 were repaid in January 2022. There were no borrowings outstanding under the Company's external lines of credit at June 30, 2022.

Issuance of 2031 Senior Notes

LPLH raised $400.0 million in aggregate principal amount of 4.375% senior notes on May 18, 2021, which were issued at par ("2031 Senior Notes"). The Company used the proceeds from the issuance to repay borrowings made under the senior secured revolving credit facility related to the Waddell & Reed Acquisition. In connection with the issuance of the 2031 Senior Notes, the Company incurred $3.8 million in costs, which were capitalized as debt issuance costs in the condensed consolidated statements of financial condition.

Issuance of 2029 Senior Notes

LPLH raised $900.0 million in aggregate principal amount of 4.00% senior notes on March 15, 2021, which were issued at par (“2029 Senior Notes”). The Company used the proceeds from the issuance of the 2029 Senior Notes, along with existing Corporate Cash available, to redeem its existing 5.75% senior unsecured notes due in 2025. In connection with this redemption, the Company recognized $24.4 million as a loss on extinguishment of debt on the condensed consolidated statement of income for the six months ended June 30, 2021. In connection with the issuance of the 2029 Senior Notes, the Company incurred $9.0 million in costs, which were capitalized as debt issuance costs in the condensed consolidated statements of financial condition.

Credit Agreement

On March 15, 2021, LPLFH and LPLH entered into a fifth amendment agreement (the “Amendment”) to the Company’s amended and restated credit agreement (“Credit Agreement”), which, among other things, increased the size of its senior secured revolving credit facility to $1.0 billion and extended its maturity date. In connection with the execution of the Amendment, the Company incurred $3.2 million in costs, which are capitalized as debt issuance costs in the condensed consolidated statements of financial condition. The Credit Agreement subjects the Company to certain financial and non-financial covenants. As of June 30, 2022, the Company was in compliance with such covenants.

Parent Revolving Credit Facility

Borrowings under the revolving credit facility bear interest at a rate per annum ranging from 125 to 175 basis points over the Eurodollar Rate or 25 to 75 basis points over the base rate, depending on the Consolidated Secured Debt to Consolidated EBITDA Ratio (as defined in the Credit Agreement).

Broker-Dealer Revolving Credit Facility

On July 31, 2019, LPL Financial, the Company’s broker-dealer subsidiary, entered into a committed, unsecured revolving credit facility that matures on July 31, 2024 and allows for a maximum borrowing of up to $300.0 million. Borrowings bear interest at a rate per annum ranging from 112.5 to 137.5 basis points over the Federal Funds Rate or Eurodollar Rate, depending on the Parent Leverage Ratio (each as defined in the broker-dealer credit agreement). The broker-dealer credit agreement subjects LPL Financial to certain financial and non-financial covenants. LPL Financial was in compliance with such covenants as of June 30, 2022.

Other External Lines of Credit

LPL Financial maintained five uncommitted lines of credit as of June 30, 2022. Two of the lines have unspecified limits, which are primarily dependent on LPL Financial’s ability to provide sufficient collateral. The other three lines have a total limit of $200.0 million, which allow for uncollateralized borrowings.

NOTE 10 - COMMITMENTS AND CONTINGENCIES

Service and Development Contracts

The Company is party to certain long-term contracts for systems and services that enable back-office trade processing and clearing for its product and service offerings.

Guarantees

The Company occasionally enters into contracts that contingently require it to indemnify certain parties against third-party claims. The terms of these obligations vary and, because a maximum obligation is not explicitly stated, the Company has determined that it is not possible to make an estimate of the amount that it could be obligated to pay under such contracts.

LPL Financial provides guarantees to securities clearing houses and exchanges under their standard membership agreements, which require a member to guarantee the performance of other members. Under these agreements, if a member becomes unable to satisfy its obligations to the clearing houses and exchanges, all other members would be required to meet any shortfall. The Company’s liability under these arrangements is not quantifiable and could exceed the cash and securities it has posted as collateral. However, the potential requirement for the Company to make payments under these agreements is remote. Accordingly, no liability has been recognized for these transactions.

Loan Commitments

From time to time, LPL Financial makes loans to its advisors, primarily to newly recruited advisors to assist in the transition process, which may be forgivable. Due to timing differences, LPL Financial may make commitments to issue such loans prior to actually funding them. These commitments are generally contingent upon certain events occurring, including but not limited to the advisor joining LPL Financial. LPL Financial had no significant unfunded loan commitments at June 30, 2022 or December 31, 2021.

