

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 September 30, 2014

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**

*(State or other jurisdiction of  
incorporation or organization)*

**20-3717839**

*(I.R.S. Employer  
Identification No.)*

**75 State Street, Boston, MA 02109**

*(Address of Principal Executive Offices) (Zip Code)*

**(617) 423-3644**

*(Registrant's telephone number, including area code)*

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files).  Yes     No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

*(Do not check if a smaller reporting company)*

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 October 27, 2014 was 98,808,921.

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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”). You may read and copy any document we file with the SEC at the SEC’s public reference room located at 100 F Street, N.E., Washington, D.C. 20549, U.S.A. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. Our SEC filings are also available to the public from the SEC’s internet site at <http://www.sec.gov>.

On our internet site, <http://www.lpl.com>, we post the following filings 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. Hard copies of all such filings are available free of charge by request via email ([investor.relations@lpl.com](mailto:investor.relations@lpl.com)), telephone (617) 897-4574, or mail (LPL Financial Investor Relations at 75 State Street, 24th Floor, Boston, MA 02109). The information contained or incorporated on our website is not a part of this Quarterly Report on Form 10-Q.

*When we use the terms “LPLFH,” “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 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, growth, business strategies, plans, liquidity, future share repurchases, and future dividends, including statements regarding projected savings, projected expenses, and anticipated improvements to the Company’s operating model, services, and technology as a result of the Service Value Commitment, as well as any other statements that are not related to present facts or current conditions or that are not purely historical, constitute forward-looking statements. These forward-looking statements are based on the Company’s historical performance and its plans, estimates, and expectations as of October 30, 2014. The words “anticipates,” “believes,” “expects,” “may,” “plans,” “predicts,” “will” and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. Forward-looking statements are not guarantees that the future results, plans, intentions, or expectations expressed or implied by the Company will be achieved. Matters subject to forward-looking statements involve known and unknown risks and uncertainties, including economic, legislative, regulatory, competitive, and other factors, which may cause actual financial or operating results, levels of activity, or the timing of events, to be materially different than those expressed or implied by forward-looking statements. Important factors that could cause or contribute to such differences include: changes in general economic and financial market conditions, including retail investor sentiment; fluctuations in the value of brokerage and advisory assets; fluctuations in levels of net new advisory assets and the related impact on fee revenue; effects of competition in the financial services industry; changes in the number of the Company’s financial advisors and institutions, and their ability to market effectively financial products and services; changes in interest rates and fees payable by banks participating in the Company’s cash sweep program, including the Company’s success in negotiating agreements with current or additional counterparties; changes in the growth of the Company’s fee-based business; the effect of current, pending and future legislation, regulation and regulatory actions, including disciplinary actions imposed by federal and state securities regulators and self-regulatory organizations; the costs of settling and remediating issues related to pending or future regulatory matters; the Company’s success in integrating the operations of acquired businesses; execution of the Company’s plans related to the Service Value Commitment, including the Company’s ability to successfully transform and transition business processes to third party service providers; the Company’s success in negotiating and developing commercial arrangements with third party service providers that will enable the Company to realize the service improvements and efficiencies expected to result from the Service Value Commitment; the performance of third party service providers to which business processes are transitioned from the Company; the Company’s ability to control operating risks, information technology systems risks, cybersecurity risks, and sourcing risks; and the other factors set forth in Part I, “Item 1A. Risk Factors” in the Company’s 2013 Annual Report on Form 10-K, as may be amended or updated in our 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, 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.

## PART I — FINANCIAL INFORMATION

## Item 1. Financial Statements (unaudited)

## LPL FINANCIAL HOLDINGS INC. AND SUBSIDIARIES

**Condensed Consolidated Statements of Income**  
**(Unaudited)**  
(In thousands, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
<b>REVENUES:</b>				
Commission	\$ 520,388	\$ 527,419	\$ 1,590,139	\$ 1,521,390
Advisory	340,369	299,101	998,016	878,421
Asset-based	121,283	107,447	354,494	318,718
Transaction and fee	94,674	93,799	276,284	271,808
Interest income, net of interest expense	4,727	4,509	14,279	13,343
Other	7,793	20,937	36,182	43,248
Total net revenues	1,089,234	1,053,212	3,269,394	3,046,928
<b>EXPENSES:</b>				
Commission and advisory	746,001	724,835	2,242,206	2,086,075
Compensation and benefits	106,290	102,310	317,459	299,317
Promotional	36,669	36,807	93,581	85,276
Depreciation and amortization	24,519	21,432	70,618	61,451
Occupancy and equipment	19,043	16,568	62,922	49,649
Professional services	38,174	18,955	82,736	47,588
Brokerage, clearing and exchange	12,090	11,360	36,594	32,958
Communications and data processing	11,476	11,017	32,598	31,401
Regulatory fees and other	8,476	8,234	25,437	23,339
Restructuring charges	9,928	6,482	26,473	19,851
Other	8,218	20,547	25,958	37,116
Total operating expenses	1,020,884	978,547	3,016,582	2,774,021
Non-operating interest expense	12,897	13,363	38,651	38,190
Loss on extinguishment of debt	—	—	—	7,962
Total expenses	1,033,781	991,910	3,055,233	2,820,173
INCOME BEFORE PROVISION FOR INCOME TAXES	55,453	61,302	214,161	226,755
PROVISION FOR INCOME TAXES	22,181	23,671	84,663	89,316
NET INCOME	\$ 33,272	\$ 37,631	\$ 129,498	\$ 137,439
<b>EARNINGS PER SHARE (NOTE 12)</b>				
Earnings per share, basic	\$ 0.33	\$ 0.36	\$ 1.29	\$ 1.30
Earnings per share, diluted	\$ 0.33	\$ 0.36	\$ 1.26	\$ 1.29
Weighted-average shares outstanding, basic	100,052	104,271	100,519	105,670
Weighted-average shares outstanding, diluted	101,834	105,705	102,384	106,934

See notes to unaudited condensed consolidated financial statements.

LPL FINANCIAL HOLDINGS INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Comprehensive Income  
(Unaudited)  
(In thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
NET INCOME	\$ 33,272	\$ 37,631	\$ 129,498	\$ 137,439
Other comprehensive income (loss), net of tax:				
Unrealized gain (loss) on cash flow hedges, net of tax expense (benefit) of (\$63), (\$155), \$863, and (\$155) for the three and nine months ended September 30, 2014 and 2013, respectively	(101)	(250)	1,361	(250)
Reclassification adjustment for realized gain on cash flow hedges included in net income, net of tax expense of \$85, \$0, \$113, and \$0 for the three and nine months ended September 30, 2014 and 2013, respectively	(135)	—	(180)	—
Total other comprehensive income (loss), net of tax	(236)	(250)	1,181	(250)
TOTAL COMPREHENSIVE INCOME	\$ 33,036	\$ 37,381	\$ 130,679	\$ 137,189

See notes to unaudited condensed consolidated financial statements.

**LPL FINANCIAL HOLDINGS INC. AND SUBSIDIARIES**  
**Condensed Consolidated Statements of Financial Condition**  
**(Unaudited)**  
**(Dollars in thousands, except par value)**

	<u>September 30,</u> <u>2014</u>	<u>December 31, 2013</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 459,494	\$ 516,584
Cash and securities segregated under federal and other regulations	418,507	512,351
Receivables from:		
Clients, net of allowance of \$1,237 at September 30, 2014 and \$588 at December 31, 2013	342,304	373,675
Product sponsors, broker-dealers and clearing organizations	178,439	174,070
Others, net of allowance of \$9,383 at September 30, 2014 and \$7,091 at December 31, 2013	281,411	272,018
Securities owned:		
Trading — at fair value	12,926	8,964
Held-to-maturity	9,345	6,853
Securities borrowed	8,327	7,102
Income taxes receivable	25,404	—
Fixed assets, net of accumulated depreciation and amortization of \$300,823 at September 30, 2014 and \$263,321 at December 31, 2013	207,413	189,059
Debt issuance costs, net of accumulated amortization of \$10,991 at September 30, 2014 and \$7,751 at December 31, 2013	13,040	16,281
Goodwill	1,365,838	1,361,361
Intangible assets, net of accumulated amortization of \$295,332 at September 30, 2014 and \$266,285 at December 31, 2013	440,526	464,522
Other assets	155,193	139,991
<b>Total assets</b>	<b>\$ 3,918,167</b>	<b>\$ 4,042,831</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>LIABILITIES:</b>		
Drafts payable	\$ 135,095	\$ 194,971
Payables to clients	565,221	565,204
Payables to broker-dealers and clearing organizations	38,315	43,157
Accrued commission and advisory expenses payable	143,024	135,149
Accounts payable and accrued liabilities	287,219	301,644
Income taxes payable	—	4,320
Unearned revenue	68,817	73,739
Securities sold, but not yet purchased — at fair value	18	211
Senior secured credit facilities	1,526,967	1,535,096
Deferred income taxes, net	90,119	89,369
<b>Total liabilities</b>	<b>2,854,795</b>	<b>2,942,860</b>
<b>Commitments and contingencies</b>		
<b>STOCKHOLDERS' EQUITY:</b>		
Common stock, \$.001 par value; 600,000,000 shares authorized; 118,124,141 shares issued at September 30, 2014 and 117,112,465 shares issued at December 31, 2013	118	117
Additional paid-in capital	1,346,701	1,292,374
Treasury stock, at cost — 18,187,765 shares at September 30, 2014 and 15,216,301 shares at December 31, 2013	(655,822)	(506,205)
Accumulated other comprehensive income	1,296	115
Retained earnings	371,079	313,570
<b>Total stockholders' equity</b>	<b>1,063,372</b>	<b>1,099,971</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 3,918,167</b>	<b>\$ 4,042,831</b>

See notes to unaudited condensed consolidated financial statements.

LPL FINANCIAL HOLDINGS INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Stockholders' Equity  
(Unaudited)  
(In thousands)

	Common Stock		Additional Paid-In Capital	Treasury Stock		Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Stockholders' Equity
	Shares	Amount		Shares	Amount			
BALANCE — December 31, 2012	115,714	\$ 116	\$ 1,228,075	9,422	\$ (287,998)	\$ —	\$ 199,827	\$ 1,140,020
Net income and other comprehensive loss, net of tax expense						(250)	137,439	137,189
Treasury stock purchases				4,910	(184,318)			(184,318)
Cash dividends on common stock							(48,672)	(48,672)
Stock option exercises and other	1,140	1	27,623	(19)	663		(98)	28,189
Share-based compensation			17,330					17,330
Excess tax benefits from share-based compensation			1,919					1,919
BALANCE — September 30, 2013	116,854	\$ 117	\$ 1,274,947	14,313	\$ (471,653)	\$ (250)	\$ 288,496	\$ 1,091,657
BALANCE — December 31, 2013	117,112	\$ 117	\$ 1,292,374	15,216	\$ (506,205)	\$ 115	\$ 313,570	\$ 1,099,971
Net income and other comprehensive income, net of tax expense						1,181	129,498	130,679
Issuance of common stock to settle restricted stock units, net	40	1		13	(674)			(673)
Treasury stock purchases				2,990	(150,021)			(150,021)
Cash dividends on common stock							(72,104)	(72,104)
Stock option exercises and other	972		24,141	(31)	1,078		115	25,334
Share-based compensation			22,649					22,649
Excess tax benefits from share-based compensation			7,537					7,537
BALANCE — September 30, 2014	118,124	\$ 118	\$ 1,346,701	18,188	\$ (655,822)	\$ 1,296	\$ 371,079	\$ 1,063,372

See notes to unaudited condensed consolidated financial statements.