Legal and Regulatory Matters

The Company is subject to extensive regulation and supervision by U.S. federal and state agencies and various self-regulatory organizations. The Company and its advisors periodically engage with such agencies and organizations, in the context of examinations or otherwise, to respond to inquiries, informational requests and investigations. From time to time, such engagements result in regulatory complaints or other matters, the resolution of which has in the past and may in the future include fines, customer restitution and other remediation. Assessing the probability of a loss occurring and the timing and amount of any loss related to a legal proceeding or regulatory matter is inherently difficult. While the Company exercises significant and complex judgments to make certain estimates presented in its condensed consolidated financial statements, there are particular uncertainties and complexities involved when assessing the potential outcomes of legal proceedings and regulatory matters. The Company’s assessment process considers a variety of factors and assumptions, which may include: the procedural status of the matter and any recent developments; prior experience and the experience of others in similar matters; the size and nature of potential exposures; available defenses; the progress of fact discovery; the opinions of counsel and experts; or the potential opportunities for settlement and the status of any settlement discussions. The Company monitors these factors and assumptions for new developments and re-assesses the likelihood that a loss will occur and the estimated range or amount of loss, if those amounts can be reasonably determined. The Company has established an accrual for those legal proceedings and regulatory matters for which a loss is both probable and the amount can be reasonably estimated.

Third-Party Insurance

The Company maintains third-party insurance coverage for certain potential legal proceedings, including those involving certain client claims. With respect to such client claims, the estimated losses on many of the pending matters are less than the applicable deductibles of the insurance policies.

Self-Insurance

The Company has self-insurance for certain potential liabilities through the Captive Insurance Subsidiary. Liabilities associated with the risks that are retained by the Company are not discounted and are estimated by considering, in part, historical claims experience, severity factors, and actuarial assumptions and estimates. The estimated accruals for these potential liabilities could be significantly affected if future occurrences and claims differ from such assumptions and historical trends, so there are particular complexities and uncertainties involved when assessing the adequacy of loss reserves for potential liabilities that are self-insured. As of June 30, 2022 and December 31, 2021, these self-insurance liabilities were $73.7 million and $67.2 million, respectively, and are included in Accounts payable and accrued liabilities in the condensed consolidated statements of financial condition. The increase in self-insurance liabilities during the six months ended June 30, 2022 was driven by $18.2 million of additional reserves for claims that had been incurred but not reported, which were partially offset by $11.7 million of payments made during the period. Self-insurance related charges are included in Other expense in the condensed consolidated statements of income.

Other Commitments

As of June 30, 2022, the Company had approximately $523.6 million of client margin loans that were collateralized with securities having a fair value of approximately $733.1 million that LPL Financial can repledge, loan or sell. Of these securities, approximately $65.1 million were client-owned securities pledged to the Options Clearing Corporation as collateral to secure client obligations related to options positions. As of June 30, 2022, there were no restrictions that materially limited the Company’s ability to repledge, loan or sell the remaining $668.0 million of client collateral.

Investment securities on the condensed consolidated statements of financial condition include $4.5 million and $4.6 million of trading securities pledged to the Options Clearing Corporation at June 30, 2022 and December 31, 2021, respectively, and $20.0 million and $15.0 million of trading securities pledged to the National Securities Clearing Corporation at June 30, 2022 and December 31, 2021, respectively.

NOTE 11 - STOCKHOLDERS' EQUITY

Dividends

The payment, timing, and amount of any dividends are subject to approval by the Company's Board of Directors as well as certain limits under the Credit Agreement and the indentures governing the Company's senior unsecured notes (the "Indentures"). Cash dividends per share of common stock and total cash dividends paid on a quarterly basis were as follows (in millions, except per share data):

	2022		2021	
	Dividend per Share	Total Cash Dividend	Dividend per Share	Total Cash Dividend
First quarter	$ 0.25	$ 20.0	$ 0.25	$ 20.0
Second quarter	$ 0.25	$ 20.0	$ 0.25	$ 20.0

Share Repurchases

The Company engages in share repurchase programs, which are approved by the Board of Directors, pursuant to which the Company may repurchase its issued and outstanding shares of common stock from time to time. Repurchased shares are included in Treasury stock on the condensed consolidated statements of financial condition.

The Company resumed share repurchases in the third quarter of 2021, and during the six months ended June 30, 2022 repurchased 564,522 shares of common stock at a weighted-average price of $177.16 for a total of $100.0 million. As of June 30, 2022, the Company had $159.8 million remaining under the existing share repurchase program. Future share repurchases may be effected in open market or privately negotiated transactions, including transactions with affiliates, with the timing of purchases and the amount of stock purchased generally determined at the discretion of the Company within the constraints of the Credit Agreement, the Indentures and the Company's general working capital needs.

NOTE 12 - SHARE-BASED COMPENSATION

In May 2021, the Company adopted the 2021 Omnibus Equity Incentive Plan (the "2021 Plan"), which provides for the granting of stock options, warrants, restricted stock awards, restricted stock units, deferred stock units, performance stock units and other equity-based compensation to the Company's employees, non-employee directors and other service providers. The 2021 Plan serves as the successor to the Company's 2010 Omnibus Equity Incentive Plan (the "2010 Plan"). Following the adoption of the 2021 Plan, the Company is no longer making grants under the 2010 Plan, and the 2021 Plan is the only plan under which equity awards are granted. However, awards previously granted under the 2010 Plan will remain outstanding until vested, exercised or forfeited, as applicable.

There were 17,754,197 shares authorized for grant under the 2021 Plan and 13,777,931 shares remaining available for future issuance at June 30, 2022.

Stock Options and Warrants

The following table summarizes the Company's stock option and warrant activity as of and for the six months ended June 30, 2022:

	Number of Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value (In thousands)
Outstanding — December 31, 2021	1,204,420	$ 45.65		
Granted	—	$ —		
Exercised	(295,318)	$ 34.60		
Forfeited and Expired	(1,433)	$ 77.53		
Outstanding — June 30, 2022	907,669	$ 49.20	4.49	$ 122,792
Exercisable — June 30, 2022	907,669	$ 49.20	4.49	$ 122,792
Exercisable and expected to vest — June 30, 2022	907,669	$ 49.20	4.49	$ 122,792

The following table summarizes information about outstanding stock options and warrants as of June 30, 2022:

	Outstanding			Exercisable	
Range of Exercise Prices	Number of Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Life (Years)	Number of Shares	Weighted-Average Exercise Price
$19.85 - $25.00	148,450	$ 19.85	3.64	148,450	$ 19.85
$25.01 - $35.00	93,510	$ 29.09	0.49	93,510	$ 29.09
$35.01 - $45.00	221,804	$ 39.48	4.70	221,804	$ 39.48
$45.01 - $65.00	76,442	$ 48.95	2.31	76,442	$ 48.95
$65.01 - $75.00	166,223	$ 65.50	5.65	166,223	$ 65.50
$75.01 - $80.00	201,240	$ 77.53	6.62	201,240	$ 77.53
	907,669	$ 49.20	4.49	907,669	$ 49.20

The Company has not granted stock options or warrants since 2019. The Company recognized no share-based compensation related to the vesting of stock options during the three months ended June 30, 2022, $0.7 million during the three months ended June 30, 2021, and $0.2 million and $1.5 million during the six months ended June 30, 2022 and 2021, respectively. As of June 30, 2022, there was no unrecognized compensation cost related to non-vested stock options as the remaining share-based compensation expense was recognized during the three months ended March 31, 2022.

Restricted Stock and Stock Units

The following summarizes the Company's activity in its restricted stock awards and stock units, which include restricted stock units, deferred stock units and performance stock units, as of and for the six months ended June 30, 2022:

	Restricted Stock Awards		Stock Units		
	Number of Shares	Weighted-Average Grant-Date Fair Value	Number of Units		Weighted-Average Grant-Date Fair Value
Outstanding — December 31, 2021	1,051	$ 156.54	915,907		$ 111.10
Granted	1,864	$ 173.78	357,658		$ 187.16
Vested	(2,101)	$ 165.16	(311,334)		$ 104.31
Forfeited	—	$ —	(45,080)		$ 141.01
Outstanding — June 30, 2022	814	$ 173.78	917,151	(1)	$ 141.59
Expected to vest — June 30, 2022	814	$ 173.78	783,476		$ 147.46

(1) Includes 82,080 vested and undistributed deferred stock units.

The Company grants restricted stock awards and deferred stock units to its directors and restricted stock units and performance stock units to its employees and officers. Restricted stock awards and stock units must vest or are subject to forfeiture; however, restricted stock awards are included in shares outstanding upon grant and have the same dividend and voting rights as the Company's common stock. The Company recognized $12.8 million and $9.9 million of share-based compensation related to the vesting of these restricted stock awards and stock units during the three months ended June 30, 2022 and 2021, respectively, and $24.7 million and $20.1 million during the six months ended June 30, 2022 and 2021, respectively. As of June 30, 2022, total unrecognized compensation cost for restricted stock awards and stock units was $83.0 million, which is expected to be recognized over a weighted-average remaining period of 2.22 years.

The Company also grants restricted stock units to its advisors and to financial institutions. The Company recognized share-based compensation of $0.6 million related to the vesting of these awards during both the three months ended June 30, 2022 and 2021 and $1.2 million during both the six months ended June 30, 2022 and 2021. As of June 30, 2022, total unrecognized compensation cost for restricted stock units granted to advisors and financial institutions was $3.5 million, which is expected to be recognized over a weighted-average remaining period of 1.83 years.