LPL FINANCIAL HOLDINGS INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Cash Flows  
(Unaudited)  
(In thousands)

	Nine Months Ended September 30,	
	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 129,498	\$ 137,439
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Noncash items:		
Depreciation and amortization	70,618	61,451
Amortization of debt issuance costs	3,241	3,285
Share-based compensation	22,649	17,330
Loss on disposal of fixed assets	1,282	154
Excess tax benefits related to share-based compensation	(7,666)	(1,919)
Provision for bad debts	2,124	1,911
Deferred income tax provision	585	(9,850)
Loss on extinguishment of debt	—	7,962
Net changes in estimated fair value of contingent consideration obligations	—	4,131
Loan forgiveness	20,326	1,001
Closure of NestWise	—	9,294
Other	2,057	731
Changes in operating assets and liabilities:		
Cash and securities segregated under federal and other regulations	93,844	149,390
Receivables from clients	30,723	28,447
Receivables from product sponsors, broker-dealers and clearing organizations	(4,369)	368
Receivables from others	(31,195)	(14,472)
Securities owned	(3,999)	(1,373)
Securities borrowed	(1,225)	(1,168)
Other assets	(8,534)	625
Drafts payable	(59,876)	(24,981)
Payables to clients	17	(211,422)
Payables to broker-dealers and clearing organizations	(4,842)	(29,988)
Accrued commission and advisory expenses payable	7,875	142
Accounts payable and accrued liabilities	(11,580)	13,697
Income taxes receivable/payable	(22,187)	(1,896)
Unearned revenue	(4,922)	1,666
Securities sold, but not yet purchased	(193)	(48)
Net cash provided by operating activities	\$ 224,251	\$ 141,907

Continued on following page



LPL FINANCIAL HOLDINGS INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Cash Flows - Continued  
(Unaudited)  
(In thousands)

	Nine Months Ended September 30,	
	2014	2013
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Capital expenditures	\$ (69,830)	\$ (40,787)
Purchase of intangible assets	(9,000)	—
Proceeds from disposal of fixed assets	7,123	—
Purchase of securities classified as held-to-maturity	(6,749)	(2,495)
Proceeds from maturity of securities classified as held-to-maturity	4,250	5,900
Deposits of restricted cash	(6,049)	(1,500)
Release of restricted cash	141	613
Purchases of minority interest investments	—	(2,500)
Net cash used in investing activities	<u>(80,114)</u>	<u>(40,769)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Repayment of senior secured credit facilities	(8,129)	(863,869)
Proceeds from senior secured credit facilities	—	1,078,957
Payment of debt issuance costs	—	(2,461)
Payment of contingent consideration	(3,300)	—
Tax payments related to settlement of restricted stock units	(673)	—
Repurchase of common stock	(150,021)	(175,722)
Dividends on common stock	(72,104)	(48,672)
Excess tax benefits related to share-based compensation	7,666	1,919
Proceeds from stock option exercises and other	25,334	28,189
Net cash (used in) provided by financing activities	<u>(201,227)</u>	<u>18,341</u>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(57,090)</b>	<b>119,479</b>
CASH AND CASH EQUIVALENTS — Beginning of period	516,584	466,261
CASH AND CASH EQUIVALENTS — End of period	<u>\$ 459,494</u>	<u>\$ 585,740</u>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:</b>		
Interest paid	\$ 38,877	\$ 38,433
Income taxes paid	\$ 109,805	\$ 100,999
<b>NONCASH DISCLOSURES:</b>		
Fixed assets acquired under build-to-suit lease	\$ 8,114	\$ 9,088
Discount on proceeds from senior secured credit facilities recorded as debt issuance costs	\$ —	\$ 4,893
Pending settlement of treasury stock purchases	\$ —	\$ 8,596

See notes to unaudited condensed consolidated financial statements.

**LPL FINANCIAL HOLDINGS INC. AND SUBSIDIARIES**  
**Notes to Condensed Consolidated Financial Statements (Unaudited)**

**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 of America. 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 independent financial advice and brokerage services to retail investors (their “clients”).

**2. Summary of Significant Accounting Policies**

**Basis of Presentation** — The unaudited condensed consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”). These unaudited condensed consolidated financial statements reflect all adjustments that are, in the opinion of management, necessary for a fair statement of the results for the interim periods presented. These adjustments are of a normal recurring nature. The Company’s results for any interim period are not necessarily indicative of results for a full year or any other interim period.

The unaudited condensed consolidated financial statements do not include all information and notes necessary for a complete presentation of results of income, comprehensive income, financial position, and cash flows in conformity with generally accepted accounting principles in the United States of America (“GAAP”). Accordingly, these 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, 2013, contained in the Company’s Annual Report on Form 10-K as filed with the SEC.

The Company’s significant accounting policies are included in Note 2. *Summary of Significant Accounting Policies*, in the Company’s Annual Report on Form 10-K for the year ended December 31, 2013. There have been no significant changes to these accounting policies during the first nine months of 2014.

**Consolidation** — These unaudited condensed consolidated financial statements include the accounts of LPLFH and its subsidiaries. Intercompany transactions and balances have been eliminated. Equity investments in which the Company exercises significant influence but does not exercise control and is not the primary beneficiary are accounted for using the equity method.

**Use of Estimates** — The preparation of the unaudited condensed consolidated financial statements in conformity with GAAP requires the Company to make estimates and judgments that affect the reported amounts of assets and liabilities, revenue and expenses, and related disclosures of contingent assets and liabilities. These estimates are based on the information that is currently available and on various other assumptions that the Company believes to be reasonable under the circumstances. Actual results could vary from these estimates.

**Reportable Segment** — The Company’s internal reporting is organized into two service channels: Independent Advisor Services and Institution Services. These service channels qualify as individual operating segments and are aggregated and viewed as one reportable segment due to their similar economic characteristics, products and services, production and distribution processes, and regulatory environment.

**Fair Value of Financial Instruments** — The Company’s financial assets and liabilities are carried at fair value or at amounts that, because of their short-term nature, approximate current fair value, with the exception of its held-to-maturity securities and indebtedness. The Company carries its held-to-maturity securities and indebtedness at amortized cost. The Company measures the implied fair value of its debt instruments using trading levels obtained from a third-party service provider. Accordingly, the debt instruments qualify as Level 2 fair value measurements. See Note 4. *Fair Value Measurements*, for additional detail regarding the Company’s fair value measurements. As of September 30, 2014, the carrying amount and fair value of the Company’s indebtedness was approximately \$1,527.0 million and \$1,513.1 million, respectively. As of December 31, 2013, the carrying amount and fair value was approximately \$1,535.1 million and \$1,533.3 million, respectively.

**Recently Issued Accounting Pronouncements**

There are no recent accounting pronouncements that would impact the Company’s condensed consolidated statements of income, comprehensive income, financial condition, or cash flows.

**LPL FINANCIAL HOLDINGS INC. AND SUBSIDIARIES**  
**Notes to Condensed Consolidated Financial Statements (Unaudited)**

**3. Restructuring**

In February 2013, the Company committed to an expansion of its Service Value Commitment (the “Program”), an ongoing effort to position the Company’s people, processes, and technology for sustainable long-term growth while improving the service experience of its advisors and delivering efficiencies in its operating model. The Program is expected to be completed in 2015.

The Company estimates total charges in connection with the Program will approach \$65.0 million. These expenditures are comprised of outsourcing and other related costs, technology transformation costs, employee severance obligations and other related costs, as well as non-cash charges for impairment of certain fixed assets related to internally developed software.

The following table summarizes the balance of accrued expenses and the changes in the accrued amounts for the Program as of and for the nine months ended September 30, 2014 (in thousands):

	Accrued Balance at December 31, 2013	Costs Incurred	Payments	Accrued Balance at September 30, 2014	Cumulative Costs Incurred to Date	Total Expected Restructuring Costs
Outsourcing and other related costs	\$ 1,424	\$ 5,045	\$ (6,106)	\$ 363	\$ 20,326	\$ 26,000
Technology transformation costs	1,753	15,954	(14,252)	3,455	25,223	27,000
Employee severance obligations and other related costs	820	4,363	(1,595)	3,588	6,821	11,000
Asset impairments	—	—	—	—	842	1,000
<b>Total</b>	<b>\$ 3,997</b>	<b>\$ 25,362</b>	<b>\$ (21,953)</b>	<b>\$ 7,406</b>	<b>\$ 53,212</b>	<b>\$ 65,000</b>

**4. 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 nine months ended September 30, 2014.

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 September 30, 2014, 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.

**Securities Owned 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. Examples of these securities include money market funds, U.S. treasury obligations, mutual funds, certificates of deposit, and traded equity and debt securities.

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

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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 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 September 30, 2014, 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; (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; and (3) cash flow hedges, which are measured using quoted prices for similar cash flow hedges, taking into account counterparty credit risk and the Company's own non-performance risk.

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

The following table summarizes the Company's financial assets and financial liabilities measured at fair value on a recurring basis at September 30, 2014 (in thousands):

	Level 1	Level 2	Level 3	Total
<b>At September 30, 2014:</b>				
<b>Assets</b>				
Cash equivalents	\$ 109,742	\$ —	\$ —	\$ 109,742
Securities owned — trading:				
Money market funds	310	—	—	310
Mutual funds	7,497	—	—	7,497
Equity securities	250	—	—	250
Debt securities	—	69	—	69
U.S. treasury obligations	4,800	—	—	4,800
Total securities owned — trading	12,857	69	—	12,926
Other assets	71,145	4,709	—	75,854
Total assets at fair value	\$ 193,744	\$ 4,778	\$ —	\$ 198,522
<b>Liabilities</b>				
Securities sold, but not yet purchased:				
Equity securities	\$ 8	\$ —	\$ —	\$ 8
Debt securities	—	10	—	10
Total securities sold, but not yet purchased	8	10	—	18
Accounts payable and accrued liabilities	—	—	527	527
Total liabilities at fair value	\$ 8	\$ 10	\$ 527	\$ 545

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The following table summarizes the Company's financial assets and financial liabilities measured at fair value on a recurring basis at December 31, 2013 (in thousands):

	Level 1	Level 2	Level 3	Total
<b>At December 31, 2013:</b>				
<b>Assets</b>				
Cash equivalents	\$ 254,032	\$ —	\$ —	\$ 254,032
Securities owned — trading:				
Money market funds	170	—	—	170
Mutual funds	7,291	—	—	7,291
Equity securities	103	—	—	103
U.S. treasury obligations	1,400	—	—	1,400
Total securities owned — trading	8,964	—	—	8,964
Other assets	47,539	3,072	—	50,611
Total assets at fair value	\$ 310,535	\$ 3,072	\$ —	\$ 313,607
<b>Liabilities</b>				
Securities sold, but not yet purchased:				
Mutual funds	\$ 63	\$ —	\$ —	\$ 63
Equity securities	127	—	—	127
Debt securities	—	10	—	10
Certificates of deposit	—	11	—	11
Total securities sold, but not yet purchased	190	21	—	211
Accounts payable and accrued liabilities	—	—	39,293	39,293
Total liabilities at fair value	\$ 190	\$ 21	\$ 39,293	\$ 39,504

**Changes in Level 3 Recurring Fair Value Measurements**

As of December 31, 2013, the Company had a contingent consideration obligation related to the acquisition of National Retirement Partners, Inc. ("NRP"). This obligation was based on the achievement of certain revenue-based targets for the twelve-month period ended November 30, 2013, in aggregate for those advisors joining LPL Financial LLC ("LPL Financial") subsequent to the NRP acquisition for whom retirement plans comprise a significant part of their business. As of December 31, 2013, the Company had finalized the determination of the amount of contingent consideration to be paid to the former shareholders of NRP, resulting in a total payment of \$39.3 million, which was made on February 19, 2014.

The Company determines the fair value for its contingent consideration obligations using an income approach whereby the Company assesses the probability and timing of the achievement of the applicable milestones, which are based on contractually negotiated financial or operating targets that vary by acquisition transaction, such as revenues, gross margin, EBITDA, and assets under custody. The contingent payments are estimated using a probability weighted, multi-scenario analysis of expected future performance of the acquired businesses. The Company then discounts these expected payment amounts to calculate the fair value as of the valuation date. The Company's management 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.

The principal significant unobservable input used in the valuations of the Company's contingent consideration obligations is a risk-adjusted discount rate. Whereas management's underlying projections adjust for market penetration and adoption rates, the discount rate is risk-adjusted for key factors such as advisor attrition, advisor recruitment, expenses and overhead costs, average client assets, revenue generation of client assets, and credit risk. An increase in the discount rate will result in a decrease in the fair value of contingent consideration. Conversely, a decrease in the discount rate will result in an increase in the fair value of contingent consideration.

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**5. Held-to-Maturity Securities**

The Company holds certain investments in securities, primarily U.S. government notes, which are recorded at amortized cost because the Company has both the intent and the ability to hold these investments to maturity. Interest income is accrued as earned. Premiums and discounts are amortized using a method that approximates the effective yield method over the term of the security and are recorded as an adjustment to the investment yield.

The amortized cost, gross unrealized loss or gain, and fair value of securities held-to-maturity were as follows (in thousands):

	September 30, 2014	December 31, 2013
Amortized cost	\$ 9,345	\$ 6,853
Gross unrealized loss	(28)	(58)
Fair value	<u>\$ 9,317</u>	<u>\$ 6,795</u>

At September 30, 2014, the securities held-to-maturity were scheduled to mature as follows (in thousands):

	Within one year	After one but within five years	After five but within ten years	Total
U.S. government notes — at amortized cost	\$ 3,849	\$ 4,996	\$ 500	\$ 9,345
U.S. government notes — at fair value	<u>\$ 3,850</u>	<u>\$ 4,982</u>	<u>\$ 485</u>	<u>\$ 9,317</u>

**6. Derivative Financial Instruments**

In May 2013, in conjunction with its Service Value Commitment program, the Company entered into a long-term contractual obligation (the "Agreement") with a third-party provider to enhance the quality, speed, and cost of processes by outsourcing certain functions. The Agreement enables the third-party provider to use the services of its affiliates in India to provide services to the Company and provides for the Company to settle the cost of its contractual obligation to the third-party provider in U.S. dollars each month. However, the Agreement provides that on each annual anniversary date of the signing of the Agreement, the price for services (denominated in U.S. dollars) is to be adjusted for the then-current exchange rate between the U.S. dollar ("USD") and the Indian rupee ("INR"). The Agreement provides that, once an annual adjustment is calculated, there are no further modifications to the amounts paid by the Company to the third-party provider for fluctuations in the exchange rate between the USD and the INR until the reset on the next anniversary date of the signing of the Agreement.

The third-party provider bore the risk of currency movement from the date of signing the Agreement until the reset on the first anniversary of its signing, and bears such risk during each period until the next annual reset date. The Company bears the risk of currency movement at each of the annual reset dates following the first anniversary.

To mitigate foreign currency risk arising from these annual anniversary events, the Company entered into four non-deliverable foreign currency contracts, all of which have been designated as cash flow hedges. The first cash flow hedge, with a notional amount of 560.4 million INR, or \$8.5 million, settled in June 2014. The Company received a settlement of \$1.0 million that will be reclassified out of accumulated other comprehensive income and recognized in net income ratably over a 12-month period ending May 31, 2015 to match the timing of the underlying hedged item.

The details related to the remaining non-deliverable foreign currency contracts at September 30, 2014 are as follows (in millions, except foreign exchange rate):

	Settlement Date	Hedged Notional Amount (INR)	Contractual INR/USD Foreign Exchange Rate	Hedged Notional Amount (USD)
Cash flow hedge #2	6/2/2015	560.4	69.35	\$ 8.1
Cash flow hedge #3	6/2/2016	560.4	72.21	7.8
Cash flow hedge #4	6/2/2017	560.4	74.20	7.5
Total hedged amount				<u>\$ 23.4</u>

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The fair value of the derivative instruments, included in other assets in the unaudited condensed consolidated statements of financial condition, were as follows (in thousands):

	September 30, 2014	December 31, 2013
Cash flow hedges	\$ 1,549	\$ 187

## 7. Goodwill and Other Intangible Assets

Goodwill and intangible assets were a result of various acquisitions. See Note 9. *Goodwill and Other Intangible Assets*, in the Company's 2013 Annual Report on Form 10-K for a discussion of the components of goodwill and additional information regarding intangible assets.

## 8. Debt

**Senior Secured Credit Facilities** — On May 13, 2013, the Company entered into the First Amendment and Incremental Assumption Agreement (“Credit Agreement”) with its wholly owned subsidiary, LPL Holdings, Inc., and other parties thereto. The Credit Agreement amended the Company's previous credit agreement, which was dated March 29, 2012. See Note 17. *Subsequent Events*, for details regarding the amendment of the Credit Agreement.

The Credit Agreement provides for a term loan A (“Term Loan A”), a term loan B (“Term Loan B”), and a revolving credit facility (“Revolving Credit Facility”). Term Loan A had an initial principal amount of \$459.4 million maturing on March 29, 2017; Term Loan B had an initial principal amount of \$1,083.9 million maturing on March 29, 2019; and the Revolving Credit Facility has a borrowing capacity of \$250.0 million maturing on March 29, 2017.

At the time the Company entered into the Credit Agreement, all mandatory payments required under Term Loan A were prepaid, with the remaining principal and accrued interest due upon maturity. Term Loan B includes quarterly payments at an annual rate of 1.0% of principal per year, with the remaining principal and accrued interest due upon maturity.

Borrowings under Term Loan A and Term Loan B bear interest at a base rate equal to a LIBOR based rate (the “Eurodollar Rate”) plus the applicable interest rate margin, or an alternative base rate (“ABR”) plus the applicable interest rate margin. The Eurodollar Rate with respect to Term Loan B shall in no event be less than 0.75%. The ABR is equal to the greatest of (a) the prime rate in effect on such day; (b) the effective federal funds rate in effect on such day plus 0.50%; (c) the Eurodollar Rate plus 1.00%; or (d) solely in the case of Term Loan B, 1.75%. The Company may repay outstanding loans under its Credit Agreement at any time without premium or penalty, other than customary “breakage” costs with respect to Eurodollar Rate loans.

As of September 30, 2014, borrowings under the term loans bore interest at the Eurodollar Rate with an applicable interest rate margin of 2.50%. The Company's outstanding borrowings were as follows (dollars in thousands):

	Maturity	September 30, 2014		December 31, 2013	
		Balance	Interest Rate	Balance	Interest Rate
Senior secured term loans:					
Term Loan A	3/29/2017	\$ 459,375	2.65% (1)	\$ 459,375	2.67% (3)
Term Loan B	3/29/2019	1,067,592	3.25% (2)	1,075,721	3.25% (4)
Total borrowings		1,526,967		1,535,096	
Less current portion		10,839		10,839	
Long-term borrowings — net of current portion		<u>\$ 1,516,128</u>		<u>\$ 1,524,257</u>	

(1) As of September 30, 2014, the Eurodollar Rate for Term Loan A was 0.15%.

(2) As of September 30, 2014, the elected LIBOR was less than 0.75%; as a result, the Eurodollar Rate for Term Loan B was 0.75%.

(3) As of December 31, 2013, the Eurodollar Rate for Term Loan A was 0.17%.

(4) As of December 31, 2013, the elected LIBOR was less than 0.75%; as a result, the Eurodollar Rate for Term Loan B was 0.75%.

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As of September 30, 2014, the Revolving Credit Facility was being used to support the issuance of \$21.5 million of irrevocable letters of credit for the construction of the Company's San Diego office building and other items, with an applicable interest rate margin of 2.50%. The remaining available balance of \$228.5 million was undrawn at September 30, 2014.

The Credit Agreement subjects the Company to certain financial and non-financial covenants. As of September 30, 2014, the Company was in compliance with such covenants.

**Bank Loans Payable** — The Company maintains three uncommitted lines of credit. Two of the lines have unspecified limits, which are primarily dependent on the Company's ability to provide sufficient collateral. The third line has a \$200.0 million limit, and allows for both collateralized and uncollateralized borrowings. The lines have not been utilized in 2014, but were utilized in 2013; however, there were no balances outstanding at September 30, 2014 or December 31, 2013.

The following summarizes borrowing activity in the revolving and uncommitted line of credit facilities (dollars in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Average balance	\$ —	\$ 80	\$ —	\$ 4,637
Weighted-average interest rate	—%	1.50%	—%	1.80%

## 9. Commitments and Contingencies

**Leases** — The Company leases office space and equipment under various operating leases. These leases are generally subject to scheduled base rent and maintenance cost increases, which are recognized on a straight-line basis over the period of the leases. Total rental expense for all operating leases was approximately \$6.5 million and \$4.8 million for the three months ended September 30, 2014 and 2013, respectively, and \$23.5 million and \$14.7 million for the nine months ended September 30, 2014 and 2013, respectively.

In March 2014 the Company entered into a lease agreement for additional office space in Charlotte, North Carolina with a lease commencement date of March 1, 2014 and an expiration date of February 28, 2017. Future minimum payments for this lease commitment are \$0.2 million, \$1.0 million, \$1.1 million, and \$0.2 million, for the years 2014, 2015, 2016, and 2017, respectively.

**Service 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 certain types of 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.

The Company's subsidiary, 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 may 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 unfunded commitments are generally contingent upon certain events occurring, including but not limited to the advisor joining LPL Financial. LPL Financial had no such significant unfunded commitments at September 30, 2014.



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**Legal Proceedings & Regulatory Matters** — The Company maintains insurance coverage for certain legal proceedings, including those involving client claims. With respect to client claims, the estimated losses on the majority of pending matters are less than the applicable deductibles of the insurance policies. The Company is also 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 can include fines and other remediation.

In accordance with applicable accounting guidance, the Company establishes an accrual for legal proceedings and regulatory matters when it is both probable that a loss has been incurred and the amount of loss can be reasonably estimated. Where it is not probable that a loss has been incurred, but at least reasonably possible that a loss has been incurred, a disclosure of fact is made when the underlying loss or range of losses can also be reasonably estimated. Assessing the probability of a loss occurring and the amount of any loss related to a legal proceeding or regulatory matter is inherently difficult, requiring significant and complex judgments. 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 regarding potential exposures; potential opportunities for settlement and the status of any settlement discussions; and potential insurance coverage and indemnification, if available. The Company monitors these matters 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. Due to these considerations, the Company may have exposure to losses that are not yet predictable or cannot yet be reasonably estimated in amounts that exceed those that have been accrued.

As of September 30, 2014, the Company had accrued a liability of \$23.0 million for potential remediation of regulatory matters. As of September 30, 2014, management believes, based on available information and consideration the factors above, that the results of pending legal proceedings and regulatory matters, in the aggregate, will not have a material adverse effect on the Company's financial condition, but may be material to operating results for any particular period.

**Other Commitments** — As of September 30, 2014, the Company had received collateral primarily in connection with client margin loans with a market value of approximately \$379.8 million, which it can re-pledge, loan, or sell. Of these securities, approximately \$31.9 million were client-owned securities pledged to the Options Clearing Corporation as collateral to secure client obligations related to options positions. As of September 30, 2014 there were no restrictions that materially limited the Company's ability to re-pledge, loan, or sell the remaining \$347.9 million of client collateral.

Trading securities on the unaudited condensed consolidated statements of financial condition includes \$2.4 million and \$1.4 million pledged to clearing organizations at September 30, 2014 and December 31, 2013, respectively.

Brokerage, clearing, and custody services are provided by LPL Financial on a fully disclosed basis. LPL Financial also has a multi-year agreement to provide its investment advisory programs, platforms, technology, and additional processing and related services to the advisors of the broker-dealer subsidiary of a large global insurance company and the clients of such advisors at specified service levels. Failures by LPL Financial to meet certain specified service levels may result in service level credits against future fees payable by or give rise to a termination right for such broker-dealer. Termination fees may be payable by a terminating or breaching party depending on the specific cause of termination.

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**10. Stockholders' Equity**

**Dividends**

The payment, timing, and amount of any dividends are subject to approval by the Board of Directors as well as certain limits under the Company's credit facilities. Cash dividends per share of common stock and total cash dividends paid on a quarterly basis were as follows for the periods indicated (in millions, except per share data):

	2014		2013	
	Dividend per Share	Total Cash Dividend	Dividend per Share	Total Cash Dividend
First quarter	\$ 0.24	\$ 24.1	\$ 0.135	\$ 14.4
Second quarter	\$ 0.24	\$ 24.0	\$ 0.135	\$ 14.4
Third quarter	\$ 0.24	\$ 24.0	\$ 0.19	\$ 19.9

**Share Repurchases**

The Board of Directors has approved several share repurchase programs 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 unaudited condensed consolidated statements of financial condition. Purchases 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's management within the constraints of the Credit Agreement and general liquidity needs.