NOTE 13 - EARNINGS PER SHARE

Basic earnings per share is computed by dividing net income available to common stockholders by the weighted-average number of shares of common stock outstanding during the period. The computation of diluted earnings per share is similar to the computation of basic earnings per share, except that the denominator is increased to include the number of additional shares of common stock that would have been outstanding if dilutive potential shares of common stock had been issued. The calculation of basic and diluted earnings per share for the periods noted was as follows (in thousands, except per share data):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Net income	$ 160,545	$ 119,101	$ 294,289	$ 248,721
Basic weighted-average number of shares outstanding	79,947	80,063	79,961	79,880
Dilutive common share equivalents	1,463	1,665	1,532	1,728
Diluted weighted-average number of shares outstanding	81,410	81,728	81,493	81,608
Basic earnings per share	$ 2.01	$ 1.49	$ 3.68	$ 3.11
Diluted earnings per share	$ 1.97	$ 1.46	$ 3.61	$ 3.05

The computation of diluted earnings per share excludes stock options, warrants and stock units that are anti-dilutive. For the six months ended June 30, 2022 and 2021, stock options, warrants and stock units representing common share equivalents of 2,001 shares and 2,604 shares, respectively, were anti-dilutive.

NOTE 14 - NET CAPITAL AND REGULATORY REQUIREMENTS

The Company's registered broker-dealer, LPL Financial, is subject to the SEC's Uniform Net Capital Rule (Rule 15c3-1 under the Exchange Act), which requires the maintenance of minimum net capital. The net capital rules also provide that the broker-dealer's capital may not be withdrawn if the resulting net capital would be less than minimum requirements. Additionally, certain withdrawals require the approval of the SEC and FINRA to the extent they exceed defined levels, even though such withdrawals would not cause net capital to be less than minimum requirements. Net capital and the related net capital requirement may fluctuate on a daily basis. LPL Financial is a clearing broker-dealer and, as of June 30, 2022, had net capital of $156.9 million, which was $141.5 million in excess of its minimum net capital requirement of $15.4 million.

The Company's subsidiary, PTC, also operates in a highly regulated industry and is subject to various regulatory capital requirements. Failure to meet minimum capital requirements can initiate certain mandatory and possible additional discretionary actions by regulators that, if undertaken, could have substantial monetary and non-monetary impacts on PTC's operations.

As of June 30, 2022 and December 31, 2021, LPL Financial and PTC met all capital adequacy requirements to which they were subject.

NOTE 15 - FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET CREDIT RISK AND CONCENTRATIONS OF CREDIT RISK

LPL Financial may offer repayable loans to recruit or support the transition of an advisor to its platform. LPL Financial also offers forgivable loans for similar purposes that may convert to repayable loans upon advisor termination. LPL Financial may incur losses if advisors do not fulfill their obligations with respect to these loans. To mitigate this risk, LPL Financial monitors the performance and creditworthiness of the advisor prior to offering repayable loans.

LPL Financial's client securities activities are transacted on either a cash or margin basis. In margin transactions, LPL Financial extends credit to the advisor's client, subject to various regulatory and internal margin requirements, which is collateralized by cash and securities in the client's account. As clients write options contracts or sell securities short, LPL Financial may incur losses if the clients do not fulfill their obligations and the collateral in the clients' accounts is not sufficient to fully cover losses that clients may incur from these strategies. To control this risk, LPL Financial monitors margin levels daily and clients are required to deposit additional collateral, or reduce positions, when necessary.

LPL Financial is obligated to settle transactions with brokers and other financial institutions even if its advisors' clients fail to meet their obligation to LPL Financial. Clients are required to complete their transactions on the settlement date, generally two business days after the trade date. If clients do not fulfill their contractual obligations, LPL Financial may incur losses. In addition, the Company occasionally enters into certain types of contracts to fulfill its sale of when-issued securities. When-issued securities have been authorized but are contingent upon the actual issuance of the security. LPL Financial has established procedures to reduce this risk by generally requiring that clients deposit cash or securities into their account prior to placing an order.

LPL Financial may at times hold equity securities on both a long and short basis that are recorded on the condensed consolidated statements of financial condition at market value. While long inventory positions represent LPL Financial's ownership of securities, short inventory positions represent obligations of LPL Financial to deliver specified securities at a contracted price, which may differ from market prices prevailing at the time of completion of the transaction. Accordingly, both long and short inventory positions may result in losses or gains to LPL Financial as market values of securities fluctuate. To mitigate the risk of losses, long and short positions are marked-to-market daily and are continuously monitored by LPL Financial.

NOTE 16 - SUBSEQUENT EVENTS

The Company's Board of Directors declared a cash dividend of $0.25 per share on the Company's outstanding common stock to be paid on August 31, 2022 to all stockholders of record on August 17, 2022.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Market Risk

We maintain trading securities and securities sold, but not yet purchased in order to facilitate client transactions, to meet a portion of our clearing deposit requirements at various clearing organizations, to track the performance of our research models and in connection with our dividend reinvestment program. Trading securities are included in Investment securities while securities sold, but not yet purchased are included in Other liabilities on the condensed consolidated statements of financial condition and can include mutual funds, debt securities and equity securities. Changes in the value of our trading securities may result from fluctuations in interest rates, credit ratings of the issuer, equity prices or a combination of these factors.