For the three months ended September 30, 2014 and 2013, the Company had the following activity under its approved share repurchase programs (in millions, except share and per share data):

Approval Date	Authorized Repurchase Amount	Amount Remaining at September 30, 2014	Three Months Ended September 30,					
			2014			2013		
			Shares Purchased	Weighted-Average Price Paid Per Share	Total Cost	Shares Purchased	Weighted-Average Price Paid Per Share	Total Cost
September 27, 2012	\$ 150.0	\$ —	—	\$ —	\$ —	759,786	\$ 38.40	\$ 29.2
May 28, 2013	\$ 200.0	—	—	—	—	2,566,630	37.94	97.3
February 10, 2014	\$ 150.0	67.9	531,426	47.06	25.0	—	—	—
		\$ 67.9	531,426	\$ 47.06	\$ 25.0	3,326,416	\$ 38.04	\$ 126.5

For the nine months ended September 30, 2014 and 2013, the Company had the following activity under its approved share repurchase programs (in millions, except share and per share data):

Approval Date	Authorized Repurchase Amount	Amount Remaining at September 30, 2014	Nine Months Ended September 30,					
			2014			2013		
			Shares Purchased	Weighted Average Price Paid Per Share	Total Cost	Shares Purchased	Weighted Average Price Paid Per Share	Total Cost
September 27, 2012	\$ 150.0	\$ —	—	\$ —	\$ —	2,343,651	\$ 37.10	\$ 87.0
May 28, 2013	\$ 200.0	—	1,306,288	52.00	67.9	2,566,630	37.94	97.3
February 10, 2014	\$ 150.0	67.9	1,683,424	48.77	82.1	—	—	—
		\$ 67.9	2,989,712	\$ 50.18	\$ 150.0	4,910,281	\$ 37.54	\$ 184.3

See Note 14. *Related Party Transactions*, for details regarding the repurchase of shares from related parties.

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**11. Share-Based Compensation**

Certain employees, advisors, institutions, officers, and directors of the Company participate in various long-term incentive plans, which provide for granting stock options, warrants, restricted stock awards, and restricted stock units. Stock options and warrants generally vest in equal increments over a three- to five-year period and expire on the tenth anniversary following the date of grant. Restricted stock awards and restricted stock units generally vest over a two- to four-year period.

On November 17, 2010, the Company adopted a 2010 Omnibus Equity Incentive Plan (the "2010 Plan"), which provides for the granting of stock options, warrants, restricted stock awards, restricted stock units, and other equity-based compensation. The 2010 Plan serves as the successor to the 2005 Stock Option Plan for Incentive Stock Options, the 2005 Stock Option Plan for Non-qualified Stock Options, the 2008 Advisor and Institution Incentive Plan, the 2008 Stock Option Plan and the Director Restricted Stock Plan (collectively, the "Predecessor Plans"). Upon adoption of the 2010 Plan, awards were no longer made under the Predecessor Plans; however, awards previously granted under the Predecessor Plans remain outstanding until exercised or forfeited.

There are 12,055,945 shares authorized for grant under the 2010 Plan. As of September 30, 2014, there were 6,292,812 shares reserved for issuance upon exercise or conversion of outstanding awards granted under the 2010 Plan.

**Stock Options and Warrants**

The following table presents the weighted-average assumptions used in the Black-Scholes valuation model by the Company in calculating the fair value of its employee, officer, and director stock options that have been granted during the nine months ended September 30, 2014:

Expected life (in years)	6.02
Expected stock price volatility	44.25%
Expected dividend yield	1.77%
Risk-free interest rate	2.17%
Fair value of options	\$ 20.51

The fair value of each stock option or warrant awarded to advisors and financial institutions is estimated on the date of the grant and revalued at each reporting period using the Black-Scholes valuation model with the following weighted-average assumptions used during the nine months ended September 30, 2014:

Expected life (in years)	5.86
Expected stock price volatility	33.70%
Expected dividend yield	2.08%
Risk-free interest rate	1.92%
Fair value of options	\$ 21.73

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The following table summarizes the Company's stock option and warrant activity for the nine months ended September 30, 2014:

	Number of Shares	Weighted- Average Exercise Price	Weighted- Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value (In thousands)
Outstanding — December 31, 2013	7,016,521	\$ 28.45		
Granted	748,353	54.21		
Exercised	(960,961)	25.12		
Forfeited	(376,378)	35.19		
Outstanding — September 30, 2014	<u>6,427,535</u>	\$ 31.56	6.63	\$ 93,163
Exercisable — September 30, 2014	<u>3,319,409</u>	\$ 27.10	5.42	\$ 62,892

The following table summarizes information about outstanding stock options and warrants at September 30, 2014:

Range of Exercise Prices	Outstanding			Exercisable	
	Total Number of Shares	Weighted- Average Remaining Life (Years)	Weighted- Average Exercise Price	Number of Shares	Weighted- Average Exercise Price
\$2.38	17,382	0.67	\$ 2.38	17,382	\$ 2.38
\$15.84 - \$23.02	1,313,120	4.71	21.42	1,250,803	21.34
\$23.41 - \$30.00	1,631,196	5.97	28.11	926,796	27.62
\$31.60 - \$32.33	1,624,929	7.90	31.87	493,184	31.94
\$34.01 - \$39.60	1,162,060	6.40	34.58	625,729	34.50
\$45.89 - \$54.81	678,848	9.44	54.26	5,515	54.81
	<u>6,427,535</u>	6.63	\$ 31.56	<u>3,319,409</u>	\$ 27.10

The Company recognizes share-based compensation for stock options awarded to employees, officers, and directors based on the grant date fair value over the requisite service period of the award, which generally equals the vesting period. The Company recognized share-based compensation related to the vesting of these awards of \$3.8 million and \$2.5 million during the three months ended September 30, 2014 and 2013, respectively, and \$11.4 million and \$9.8 million during the nine months ended September 30, 2014 and 2013, respectively, which is included in compensation and benefits expense on the unaudited condensed consolidated statements of income. As of September 30, 2014, total unrecognized compensation cost related to non-vested stock options granted to employees, officers, and directors was \$25.3 million, which is expected to be recognized over a weighted-average period of 2.28 years.

The Company recognizes share-based compensation for stock options and warrants awarded to its advisors and to financial institutions based on the fair value of the awards at each reporting period. The Company recognized share-based compensation of \$1.1 million and \$1.6 million during the three months ended September 30, 2014 and 2013, respectively, and \$5.9 million and \$5.9 million for during the nine months ended September 30, 2014 and 2013, respectively, related to the vesting of stock options and warrants awarded to its advisors and financial institutions, which is classified within commission and advisory expense on the unaudited condensed consolidated statements of income. As of September 30, 2014, total unrecognized compensation cost related to non-vested stock options and warrants granted to advisors and financial institutions was \$12.2 million, which is expected to be recognized over a weighted-average period of 2.52 years.

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**Restricted Stock**

The following summarizes the Company's activity in its restricted stock awards and restricted stock units for the nine months ended September 30, 2014:

	Restricted Stock Awards		Restricted Stock Units	
	Number of Shares	Weighted-Average Grant-Date Fair Value	Number of Shares	Weighted-Average Grant-Date Fair Value
Nonvested at December 31, 2013	39,153	\$ 33.20	256,684	\$ 32.12
Granted	15,846	49.22	376,582	48.94
Vested	(9,300)	32.26	(39,419)	31.44
Forfeited	(4,550)	32.96	(49,401)	38.92
Nonvested at September 30, 2014	41,149	\$ 39.60	544,446	\$ 43.19

The Company recognizes share-based compensation for restricted stock awards and restricted stock units granted to its employees, officers, and directors based on the grant date fair value over the requisite service period of the award, which generally equals the vesting period. The Company recognized \$1.7 million and \$0.6 million of share-based compensation related to the vesting of these restricted stock awards and restricted stock units during the three months ended September 30, 2014 and 2013, respectively, and \$4.4 million and \$1.6 million during the nine months ended September 30, 2014 and 2013, respectively, which is included in compensation and benefits expense on the unaudited condensed consolidated statements of income. As of September 30, 2014, total unrecognized compensation cost for restricted stock awards and restricted stock units granted to employees, officers, and directors was \$13.0 million, which is expected to be recognized over a weighted-average remaining period of 2.29 years.

In the second quarter of 2014, the Company began granting restricted stock units to its advisors and to financial institutions. The Company recognizes share-based compensation for restricted stock units granted to its advisors and to financial institutions based on the fair value of the awards at each reporting period. The Company recognized share-based compensation of \$0.4 million and \$0.6 million related to the vesting of these restricted stock units during the three and nine months ended September 30, 2014, which is classified within commission and advisory expense on the unaudited condensed consolidated statements of income. As of September 30, 2014, total unrecognized compensation cost for restricted stock units granted to advisors and financial institutions was \$4.3 million, which is expected to be recognized over a weighted-average remaining period of 2.62 years.

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**12. 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 three and nine months ended September 30, 2014 and 2013 is as follows (in thousands, except per share data):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Net income	\$ 33,272	\$ 37,631	\$ 129,498	\$ 137,439
Basic weighted-average number of shares outstanding	100,052	104,271	100,519	105,670
Dilutive common share equivalents	1,782	1,434	1,865	1,264
Diluted weighted-average number of shares outstanding	101,834	105,705	102,384	106,934
Basic earnings per share	\$ 0.33	\$ 0.36	\$ 1.29	\$ 1.30
Diluted earnings per share	\$ 0.33	\$ 0.36	\$ 1.26	\$ 1.29

The computation of diluted earnings per share excludes stock options, warrants, and restricted stock units that are anti-dilutive. For the three months ended September 30, 2014 and 2013, stock options, warrants, and restricted stock units representing common share equivalents of 1,478,016 shares and 3,075,389 shares, respectively, were anti-dilutive. For the nine months ended September 30, 2014 and 2013, stock options, warrants, and restricted stock units representing common share equivalents of 1,344,782 shares and 3,744,198 shares, respectively, were anti-dilutive.

**13. Income Taxes**

The Company's effective income tax rate differs from the federal corporate tax rate of 35.0%, primarily as a result of state taxes, settlement contingencies, and expenses that are not deductible for tax purposes. These items resulted in effective tax rates of 40.0% and 38.6% for the three months ended September 30, 2014 and 2013, respectively, and 39.5% and 39.4% for the nine months ended September 30, 2014 and 2013, respectively. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

**14. Related Party Transactions**

The Company has related party transactions with TPG Capital, one of the Company's significant stockholders, as well as certain portfolio companies of TPG Capital. During the nine months ended September 30, 2014 and 2013 the Company recognized revenue for services provided to these portfolio companies of \$0.7 million and \$0.4 million, respectively. During the nine months ended September 30, 2014 and 2013, the Company incurred expenses for services provided by TPG Capital or these portfolio companies of \$0.9 million and \$0.4 million, respectively. As of September 30, 2014 and 2013, receivables from related parties were \$0.1 million. As of September 30, 2014 and 2013, payables to related parties were \$0.4 million and less than \$0.1 million, respectively.

During the nine months ended September 30, 2013, the Company incurred \$0.8 million in expenses for services provided by Aplifi, Inc., a privately held technology company in which the Company held an equity interest until its sale in October 2013.

On February 12, 2014, the Company entered into a share repurchase agreement with an investment fund associated with TPG Capital, pursuant to which the Company repurchased 1.9 million shares of its common stock at a price of \$52.00 per share, for total consideration of \$100.0 million.

**15. Net Capital and Regulatory Requirements**

The Company operates in a highly regulated industry. Applicable laws and regulations restrict permissible activities and investments and require compliance with various financial and customer-related regulations. The

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consequences of noncompliance can include substantial monetary and non-monetary sanctions. In addition, the Company is also subject to comprehensive examinations and supervision by various governmental and self-regulatory agencies. These regulatory agencies generally have broad discretion to prescribe greater limitations on the operations of a regulated entity for the protection of investors or public interest. Furthermore, where the agencies determine that such operations are unsafe or unsound, fail to comply with applicable law, or are otherwise inconsistent with the laws and regulations or with the supervisory policies, greater restrictions may be imposed.

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, as defined. Net capital and the related net capital requirement may fluctuate on a daily basis. LPL Financial is a clearing broker-dealer and had net capital of \$109.2 million with a minimum net capital requirement of \$6.7 million and net capital in excess of the minimum requirement of \$102.5 million as of September 30, 2014.

The Company's subsidiary, The Private Trust Company N.A. ("PTC"), 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 to PTC's operations.

As of September 30, 2014 and December 31, 2013, LPL Financial and PTC met all capital adequacy requirements to which they were subject.

#### **16. Financial Instruments with Off-Balance-Sheet Credit Risk and Concentrations of Credit Risk**

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, collateralized by cash or 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 three 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, as, and if issued securities. When, as, and if 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 that are recorded on the unaudited 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.

#### **17. Subsequent Events**

On October 1, 2014, the Company entered into the Second Amendment, Extension and Incremental Assumption Agreement ("Amended Credit Agreement") with its wholly owned subsidiary, LPL Holdings, Inc., and other parties thereto, which amended the Company's Credit Agreement, dated May 13, 2013. The Amended Credit Agreement extends the maturity date of Term Loan A and the Revolving Credit Facility to September 30, 2019, and increases the Revolving Credit Facility borrowing capacity to \$400.0 million.

On October 1, 2014, the Company's Board of Directors approved an increase in the Company's share repurchase plan by \$150.0 million to a total of \$217.9 million.

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On October 28, 2014, the Board of Directors declared a cash dividend of \$0.24 per share on the Company's outstanding common stock to be paid on November 26, 2014 to stockholders of record on November 11, 2014.

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

### **Overview**

We are the nation's largest independent broker-dealer, a top custodian for registered investment advisors ("RIAs"), and a leading independent consultant to retirement plans. We provide an integrated platform of brokerage and investment advisory services to more than 13,900 independent financial advisors, including financial advisors at more than 700 financial institutions (our "advisors") across the country, enabling them to provide their retail investors ("clients") with objective financial advice through a lower conflict model. We also support approximately 4,400 financial advisors who are affiliated and licensed with insurance companies that use our customized clearing, advisory platforms, and technology solutions.

Fortigent Holdings Company, Inc. and its subsidiaries ("Fortigent") provide solutions and consulting services to RIAs, banks, and trust companies serving high-net-worth clients, while The Private Trust Company, N.A. ("PTC") manages trusts and family assets.

Our singular focus is to provide our advisors with the front-, middle-, and back-office support they need to serve the large and growing market for independent investment advice. We believe we are the only company that offers advisors the unique combination of an integrated technology platform, comprehensive self-clearing services, and open-architecture access to leading financial products, all delivered in an environment unencumbered by conflicts from product manufacturing, underwriting, or market making.

For over 20 years, we have served the independent advisor market. We currently support the largest independent advisor base and we believe we have the fourth largest overall advisor base in the United States based on the information available as of the date this Quarterly Report on Form 10-Q has been issued. Through our advisors, we are also one of the largest distributors of financial products in the United States. Our scale is a substantial competitive advantage and enables us to more effectively attract and retain advisors. Our unique business model allows us to invest in more resources for our advisors, increasing their revenues and creating a virtuous cycle of growth. We have 3,397 employees, with primary offices in Boston, Charlotte, and San Diego.

### **Our Sources of Revenue**

Our revenues are 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 revenues through our platform of over 11,000 financial products from a broad range of product manufacturers. 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 manufacturers pay us fees based on asset levels or number of accounts managed. We also earn interest from margin loans made to our advisors' clients.

We track recurring revenue, a characterization of net revenue and a statistical measure, which we define to include our revenues from asset-based fees, advisory fees, trailing commissions, cash sweep programs, and certain other fees that are based upon accounts and advisors. Because certain recurring revenues are associated with asset balances, they will fluctuate depending on the market values and current interest rates. These asset balances, specifically related to advisory and asset-based revenues, have a correlation of approximately 60% to the fluctuations of the overall market, as measured by the S&P 500 index. Accordingly, our recurring revenue can be negatively impacted by adverse external market conditions. However, recurring revenue is meaningful to us despite these fluctuations because it is not dependent upon transaction volumes or other activity-based revenues, which are more difficult to predict, particularly in declining or volatile markets.

The table below summarizes the sources of our revenue, the primary drivers of each revenue source, and the percentage of each revenue source that represents recurring revenue:

	Sources of Revenue	Primary Drivers	Nine Months Ended September 30, 2014		
			Total (millions)	% of Total Net Revenue	% Recurring
Advisor-driven revenue with ~85%-90% payout ratio	<b>Commission</b>	- Transactions - Brokerage asset levels	\$1,590	49%	44%
	<b>Advisory</b>	- Advisory asset levels	\$998	31%	99%
Attachment revenue retained by us	<b>Asset-Based</b> - Cash Sweep Fees - Sponsorship Fees - Record Keeping	- Cash balances - Interest rates - Client asset levels - Number of accounts	\$354	11%	97%
	<b>Transaction and Fee</b> - Transactions - Client (Investor) Accounts - Advisor Seat and Technology	- Client activity - Number of clients - Number of advisors - Number of accounts - Number of premium technology subscribers	\$276	8%	64%
	<b>Other</b>	- Margin account balances - Alternative investment transactions	\$51	1%	34%
<b>Total Net Revenue</b>			\$3,269	100%	68%
<b>Total Recurring Revenue</b>			\$2,228	68%	

**Commission and Advisory Revenues.** Commission and advisory revenues both represent advisor-generated revenue, generally 85-90% of which is paid to advisors.

**Commission Revenues.** We generate two types of commission revenues: transaction-based sales commissions and trailing commissions. Transaction-based sales commission revenues, which occur whenever clients trade securities or purchase various types of investment products, primarily represent gross commissions generated by our advisors. The levels of transaction-based sales commission revenues 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 revenues (a commission that is paid over time, such as 12(b)-1 fees) primarily on mutual funds and variable annuities held by clients of our advisors. Trailing commission revenues are recurring in nature and are earned based on the market value of investment holdings in trail-eligible assets.

**Advisory Revenues.** Advisory revenues primarily represent fees charged on our corporate RIA platform provided through LPL Financial LLC ("LPL Financial") to clients of our advisors based on the value of advisory assets. Advisory fees are typically billed to clients quarterly, in advance, and are recognized as revenue ratably during the quarter. The value of the assets in an advisory account on the billing date determines the amount billed, and accordingly, the revenues earned in the following three month period. The majority of our accounts are billed using values as of the last business day of each calendar quarter. Advisory revenues collected on our corporate RIA platform generally average 1.1% of the underlying assets, and can range anywhere from 0.5% to 3.0%.

In addition, we support independent RIAs who conduct their advisory business through separate entities by establishing their own RIA ("Independent RIAs") pursuant to the Investment Advisers Act of 1940, rather than through LPL Financial. The assets held under these investment advisory accounts custodied with LPL Financial are included in our advisory and brokerage assets, net new advisory assets, and advisory assets under custody metrics. The advisory revenue generated by an Independent RIA is earned by the Independent RIA, and accordingly is not included in our advisory

revenue. However, we charge administrative fees to Independent RIAs for clearing and custody of these assets based on the value of assets within these advisory accounts. The administrative fees collected on our Independent RIA platform vary and can reach a maximum of 0.6% of the underlying assets.

Furthermore, we support certain financial advisors at broker-dealers affiliated with insurance companies through our customized advisory platforms and charge fees to these advisors based on the value of assets within these advisory accounts.

**Asset-Based Revenues.** Asset-based revenues are comprised of fees from cash sweep programs, our sponsorship programs with financial product manufacturers, and omnibus processing and networking services. Pursuant to contractual arrangements, uninvested cash balances in our advisors' client accounts are swept into either insured deposit accounts at various banks or third-party money market funds, for which we receive fees, including administrative and recordkeeping fees based on account type and the invested balances. We receive fees from certain financial product manufacturers in connection with sponsorship programs that support our marketing and sales-force education and training efforts. Our omnibus processing and networking revenues represent fees paid to us in exchange for administrative and record-keeping services that we provide to clients of our advisors. Omnibus processing revenues are paid to us by mutual fund product sponsors and are based on the value of custodied assets in advisory accounts and the number of brokerage accounts in which the related mutual fund positions are held. Networking revenues on brokerage assets are correlated to the number of positions we administer and are paid to us by mutual fund and annuity product manufacturers.

**Transaction and Fee Revenues.** Revenues earned from transactions and fees primarily consist of transaction fees and ticket charges, subscription fees, Individual Retirement Account ("IRA") custodian fees, contract and license fees, conference fees, and other client account fees. We charge fees to our advisors and their clients for executing certain transactions in brokerage and fee-based advisory accounts. We earn subscription fees for various services provided to our advisors and on IRA custodial services that we provide for their client accounts. We charge administrative fees to our advisors and fees to advisors who subscribe to our reporting services. We charge fees to financial product manufacturers for participating in our training and marketing conferences. In addition, we host certain advisor conferences that serve as training, sales, and marketing events, for which we charge a fee for attendance.

**Other Revenues.** Other revenues include marketing allowances received from certain financial product manufacturers, primarily those who offer alternative investments, such as non-traded real estate investment trusts and business development companies, mark-to-market gains or losses on assets held by us for the advisors' non-qualified deferred compensation plan and our model portfolios, revenues from our Retirement Partners program, interest income from client margin accounts and cash equivalents, net of operating interest expense, and other items.

## **Our Operating Expenses**

**Production Expenses.** Production expenses are comprised of the following: base payout amounts that are earned by and paid out to advisors based on commission and advisory revenues earned on each client's account (collectively, commission and advisory revenues earned by LPL Financial are referred to as gross dealer concessions, or "GDC"); production bonuses earned by advisors based on the levels of commission and advisory revenues 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 each reporting period; a mark-to-market gain or loss on amounts designated by advisors as deferred commissions in a non-qualified deferred compensation plan at each reporting period; and brokerage, clearing, and exchange fees. Our production payout ratio is calculated as production expenses, excluding brokerage, clearing, and exchange fees, divided by GDC.

We characterize components of production payout, which consists of all production expenses except brokerage, clearing, and exchange fees, as either GDC sensitive or non-GDC sensitive. Base payout amounts and production bonuses earned by and paid to advisors are characterized as GDC sensitive because they are variable and highly correlated to the level of our commission and advisory revenues in a particular reporting period. Payout characterized as non-GDC sensitive includes share-based compensation expense from equity awards granted to advisors and financial institutions based on the fair value of the awards at each reporting period, and mark-to-market gains or losses on amounts designated by advisors as deferred commissions in a non-qualified deferred compensation plan. Non-GDC sensitive payout is correlated

either to market movement or to the value of our stock. We believe that discussion of production payout, viewed in addition to, and not in lieu of, our production expenses, provides useful information to investors regarding our payouts to advisors.

**Compensation and Benefits Expense.** Compensation and benefits expense includes salaries and wages and related employee benefits and taxes for our employees (including share-based compensation), as well as compensation for temporary employees and consultants.

**General and Administrative Expenses.** General and administrative expenses include promotional, occupancy and equipment, professional services, communications and data processing, regulatory fees, and other expenses. General and administrative expenses also include expenses for our hosting of certain advisor conferences that serve as training, sales, and marketing events.

**Depreciation and Amortization Expense.** Depreciation and amortization expense represents the benefits received for using long-lived assets. Those assets consist of intangible assets established through our acquisitions, as well as fixed assets, which include internally developed software, hardware, leasehold improvements, and other equipment.

**Restructuring Charges.** Restructuring charges primarily represent expenses incurred as a result of our expansion of our Service Value Commitment announced in 2013 (see Note 3. *Restructuring*, within the notes to unaudited condensed consolidated financial statements).