In facilitating client transactions, our trading securities and securities sold, but not yet purchased generally involve mutual funds, including dividend reinvestments. Our positions held are based upon the settlement of client transactions, which are monitored by our Service, Trading and Operations ("Care") department.

Positions held to meet clearing deposit requirements consist of U.S. government securities. The amount of securities deposited depends upon the requirements of the clearing organization. The level of securities deposited is monitored by the settlements group within our Care department.

Our Research department develops model portfolios that are used by advisors in developing client portfolios. We maintain trading securities in internal accounts based on these model portfolios to track the performance of our Research department. At the time a portfolio is developed, we purchase the securities in that model portfolio in an amount equal to the account minimum, which varies by product.

In addition, we are subject to market risk resulting from system incidents or interruptions and human error, which can require customer trade corrections. We also bear market risk on the fees we earn that are based on the market value of advisory and brokerage assets, as well as assets on which trailing commissions are paid and assets eligible for sponsor payments.

As of June 30, 2022, the fair value of our trading securities was $35.4 million and securities sold, but not yet purchased were $0.8 million. The fair value of securities included within other assets was $549.3 million as of June 30, 2022. See Note 5 - *Fair Value Measurements*, within the notes to the condensed consolidated financial statements for information regarding the fair value of investment securities; securities sold, but not yet purchased; and other assets associated with our client facilitation activities.

Interest Rate Risk

We are exposed to risk associated with changes in interest rates. As of June 30, 2022, $1.0 billion of our outstanding debt was subject to floating interest rate risk. While our senior secured term loan is subject to increases in interest rates, we do not believe that a short-term change in interest rates would have a material impact on our net income given revenue generated by our client cash balances, which is generally subject to the same, but off-setting, interest rate risk.

The following table summarizes the impact of increasing interest rates on our interest expense from the variable portion of our debt outstanding, calculated using the projected average outstanding balance over the subsequent twelve-month period (in thousands):

		Annual Impact of an Interest Rate(†) Increase of			
Corporate Debt and Other Borrowings	**Outstanding Balance at June 30, 2022**	**10 Basis Points**	**25 Basis Points**	**50 Basis Points**	**100 Basis Points**
Term Loan B	$ 1,043,250	$ 1,037	$ 2,591	$ 5,183	$ 10,366

(†) Our interest rate for Term Loan B is locked in for one, two, three, six or twelve months as allowed under the Credit Agreement. At the end of the selected periods the rates will be locked in at the then current rate. The effect of these interest rate locks are not included in the table above.

See Note 9 - *Corporate Debt and Other Borrowings, Net* within the notes to the condensed consolidated financial statements for additional information.

As of June 30, 2022, we offered our advisors and their clients two insured bank sweep vehicles and a money market program, including money market accounts as well as the ability to participate in purchased money market funds, that are interest rate sensitive. Our sweep vehicles include an (1) insured cash account ("ICA") for individuals, trusts, sole proprietorships and entities organized or operated to make a profit, such as corporations, partnerships, associations, business trusts and other organizations and (2) an insured deposit cash account ("DCA") for advisory individual retirement accounts. While clients earn interest on deposits in ICA and DCA, we earn a fee. The fees we earn from cash held in ICAs are based primarily on prevailing interest rates in the current interest rate environment. The fees we earn from DCAs are calculated as a per account fee, and such fees increase as the federal funds target rate increases, subject to a cap. The fees we earn on cash balances in our advisors' clients' accounts in our money market program, including administrative and recordkeeping fees based on account type and the invested balances, are also sensitive to prevailing interest rates. Changes in interest rates and fees for the bank deposit sweep vehicles are monitored by our Rate Setting Committee (the "RSC"), which governs and approves any changes to our fees. By meeting promptly around the time of Federal Open Market Committee meetings, or for other market or non-market reasons, the RSC considers financial risk of the insured bank deposit sweep vehicles relative to other products into which clients may move cash balances.

Credit Risk

Credit risk is the risk of loss due to adverse changes in a borrower's, issuer's or counterparty's ability to meet its financial obligations under contractual or agreed upon terms. We are subject to credit risk from certain loans extended to our advisors as well as the activities of our advisors' clients during the execution, settlement and financing of various transactions on behalf of these clients.

Credit risk from certain loans to advisors arises when we extend loans with repayment terms to facilitate advisors' transition to our platform or to fund business development activities that are not repaid in full or on time. Credit risk also arises in respect of advisor loans when a forgivable loan converts to repayable upon advisor termination.