**Other Expenses.** Other expenses represent charges incurred arising from the shutdown of our subsidiary NestWise, which ceased operations in the third quarter of 2013 (the "NestWise Closure"). The assets and liabilities acquired through the 2012 acquisition of Veritat Advisors Inc. ("Veritat") were held at NestWise as a result of a merger of Veritat into NestWise. In connection with the NestWise Closure, we determined that a majority of the assets held at NestWise, consisting primarily of goodwill and fixed assets, had no future economic benefit. Accordingly, the carrying values of goodwill and fixed assets were derecognized during the third quarter of 2013. Additionally, we revised our estimate of the potential payment obligation to the former shareholders of Veritat, which resulted in a \$7.8 million decrease in the estimated fair value of the contingent consideration obligation during the third quarter of 2013.

## How We Evaluate Our Business

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

	September 30,		% Change
	2014	2013	
<b>Business Metrics</b>			
Advisors	13,910	13,563	2.6 %
Advisory and brokerage assets (in billions)(1)	\$ 464.8	\$ 414.7	12.1 %
Advisory assets under custody (in billions)(2)(3)	\$ 169.5	\$ 141.1	20.1 %
Net new advisory assets (in billions)(4)	\$ 13.5	\$ 10.7	26.2 %
Insured cash account balances (in billions)(3)	\$ 16.9	\$ 17.3	(2.3)%
Money market account balances (in billions)(3)	\$ 7.1	\$ 8.2	(13.4)%

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
<b>Financial Metrics</b>				
Revenue growth from prior period	3.4%	16.1%	7.3%	12.1%
Recurring revenue as a % of net revenue(5)	70.2%	64.0%	68.1%	65.0%
Net income (in millions)	\$ 33.3	\$ 37.6	\$ 129.5	\$ 137.4
Earnings per share (diluted)	\$ 0.33	\$ 0.36	\$ 1.26	\$ 1.29
<b>Non-GAAP Measures:</b>				
Gross margin (in millions)(6)	\$ 331.1	\$ 317.0	\$ 990.6	\$ 927.9
Gross margin as a % of net revenue(6)	30.4%	30.1%	30.3%	30.5%
Adjusted EBITDA (in millions)	\$ 108.9	\$ 120.3	\$ 378.6	\$ 387.2
Adjusted EBITDA as a % of net revenue	10.0%	11.4%	11.6%	12.7%
Adjusted EBITDA as a % of gross margin(6)	32.9%	37.9%	38.2%	41.7%
Adjusted Earnings (in millions)	\$ 48.8	\$ 59.6	\$ 181.6	\$ 193.6
Adjusted Earnings per share (diluted)	\$ 0.48	\$ 0.56	\$ 1.77	\$ 1.81

(1) Advisory and brokerage assets are comprised of assets that are custodied, networked, and non-networked and reflect market movement in addition to new assets, inclusive of new business development and net of attrition. Set forth below are other client assets at September 30, 2014 and 2013, including retirement plan assets, and certain trust and high-net-worth assets, that are custodied with third-party providers and therefore excluded from advisory and brokerage assets (in billions):

	September 30,	
	2014	2013
Retirement plan assets(a)	\$ 76.2	\$ 56.6
Trust assets(b)	\$ 3.0	\$ 12.0
High-net-worth assets(c)	\$ 83.9	\$ 69.3

(a) Retirement plan assets are held in retirement plans that are supported by advisors licensed with LPL Financial. At September 30, 2014 and 2013, our retirement plan assets represent assets that are custodied with 36 third-party providers and 30 third-party providers, respectively, of retirement plan administrative services who provide reporting feeds. We estimate the total assets in retirement plans supported to be between \$110.0 billion and \$120.0 billion at September 30, 2014 and between \$80.0 billion and \$95.0 billion at September 30, 2013. If we receive reporting feeds in the future from providers for whom we do not currently receive feeds, we intend to include and identify such additional assets in this metric. Since September 30, 2013, we began receiving reporting feeds from 7 such providers, which accounted for \$6.6 billion of the \$19.6 billion increase in retirement plan assets.

- (b) Represents trust assets that are on the wealth management platform of the Concord Trust and Wealth Solutions division of LPL Financial (“Concord”).
- (c) Represents high-net-worth assets that are on the platform of performance reporting, investment research, and practice management services of Fortigent.
- (2) Advisory assets under custody are comprised of advisory assets under management in our corporate RIA platform and Independent RIA assets in advisory accounts custodied by us. See “Results of Operations” for a tabular presentation of advisory assets under custody.
- (3) Advisory assets under custody, insured cash account balances, and money market account balances are components of advisory and brokerage assets.
- (4) Represents net new advisory assets consisting of funds from new accounts and additional funds deposited into existing advisory accounts that are custodied in our fee-based advisory platforms, less account attrition and funds withdrawn from advisory accounts.
- (5) Recurring revenue, which is a characterization of net revenue and a statistical measure, is derived from sources such as advisory revenues, asset-based revenues, trailing commission revenues, revenues related to our cash sweep programs, interest earned on margin accounts, and technology and service revenues, and is not meant as a substitute for net revenues.
- (6) Gross margin is calculated as net revenues less production expenses. Because our gross margin amounts do not include any depreciation and amortization expense, we consider our gross margin amounts to be non-GAAP measures that may not be comparable to those of others in our industry.

### **Adjusted EBITDA**

Adjusted EBITDA is defined as EBITDA (net income plus interest expense, income tax expense, depreciation, and amortization), further adjusted to exclude certain non-cash charges and other adjustments set forth below. We present Adjusted EBITDA because we consider it an important measure of our performance. Adjusted EBITDA is a useful financial metric in assessing our operating performance from period to period by excluding certain items that we believe are not representative of our core business, such as certain material non-cash items and other adjustments.

We believe that Adjusted EBITDA, viewed in addition to, and not in lieu of, our reported GAAP results, provides useful information to investors regarding our performance and overall results of operations for the following reasons:

- because non-cash equity grants made to employees, officers, and directors at a certain price and point in time do not necessarily reflect how our business is performing at any particular time, share-based compensation expense is not a key measure of our operating performance; and
- because costs associated with acquisitions and the resulting integrations, debt refinancing, and restructuring and conversions costs can vary from period to period and transaction to transaction, expenses associated with these activities are not considered a key measure of our operating performance.

We use Adjusted EBITDA:

- as a measure of operating performance;
- for planning purposes, including the preparation of budgets and forecasts;
- to allocate resources to enhance the financial performance of our business;
- to evaluate the effectiveness of our business strategies;
- in communications with our Board of Directors (the “Board”) concerning our financial performance; and
- as a factor in determining employee and executive bonuses.

Adjusted EBITDA is a non-GAAP measure and does not purport to be an alternative to net income as a measure of operating performance or to cash flows from operating activities as a measure of liquidity. Adjusted EBITDA is not a measure of net income, operating income, or any other performance measure derived in accordance with GAAP.

Adjusted EBITDA has limitations as an analytical tool and should not be considered in isolation or as a substitute for analysis of our results as reported under GAAP. Some of these limitations are:

- Adjusted EBITDA does not reflect all cash expenditures, future requirements for capital expenditures or contractual commitments;
- Adjusted EBITDA does not reflect changes in, or cash requirements for, working capital needs;
- Adjusted EBITDA does not reflect the significant interest expense, or the cash requirements necessary to service interest or principal payments, on our debt; and
- Adjusted EBITDA can differ significantly from company to company depending on long-term strategic decisions regarding capital structure, the tax jurisdictions in which companies operate and capital investments, limiting its usefulness as a comparative measure.

Adjusted EBITDA should not be considered as a measure of discretionary cash available to us to invest in our business. We compensate for these limitations by relying primarily on the GAAP results and using Adjusted EBITDA as supplemental information.

Set forth below is a reconciliation from our net income to Adjusted EBITDA, a non-GAAP measure, for the three and nine months ended September 30, 2014 and 2013 (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Net income	\$ 33,272	\$ 37,631	\$ 129,498	\$ 137,439
Non-operating interest expense	12,897	13,363	38,651	38,190
Provision for income taxes	22,181	23,671	84,663	89,316
Amortization of intangible assets	9,634	9,731	29,046	29,275
Depreciation and amortization of fixed assets	14,885	11,701	41,572	32,176
EBITDA	92,869	96,097	323,430	326,396
EBITDA Adjustments:				
Employee share-based compensation expense(1)	5,550	2,957	16,087	11,405
Acquisition and integration related expenses(2)	(328)	3,630	764	7,356
Restructuring and conversion costs(3)	9,958	7,340	26,606	20,925
Debt extinguishment costs(4)	—	—	—	7,968
Other(5)	829	10,259	11,667	13,198
Total EBITDA Adjustments	16,009	24,186	55,124	60,852
Adjusted EBITDA	\$ 108,878	\$ 120,283	\$ 378,554	\$ 387,248

- (1) Represents share-based compensation for equity awards granted to employees, officers, and directors. Such awards are measured based on the grant-date fair value and recognized over the requisite service period of the individual awards, which generally equals the vesting period.
- (2) Represents acquisition and integration costs resulting from various acquisitions, including changes in the estimated fair value of future payments, or contingent consideration, required to be made to former shareholders of certain acquired entities.
- (3) Represents organizational restructuring charges, conversion, and other related costs primarily resulting from the expansion of our Service Value Commitment.
- (4) Represents expenses incurred resulting from the early extinguishment and repayment of amounts outstanding under prior senior secured credit facilities and the establishment of new senior secured credit facilities.
- (5) Results for the three and nine months ended September 30, 2014 include approximately \$0.6 million and \$9.8 million, respectively, in parallel rent, property tax, common area maintenance expenses, and fixed asset disposals incurred in connection with our relocation to our San Diego office building. Results for the third quarter of 2013 include costs related to our decision to cease operations of our subsidiary NestWise LLC (the "NestWise Closure"), consisting of the derecognition of \$10.2 million of goodwill, \$6.9 million of fixed asset charges that were determined to have no future economic benefit, a \$7.8 million decrease in the estimated fair value of contingent consideration as related milestones were not achieved, and severance

and termination benefits. Results for the nine months ended September 30, 2013 also include \$2.7 million of severance and termination benefits related to a change in management structure. Other amounts include certain excise and other taxes.

### **Adjusted Earnings and Adjusted Earnings per share**

Adjusted Earnings represents net income before: (a) employee share-based compensation expense, (b) amortization of intangible assets, (c) acquisition and integration related expenses, (d) restructuring and conversion costs, (e) debt extinguishment costs, and (f) other. Reconciling items are tax effected using the income tax rates in effect for the applicable period, adjusted for any potentially non-deductible amounts.

Adjusted Earnings per share represents Adjusted Earnings divided by weighted-average outstanding shares on a fully diluted basis.

We prepared Adjusted Earnings and Adjusted Earnings per share to eliminate the effects of items that we do not consider indicative of our core operating performance.

We believe that Adjusted Earnings and Adjusted Earnings per share, viewed in addition to, and not in lieu of, our reported GAAP results provide useful information to investors regarding our performance and overall results of operations for the following reasons:

- because non-cash equity grants made to employees, officers, and directors at a certain price and point in time do not necessarily reflect how our business is performing, the related share-based compensation expense is not a key measure of our current operating performance;
- because costs associated with acquisitions and related integrations, debt refinancing, and restructuring and conversions can vary from period to period and transaction to transaction, expenses associated with these activities are not considered a key measure of our operating performance; and
- because amortization expenses can vary substantially from company to company and from period to period depending upon each company's financing and accounting methods, the fair value and average expected life of acquired intangible assets and the method by which assets were acquired, the amortization of intangible assets obtained in acquisitions is not considered a key measure in comparing our operating performance.

We use Adjusted Earnings for internal management reporting and evaluation purposes. We also believe Adjusted Earnings and Adjusted Earnings per share are useful to investors in evaluating our operating performance because securities analysts use them as supplemental measures to evaluate the overall performance of companies, and our investor and analyst presentations, which are generally available to investors through our website, include references to Adjusted Earnings and Adjusted Earnings per share.

Adjusted Earnings and Adjusted Earnings per share are not measures of our financial performance under GAAP and should not be considered as an alternative to net income or earnings per share or any other performance measure derived in accordance with GAAP, or as an alternative to cash flows from operating activities as a measure of our profitability or liquidity.

Although Adjusted Earnings and Adjusted Earnings per share are frequently used by securities analysts and others in their evaluation of companies, they have limitations as analytical tools, and you should not consider Adjusted Earnings and Adjusted Earnings per share in isolation, or as substitutes for an analysis of our results as reported under GAAP. In particular you should consider:

- Adjusted Earnings and Adjusted Earnings per share do not reflect our cash expenditures, or future requirements for capital expenditures or contractual commitments;
- Adjusted Earnings and Adjusted Earnings per share do not reflect changes in, or cash requirements for, our working capital needs; and
- other companies in our industry may calculate Adjusted Earnings and Adjusted Earnings per share differently than we do, limiting their usefulness as comparative measures.

Management compensates for the inherent limitations associated with using Adjusted Earnings and Adjusted Earnings per share through disclosure of such limitations, presentation of our financial statements in accordance with GAAP, and reconciliation of Adjusted Earnings to the most directly comparable GAAP measure, net income.



The following table sets forth a reconciliation of net income to the non-GAAP measures Adjusted Earnings and Adjusted Earnings per share for the three and nine months ended September 30, 2014 and 2013 (in thousands, except per share data):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Net income	\$ 33,272	\$ 37,631	\$ 129,498	\$ 137,439
After-Tax:				
EBITDA Adjustments(1)				
Employee share-based compensation expense(2)	3,666	2,153	10,778	8,255
Acquisition and integration related expenses(3)	(703)	2,240	(33)	3,186
Restructuring and conversion costs	6,114	4,529	16,336	12,911
Debt extinguishment costs	—	—	—	4,916
Other(4)	509	6,993	7,164	8,806
Total EBITDA Adjustments	9,586	15,915	34,245	38,074
Amortization of intangible assets(1)	5,915	6,004	17,834	18,063
Adjusted Earnings	\$ 48,773	\$ 59,550	\$ 181,577	\$ 193,576
Adjusted Earnings per share(5)	\$ 0.48	\$ 0.56	\$ 1.77	\$ 1.81
Weighted-average shares outstanding — diluted	101,834	105,705	102,384	106,934

- (1) Generally, EBITDA Adjustments and amortization of intangible assets have been tax effected using a federal rate of 35.0% and the applicable effective state rate, which was 3.6% and 3.3%, net of the federal tax benefit, for the periods ended September 30, 2014 and 2013, respectively, except as noted below.
- (2) Represents the after-tax expense of non-qualified stock options for which we receive a tax deduction upon exercise, restricted stock awards and restricted stock units for which we receive a tax deduction upon vesting, and the full expense impact of incentive stock options granted to employees that qualify for preferential tax treatment and conversely for which we do not receive a tax deduction. Share-based compensation expense for vesting of incentive stock options was \$0.7 million and \$0.9 million for the three months ended September 30, 2014 and 2013, respectively, and \$2.3 million and \$3.2 million for the nine months ended September 30, 2014 and 2013, respectively.
- (3) Represents the after-tax expense of acquisition and related costs for which we receive a tax deduction.
- (4) Results for the three and nine months ended September 30, 2013 include the after-tax expense of severance and termination benefits and derecognition of fixed assets related to the NestWise Closure, for which we received a tax deduction, as well as the full expense impact of the derecognition of \$10.2 million of goodwill and the \$7.8 million decrease in the estimated fair value of contingent consideration related to the NestWise Closure, for which we did not receive a tax deduction. Other amounts include the after-tax expense of excise and other taxes.
- (5) Represents Adjusted Earnings, a non-GAAP measure, divided by weighted-average number of shares outstanding on a fully diluted basis. Set forth below is a reconciliation of earnings per share on a fully diluted basis, as calculated in accordance with GAAP, to Adjusted Earnings per share:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Earnings per share — diluted	\$ 0.33	\$ 0.36	\$ 1.26	\$ 1.29
After-Tax:				
EBITDA Adjustments per share	0.09	0.14	0.33	0.35
Amortization of intangible assets per share	0.06	0.06	0.18	0.17
Adjusted Earnings per share	\$ 0.48	\$ 0.56	\$ 1.77	\$ 1.81

## Service Value Commitment

### *The Program*

In February 2013, we committed to an expansion of our Service Value Commitment (the “Program”), an ongoing effort to position us for sustainable long-term growth by improving the service experience of our advisors and delivering efficiencies in our operating model. After assessing our information technology delivery, governance, organization, and strategy, we committed to undertake a course of action to reposition our labor force and invest in technology, human capital, marketing, and other key areas to enable future growth.

The Program is expected to be completed in 2015, and we estimate total charges of \$65.0 million for technology transformation costs, outsourcing and other related costs, employee severance obligations and other related costs, and non-cash charges for impairment of certain fixed assets related to internally developed software.

We expect to incur approximately \$38.4 million of expense during 2014, of which we had incurred \$25.4 million as of September 30, 2014, consisting of: \$5.0 million for outsourcing and other services such as parallel processing provided by outside consultants; \$16.0 million for the implementation of foundational changes to our technology platform and outsourcing of our disaster recovery facilities; and \$4.4 million for employee severance and termination benefits related to positions that were outsourced as of September 30, 2014, within accounting, data reconciliation, operations, and insurance processing. We remain focused on the next wave of outsourced functions in the remainder of 2014, including additional opportunities in compliance and back office processing activities. By 2015, we expect annual pre-tax savings to approach \$30.0 million. See Note 3. *Restructuring*, within the notes to unaudited condensed consolidated financial statements for additional information regarding the Program.

### *Derivative Financial Instruments*

During the second quarter of 2013, and in conjunction with the Program, we entered into a long-term contractual obligation (the “Agreement”) with a third-party provider to enhance the quality, speed, and cost of our processes by outsourcing certain functions. The Agreement enables the third-party provider to use the services of its affiliates in India to provide services to us and provides that we settle the cost of our contractual obligation to the third-party provider each month in U.S. dollars. However, the Agreement provides that on each annual anniversary date of the signing of the Agreement, the price for services (as denominated in U.S. dollars) is to be adjusted for the then-current exchange rate between the U.S. dollar and the Indian rupee. Once an annual adjustment is calculated, there are no further modifications to the amounts paid by us to the third-party provider for fluctuations in the exchange rate until the reset on the next anniversary date of the signing of the Agreement. The third-party provider bore the risk of currency movement from the date of signing the Agreement until the reset on the first anniversary of its signing, and bears the risk during each period until the next annual reset date. We bear the risk of currency movement at each of the annual reset dates following the first anniversary.

Upon completion of the Program, we estimate annual costs for our long-term contractual obligation with the third-party provider to be approximately \$10.0 million. We use derivative financial instruments consisting solely of non-deliverable foreign currency contracts, all of which have been designated as cash flow hedges. These instruments are operating effectively as intended and our use of them has mitigated foreign currency risk arising from a substantial portion of our contract obligation with the third-party provider arising from annual anniversary adjustments. We will continue to assess the effectiveness of our use of cash flow hedges to mitigate risk from foreign currency contracts.

See Note 6. *Derivative Financial Instruments*, within the notes to unaudited condensed consolidated financial statements for additional information regarding our derivative financial instruments.

## Acquisitions, Integrations, and Divestitures

From time to time we undertake acquisitions or divestitures outside the ordinary course of business based on opportunities in the competitive landscape. These activities are part of our overall growth strategy, but can distort comparability when reviewing revenue and expense trends for periods presented. There have been no material acquisitions, integrations, or divestitures during the nine months ended September 30, 2014. See our 2013 Annual Report on Form 10-K for 2013 activity.

## Economic Overview and Impact of Financial Market Events

Our business is directly and indirectly sensitive to several macroeconomic factors, primarily in the United States. One of these factors is the current and expected future level of short-term interest rates, particularly overnight rates. The Federal Reserve remained highly accommodative in the third quarter of 2014, extending, but

continuing to wind down, its bond buying program while maintaining a 0.0% to 0.25% target range for the federal funds rate. At its September policy meeting, the Federal Reserve reaffirmed its rate policy and stated that it would continue to assess labor markets, inflation levels, financial developments, and general economic conditions to determine how long to keep the federal funds target rate near zero. It also restated that rates would be held near zero for a “considerable time” after it ended its bond purchase program, which did end in late October 2014. The Federal Reserve has underscored that it would take a balanced approach once it began to raise rates and that it could keep rates below what members would consider normal in the longer term if conditions warranted, even if inflation and labor markets were near levels consistent with its mandate.

As a result of the accommodative monetary policy, interest rates, including the rate on overnight funds, remain low on a historical basis, with the average federal funds effective rate for the third quarter of 2014 at 9 basis points. The lower interest rate environment and fee compression, resulting from contract repricing in order to keep yields on our cash sweep programs competitive, has had a negative impact on our profitability on our cash sweep programs, and fee compression is expected to increase further in 2015 and 2016. Additionally, we’ve seen decreasing levels of demand for fixed income and fixed annuity products as investors move to equity and alternative products.

Another macro-economic factor affecting our business is the valuation of equity securities across the various markets in the United States. The S&P 500 index closed the quarter at 1,972, up 0.6% from its close on June 30, 2014, the seventh consecutive quarter of positive returns, and reflected a 6.7% year-to-date gain through September 30, 2014. Investor confidence remained stable as the market showed signs of incremental economic growth despite volatility and continued tapering of the Federal Reserve’s bond buying program. Consumer spending rebounded toward the end of the summer while September marked the sixth consecutive month of job gains, and the third quarter also included strong performance by the U.S. dollar. While the market demonstrated impressive resilience through the third quarter, lingering economic worries remain about geopolitical concerns, Federal Reserve monetary policy, U.S. and global growth rates, and policy uncertainty in Washington, D.C.

## Results of Operations

The following discussion presents an analysis of our results of operations for the three and nine months ended September 30, 2014 and 2013. Where appropriate, we have identified specific events and changes that affect comparability or identification or monitoring of trends, and where possible and practical, have quantified the impact of such items.

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2014	2013	% Change	2014	2013	% Change
(In thousands)						
<b>Revenues</b>						
Commission	\$ 520,388	\$ 527,419	(1.3)%	\$ 1,590,139	\$ 1,521,390	4.5 %
Advisory	340,369	299,101	13.8 %	998,016	878,421	13.6 %
Asset-based	121,283	107,447	12.9 %	354,494	318,718	11.2 %
Transaction and fee	94,674	93,799	0.9 %	276,284	271,808	1.6 %
Other	12,520	25,446	(50.8)%	50,461	56,591	(10.8)%
<b>Net revenues</b>	<b>1,089,234</b>	<b>1,053,212</b>	<b>3.4 %</b>	<b>3,269,394</b>	<b>3,046,928</b>	<b>7.3 %</b>
<b>Expenses</b>						
Production	758,091	736,195	3.0 %	2,278,800	2,119,033	7.5 %
Compensation and benefits	106,290	102,310	3.9 %	317,459	299,317	6.1 %
General and administrative	122,056	102,834	18.7 %	323,232	265,075	21.9 %
Depreciation and amortization	24,519	21,432	14.4 %	70,618	61,451	14.9 %
Restructuring charges	9,928	6,482	53.2 %	26,473	19,851	33.4 %
Other	—	9,294	(100.0)%	—	9,294	(100.0)%
<b>Total operating expenses</b>	<b>1,020,884</b>	<b>978,547</b>	<b>4.3 %</b>	<b>3,016,582</b>	<b>2,774,021</b>	<b>8.7 %</b>
Non-operating interest expense	12,897	13,363	(3.5)%	38,651	38,190	1.2 %
Loss on extinguishment of debt	—	—	*	—	7,962	(100.0)%
<b>Total expenses</b>	<b>1,033,781</b>	<b>991,910</b>	<b>4.2 %</b>	<b>3,055,233</b>	<b>2,820,173</b>	<b>8.3 %</b>
Income before provision for income taxes	55,453	61,302	(9.5)%	214,161	226,755	(5.6)%
<b>Provision for income taxes</b>	<b>22,181</b>	<b>23,671</b>	<b>(6.3)%</b>	<b>84,663</b>	<b>89,316</b>	<b>(5.2)%</b>
<b>Net income</b>	<b>\$ 33,272</b>	<b>\$ 37,631</b>	<b>(11.6)%</b>	<b>\$ 129,498</b>	<b>\$ 137,439</b>	<b>(5.8)%</b>