Credit risk also arises when collateral posted with LPL Financial by clients to support margin lending or derivative trading is insufficient to meet clients' contractual obligations to LPL Financial. These activities are transacted on either a cash or margin basis. Our credit exposure in these transactions consists primarily of margin accounts, through which we extend credit to advisors' clients collateralized by securities in the clients' accounts. Under many of these agreements, we are permitted to sell, repledge or loan these securities held as collateral and use these securities to enter into securities lending arrangements or to deliver to counterparties to cover short positions.

As our advisors execute margin transactions on behalf of their clients, we may incur losses if clients do not fulfill their obligations, the collateral in the clients' accounts is insufficient to fully cover losses from such investments and our advisors fail to reimburse us for such losses. Our losses on margin accounts were immaterial during the three and six months ended June 30, 2022 and 2021. We monitor exposure to industry sectors and individual securities and perform analyses on a regular basis in connection with our margin lending activities. We adjust our margin requirements if we believe our risk exposure is not appropriate based on market conditions.

We are subject to concentration risk if we extend large loans to or have large commitments with a single counterparty, borrower or group of similar counterparties or borrowers (e.g., in the same industry), or if we accept a concentrated position as collateral for a margin loan. Receivables from and payables to clients and stock borrowing and lending activities are conducted with a large number of clients and counterparties and potential concentration is monitored. We seek to limit this risk through review of the underlying business and the use of limits established by senior management, taking into consideration factors including the financial strength of the counterparty, the size of the position or commitment, the expected duration of the position or commitment and other positions or commitments outstanding.

Operational Risk

Operational risk is defined as the risk of loss resulting from failed or inadequate processes or systems, actions by people or external events. We operate in diverse markets and are reliant on the ability of our employees and information technology systems, as well as third-party service providers and their systems, to manage a large volume of transactions and confidential information, including personally identifiable information, effectively and securely. These risks are less direct and quantifiable than credit and market risk, but managing them is critical, particularly in a rapidly changing operating environment with increasing transaction volumes and in light of increasing reliance on systems capabilities and performance, as well as third-party service providers. In the event of the breakdown, obsolescence or improper operation of systems, malicious cyber activity or improper action by employees, advisors or third-party service providers, we could suffer business disruptions, financial loss, data loss, regulatory sanctions and damage to our reputation. Although we have developed business continuity and disaster recovery plans, those plans could be inadequate, disrupted or otherwise unsuccessful in maintaining the competitiveness, stability, security or continuity of critical systems as a result of, among other things, obsolescence, improper operation, third-party dependencies or limitations of our current technology.

In order to assist in the mitigation and control of operational risk, we have an operational risk framework that is designed to enable assessment and reporting on operational risk across the firm. This framework aims to ensure policies and procedures are in place and appropriately designed to identify and manage operational risk at appropriate levels throughout our organization and within various departments. These control mechanisms attempt to ensure that operational policies and procedures are being followed and that our employees and advisors operate within established corporate policies and limits. Please consult the *"Risks Related to Our Technology"* and the *"Risks Related to Our Business and Industry"* sections within Part I, *"Item 1A. Risk Factors"* in our 2021 Annual Report on Form 10-K for more information about the risks associated with our technology, including risks related to security, our risk management policies and procedures, and the potential related effects on our operations.

Our senior management is monitoring developments in the COVID-19 pandemic and has implemented changes to our policies, procedures and operations to protect the integrity and continuity of our business and the health and safety of our employees. For example, we equipped and enabled a substantial majority of employees to work remotely, implemented enhanced cleaning protocols throughout our corporate offices and worked closely with our vendors to maintain service continuity throughout the market volatility and increased operational volumes that have occurred from time to time during the pandemic. There can be no guarantee that our business continuity plans and the other efforts to manage the business implications of COVID-19 will be effective, or that there will not be material adverse effects on our results of operations. Please consult Part I, *"Item 1A. Risk Factors"* in our 2021 Annual Report on Form 10-K for more information about the risks associated with the COVID-19 pandemic.

Regulatory and Legal Risk

The regulatory environment in which we operate is discussed in detail within Part I, *"Item 1. Business"* in our 2021 Annual Report on Form 10-K. In recent years, and during the periods presented in this Quarterly Report on Form 10-Q, we have observed the SEC, FINRA, U.S. Department of Labor and state regulators broaden the scope, frequency and depth of their examinations and inquiries to include greater emphasis on the quality, consistency and oversight of our compliance systems and programs. Please consult the *"Risks Related to Our Regulatory Environment"* and the *"Risks Related to Our Business and Industry"* sections within Part I, *"Item 1A. Risk Factors"* in our 2021 Annual Report on Form 10-K for more information about the risks associated with operating within our regulatory environment, pending regulatory matters and the potential related effects on our operations.

Risk Management

We employ an enterprise risk management ("ERM") framework that is intended to address key risks and responsibilities, enable us to execute our business strategy and protect our Company and its franchise. For a discussion of our ERM framework, please see the *"Risk Management"* section within Part II, "*Item 7A. Quantitative and Qualitative Disclosures About Market Risk"* in our 2021 Annual Report on Form 10-K.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures as of the end of the period covered by this report were effective.

Change in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the second quarter ended June 30, 2022 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II — OTHER INFORMATION

Item 1. Legal Proceedings

From time to time, we have been subjected to and are currently subject to legal and regulatory proceedings arising out of our business operations, including lawsuits, arbitration claims, and inquiries, investigations and enforcement proceedings initiated by the SEC, FINRA and state securities regulators, as well as other actions and claims. See Note 10 - *Commitments and Contingencies,* within the notes to the condensed consolidated financial statements for additional information.

Item 1A. Risk Factors

There have been no material changes in the information regarding the Company's risks, as set forth under Part I, "*Item 1A. Risk Factors"* in the Company's 2021 Annual Report on Form 10-K.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The table below sets forth information regarding repurchases, reported on a trade date basis, during the three months ended June 30, 2022:

Period	Total Number of Shares Purchased	Weighted-Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Programs	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Program (millions)[(1)]
April 1, 2022 through April 30, 2022	114,137	$ 194.61	114,137	$ 187.5
May 1, 2022 through May 31, 2022	158,222	$ 175.66	158,222	$ 159.8
June 1, 2022 through June 30, 2022	—	$ —	—	$ 159.8
Total	272,359		272,359	

(1) On November 13, 2018, the Board of Directors authorized an increase to the Company's existing share repurchase program to authorize the repurchase of up to $1.0 billion of its issued and outstanding common shares. See Note 11 - *Stockholders' Equity*, within the notes to the condensed consolidated financial statements for additional information.

The repurchases may be executed from time to time, subject to general business and market conditions and other investment opportunities, through open market purchases or privately negotiated transactions, including transactions with affiliates, with the timing of purchases and the amount of shares purchased generally determined at the discretion of the Company within the constraints of the Credit Agreement, the Indentures, applicable laws and consideration of the Company's general liquidity needs.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

3.1	Amended and Restated Certificate of Incorporation of LPL Investment Holdings Inc., dated November 23, 2010 (Incorporated by reference to Amendment No. 2 to the Registration Statement on Form S-1 filed on July 9, 2010).
3.2	Certificate of Ownership and Merger Merging LPL Financial Holdings Inc. with and into LPL Investment Holdings Inc., dated June 14, 2012 (Incorporated by reference to the Form 8-K filed on June 19, 2012).
3.3	Certificate of Amendment to the Amended and Restated Certificate of Incorporation of LPL Financial Holdings Inc., dated May 8, 2014 (Incorporated by reference to the Form 8-K filed on May 9, 2014).
3.4	Sixth Amended and Restated Bylaws of LPL Financial Holdings Inc. (Incorporated by reference to the Form 8-K filed on February 23, 2022).
10.1	LPL Financial Holdings Inc. Non-Employee Director Compensation Policy*
31.1	Certification of the Chief Executive Officer pursuant to Rule 13a-14(a).*
31.2	Certification of the Chief Financial Officer pursuant to Rule 13a-14(a).*
32.1	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.**
32.2	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.**
101.SCH	Inline XBRL Taxonomy Extension Schema
101.CAL	Inline XBRL Taxonomy Extension Calculation
101.LAB	Inline XBRL Taxonomy Extension Label
101.PRE	Inline XBRL Taxonomy Extension Presentation
101.DEF	Inline XBRL Taxonomy Extension Definition
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

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* Filed herewith.

** Furnished herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

	LPL Financial Holdings Inc.
Date: August 4, 2022	By: /s/ DAN H. ARNOLD Dan H. Arnold President and Chief Executive Officer
Date: August 4, 2022	By: /s/ MATTHEW J. AUDETTE Matthew J. Audette Chief Financial Officer
Date: August 4, 2022	By: /s/ BRENT B. SIMONICH Brent B. Simonich Chief Accounting Officer

LPL FINANCIAL HOLDINGS INC.

Non-Employee Director Compensation Policy

Annual Retainer

- All non-employee directors receive an annual retainer of $255,000, which is paid in advance on the next business day following the Company's annual meeting of stockholders (the "Annual Payment Date"). Of this amount, $100,000 is paid in a lump sum in cash and $155,000 is paid in the form of restricted shares of the Company's common stock (the "Common Stock").
- The restricted shares are issued under the Company's 2021 Omnibus Equity Incentive Plan (the "2021Plan") and vest in full on the date immediately prior to the date of the Company's next annual meeting of stockholders (the "Vesting Date"). The number of restricted shares is determined by dividing $155,000 by the average of the closing price per share of the Common Stock on The NASDAQ Stock Market for the trailing thirty consecutive trading days inclusive of the Annual Payment Date (the "Grant Price"), rounded down to the nearest whole share.
- In lieu of the above cash payment, a non-employee director may make an election (an "Election") to be issued, on the Annual Payment Date, a number of shares of the Common Stock under the 2021 Plan determined by dividing $100,000 by the Grant Price, rounded down to the nearest whole share. An Election must be delivered in writing (including electronic mail) prior to the Annual Payment Date during an open trading window under the Company's insider trading policy.

Additional Service Retainers

- Members of the standing committees of the Board of Directors receive annual service retainers in the following amounts, paid in cash in quarterly installments following the end of each quarter of service:

	Chair	Each Other Member
Audit Committee	$30,000	$15,000
Compensation and Human Resources Committee	$25,000	$12,500
Nominating and Governance Committee	$20,000	$10,000

- The Chair of the Board receives an additional annual service retainer of $140,000, paid in cash in quarterly installments following the end of each quarter of service.

Newly Elected Directors

Following a non-employee director's initial election to the Board of Directors other than on the date of an annual meeting of stockholders, he or she will receive a portion of the annual retainer (the "Pro-Rated Retainer"), payable on the first business day of the month immediately following such election (the "Election Payment Date").

- The cash portion of the Pro-Rated Retainer will be calculated by multiplying $100,000 by a fraction, the numerator of which is the number of full months between the Election Payment Date and the Vesting Date and the denominator of which is 12 (the "Cash Amount").
- The number of restricted shares to be issued will be determined by (i) multiplying $155,000 by a fraction, the numerator of which is the number of full months between the Election Payment Date and the Vesting Date and the denominator of which is 12, and (ii) dividing such product by the average of the closing price per share of the Common Stock on The NASDAQ Stock Market for the trailing thirty consecutive trading days inclusive of the Election Payment Date, rounded down to the nearest whole share. The restricted shares will be issued under the 2021 Plan and vest in full on the Vesting Date.
- In lieu of the above cash payment, a non-employee director may make an election to be issued, on the Election Payment Date, a number of shares of Common Stock under the 2021 Plan determined by dividing the Cash Amount by the average of the closing price per share of the Common Stock on The NASDAQ Stock Market for the trailing thirty consecutive trading days inclusive of the Election Payment Date, rounded down to the nearest whole share. Such an election must be delivered in

writing (including electronic mail) on or prior to the date of the director's election to the Board of Directors.

Newly elected directors, and directors who are newly appointed to a committee, will also be entitled to pro-rated service retainers for any full month following his or her initial election to the Board of Directors or initial appointment to a committee of the Board of Directors, as applicable.

Directors may elect to defer their annual retainer, but not, for the avoidance of doubt, their additional service retainers, under the Company's Non-Employee Director Deferred Compensation Plan. If the restricted stock portion of the annual retainer is deferred, a director will receive a grant of restricted stock units under the 2021 Plan in lieu of restricted stock.

In the discretion of the Board of Directors, the grant date of shares of Common Stock, including restricted shares, may be delayed until the next open trading window under the Company's insider trading policy then in effect.

Effective as of May 18, 2022

Exhibit 31.1

CERTIFICATION OF THE PRINCIPAL EXECUTIVE OFFICER

I, Dan H. Arnold, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of LPL Financial Holdings Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 4, 2022

/s/ Dan H. Arnold

Dan H. Arnold
President and Chief Executive Officer
(principal executive officer)

Exhibit 31.2

CERTIFICATION OF THE PRINCIPAL FINANCIAL OFFICER

I, Matthew J. Audette, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of LPL Financial Holdings Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 4, 2022

/s/ Matthew J. Audette

Matthew J. Audette
Chief Financial Officer
(principal financial officer)

Exhibit 32.1

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of LPL Financial Holdings Inc. (the “Company”) for the period ending June 30, 2022 as filed with the Securities and Exchange Commission (“SEC”) on the date hereof (the “Report”), I, Dan H. Arnold, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that:

1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement has been provided to the Company and will be retained by the Company and furnished to the SEC or its staff upon request.

Date: August 4, 2022

/s/ Dan H. Arnold

Dan H. Arnold
President and Chief Executive Officer

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of LPL Financial Holdings Inc. (the “Company”) for the period ending June 30, 2022 as filed with the Securities and Exchange Commission (“SEC”) on the date hereof (the “Report”), I, Matthew J. Audette, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that:

1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement has been provided to the Company and will be retained by the Company and furnished to the SEC or its staff upon request.

Date: August 4, 2022

/s/ Matthew J. Audette

Matthew J. Audette
Chief Financial Officer