## Revenues

### Commission Revenues

The following table sets forth our commission revenue, by product category, included in our unaudited condensed consolidated statements of income for the three months ended September 30, 2014 and 2013 (in thousands):

	Three Months Ended September 30,			
	2014	2013	\$ Change	% Change
Variable annuities	\$ 206,382	\$ 189,401	\$ 16,981	9.0 %
Mutual funds	153,875	135,992	17,883	13.2 %
Alternative investments	41,911	81,193	(39,282)	(48.4)%
Fixed annuities	36,631	35,772	859	2.4 %
Equities	26,624	32,429	(5,805)	(17.9)%
Fixed income	21,165	21,352	(187)	(0.9)%
Insurance	20,293	19,125	1,168	6.1 %
Group annuities	13,350	12,019	1,331	11.1 %
Other	157	136	21	15.4 %
<b>Total commission revenue</b>	<b>\$ 520,388</b>	<b>\$ 527,419</b>	<b>\$ (7,031)</b>	<b>(1.3)%</b>

The following table sets forth our commission revenue, by sales-based and trailing commission revenue, for the three months ended September 30, 2014 and 2013 (in thousands):

	Three Months Ended September 30,			
	2014	2013	\$ Change	% Change
Sales-based	\$ 278,375	\$ 319,526	\$ (41,151)	(12.9)%
Trailing	242,013	207,893	34,120	16.4 %
<b>Total commission revenue</b>	<b>\$ 520,388</b>	<b>\$ 527,419</b>	<b>\$ (7,031)</b>	<b>(1.3)%</b>

Commission revenue decreased by \$7.0 million, or 1.3%, for the three months ended September 30, 2014 compared with the same period in 2013, due primarily to a decrease in alternative investments, namely non-traded real estate investment trusts ("REITs"). Activity in the third quarter of 2013, benefited from liquidity events in several large REITs that allowed for reinvestment into the same type of investments. This resulted in third quarter 2013 alternative investment commissions being much higher than previous or subsequent periods.

Increases in trailing revenues for mutual funds and variable and group annuities reflects improved investor engagement and strong market conditions, resulting in the increase of the underlying assets.

The following table sets forth our commission revenue, by product category, included in our unaudited condensed consolidated statements of income for the nine months ended September 30, 2014 and 2013 (dollars in thousands):

	Nine Months Ended September 30,		\$ Change	% Change
	2014	2013		
Variable annuities	\$ 611,286	\$ 597,925	\$ 13,361	2.2 %
Mutual funds	456,839	423,289	33,550	7.9 %
Alternative investments	148,285	168,001	(19,716)	(11.7)%
Fixed annuities	126,187	77,544	48,643	62.7 %
Equities	82,245	88,889	(6,644)	(7.5)%
Fixed income	65,591	65,814	(223)	(0.3)%
Insurance	57,615	60,993	(3,378)	(5.5)%
Group annuities	41,571	38,229	3,342	8.7 %
Other	520	706	(186)	(26.3)%
<b>Total commission revenue</b>	<b>\$ 1,590,139</b>	<b>\$ 1,521,390</b>	<b>\$ 68,749</b>	<b>4.5 %</b>

The following table sets forth our commission revenue, by sales-based and trailing commission revenue, for the nine months ended September 30, 2014 and 2013 (dollars in thousands):

	Nine Months Ended September 30,		\$ Change	% Change
	2014	2013		
Sales-based	\$ 893,628	\$ 917,042	\$ (23,414)	(2.6)%
Trailing	696,511	604,348	92,163	15.2 %
<b>Total commission revenue</b>	<b>\$ 1,590,139</b>	<b>\$ 1,521,390</b>	<b>\$ 68,749</b>	<b>4.5 %</b>

Commission revenue increased by \$68.7 million, or 4.5%, for the nine months ended September 30, 2014 compared with the same period in 2013, due primarily to an increase in sales-based activity for fixed annuities and increases in trailing revenues for mutual funds and variable and group annuities. Such growth reflects improved investor engagement and strong market conditions, resulting in the increase of the underlying assets.

Fixed annuity sales-based commissions have risen, despite historically low interest rates, as investors have sought income streams with minimal risk to principal. Commissions from fixed annuities also include commissions earned on indexed annuities.

The decrease in alternative investments was due primarily to activity in the nine months ended September 30, 2013, in which commission revenues benefited from liquidity events in several large REITs that allowed for reinvestment into the same type of investments. This resulted in the nine months ended September 30, 2013, alternative investment commissions being much higher than previous or subsequent periods.

#### Advisory Revenues

The following table summarizes the activity within our advisory assets under custody for the three and nine months ended September 30, 2014 and 2013 (in billions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Balance - Beginning of period	\$ 167.3	\$ 132.4	\$ 151.6	\$ 122.1
Net new advisory assets	4.8	4.0	13.5	10.7
Market impact and other	(2.6)	4.7	2.2	8.3
Balance - End of period	<b>\$ 169.5</b>	<b>\$ 141.1</b>	<b>\$ 167.3</b>	<b>\$ 141.1</b>

Net new advisory assets for the three and nine months ended September 30, 2014 and 2013 have only a limited impact on advisory fee revenue for those respective periods, given the comparatively large assets at the beginning of each period. Rather, net new advisory assets are anticipated to be a larger driver of advisory revenue

in future reporting periods. Net new advisory assets were \$4.8 billion for the three months ended September 30, 2014, resulting from the continued shift by our existing advisors from brokerage towards more advisory business.

Advisory revenue for a particular quarter is predominately driven by the prior quarter-end advisory assets under management. Advisory revenues increased by \$41.3 million, or 13.8%, for the three months ended September 30, 2014 compared to the same period in 2013. The growth in advisory revenue is due to net new advisory assets resulting from increased investor engagement and strong advisor productivity, newly recruited advisors that were added in the second quarter of 2014, as well as market gains as represented by higher levels of the S&P 500 index on the applicable billing dates in 2014 compared to 2013. The S&P 500 index closed at 1,960 on June 30, 2014, which is a 22.0% increase over the close of 1,606 on June 30, 2013.

The Independent RIA model has continued to attract advisors as they seek the freedom to run their business in a manner that best enables them to meet their clients' needs. This continued shift of advisors to the Independent RIA platform (for which we custody assets but do not earn advisory revenues for managing such assets) has caused the rate of revenue growth of advisory assets under management to lag behind the rate of growth of advisory assets under custody. Advisory revenues do not include fees for advisory services charged by Independent RIA advisors to their clients. Accordingly, there is no corresponding payout. However, there are administrative fees charged to Independent RIA advisors including custody and clearing fees, based on the value of assets.

Advisory revenues increased by \$119.6 million, or 13.6%, for the nine months ended September 30, 2014 compared with the same period in 2013. This growth is attributable to the same net new advisory asset flows and shift of advisors toward more advisory business that has impacted our quarterly performance, and to a positive market impact for the nine months ended September 30, 2014.

The following table summarizes the composition of our advisory assets under custody as of September 30, 2014 and 2013 (in billions):

	September 30,		\$ Change	% Change
	2014	2013		
Advisory assets under management	\$ 123.1	\$ 111.8	\$ 11.3	10.1%
Independent RIA assets in advisory accounts custodied by LPL Financial	46.4	29.3	17.1	58.4%
Total advisory assets under custody	\$ 169.5	\$ 141.1	\$ 28.4	20.1%

Growth of the Independent RIA assets in advisory accounts custodied by LPL Financial has outpaced the growth in advisory assets under management. This growth is consistent with the industry trend as more advisors shift their business toward the Independent RIA model.

#### Asset-Based Revenues

Asset-based revenues increased by \$13.8 million, or 12.9%, to \$121.3 million for the three months ended September 30, 2014 compared with the same period in 2013. Revenues for sponsorship programs and record-keeping services, which are largely based on underlying asset values, increased due to the impact of the higher average market indices on the value of such underlying assets and net new sales of eligible assets. The S&P 500 index for the three months ended September 30, 2014 averaged 1,976, an increase of 18.0% over the average in the prior-year period. Asset-based revenues also include revenues from our cash sweep programs, which decreased by \$4.1 million, or 14.0%, to \$25.2 million for the three months ended September 30, 2014 from \$29.3 million for the three months ended September 30, 2013. The decrease in our cash sweep revenues is a result of fee compression resulting from contract repricing and a decrease of 7.9% in average assets in our cash sweep programs, which were \$23.3 billion and \$25.3 billion for the three months ended September 30, 2014 and 2013, respectively.

Asset-based revenues increased by \$35.8 million, or 11.2%, to \$354.5 million for the nine months ended September 30, 2014 compared with the same period in 2013. Revenues for record-keeping services and from product sponsors, which are each largely based on underlying asset values, increased due to the impact of the higher average market indices on the value of such underlying assets and net new sales of eligible assets. The S&P 500 index for the nine months ended September 30, 2014 averaged 1,905, an increase of 19.0% over the average in the prior year period. Asset-based revenues also include revenues from our cash sweep programs, which decreased by \$17.9 million, or 19.5%, to \$73.9 million for the nine months ended September 30, 2014 from

\$91.8 million for the nine months ended September 30, 2013. The decrease is due to fee compression that resulted from a repricing of certain contracts that underlie our cash sweep programs, a year-over-year 3 basis point decline in the average federal funds effective rate to 0.08% for the nine months ended September 30, 2014, and a decrease of 2.1% in average assets in our cash sweep programs, which were \$23.6 billion and \$24.1 billion for the nine months ended September 30, 2014 and 2013, respectively.

#### *Transaction and Fee Revenues*

Transaction and fee revenues increased by \$0.9 million, or 0.9%, for the three months ended September 30, 2014 compared with the same period in 2013, which were driven primarily by higher trade volumes in certain advisory accounts and an increase in the average number of advisors.

Transaction and fee revenues increased by \$4.5 million, or 1.6%, for the nine months ended September 30, 2014 compared with the same period in 2013, which were driven primarily by higher trade volumes in certain advisory accounts and a 2.8% increase in the average number of advisors.

#### *Other Revenues*

Other revenues decreased by \$12.9 million, or 50.8%, to \$12.5 million for the three months ended September 30, 2014 compared with the same period in 2013. The primary contributor to such decrease for the three months ended September 30, 2014 was alternative investment marketing allowances received from product sponsor programs, which decreased by \$9.8 million compared to the same period in 2013, driven primarily by decreased sales of alternative investments. Other revenue includes gains or losses on assets held for the advisor non-qualified deferred compensation plan. Losses were \$1.8 million for the three months ended September 30, 2014, compared to gains of \$1.6 million for the three months ended September 30, 2013. The gains or losses on assets held for the advisor non-qualified deferred compensation plan were offset by increases or decreases in non-GDC sensitive production expenses as noted below.

Other revenues decreased by \$6.1 million, or 10.8%, to \$50.5 million for the nine months ended September 30, 2014 compared to 2013. The primary contributor to such decrease for the nine months ended September 30, 2014 was alternative investment marketing allowances received from product sponsor programs, which decreased by \$3.7 million compared to the same period in 2013, driven primarily by decreased sales of alternative investments. Other revenue includes gains or losses on assets held for the advisor non-qualified deferred compensation plan. Gains were \$0.8 million for the nine months ended September 30, 2014, compared to gains of \$4.3 million for the same period in 2013. The gains or losses on assets held for the advisor non-qualified deferred compensation plan were offset by the increases or decreases in non-GDC sensitive production expenses as noted below.

#### **Expenses**

##### *Production Expenses*

The following table shows our production payout ratio for the three and nine months ended September 30, 2014 and 2013:

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2014	2013	Change	2014	2013	Change
Base payout rate	83.50 %	84.14%	(64 bps)	83.86%	84.04%	(18 bps)
Production based bonuses	3.18 %	3.14%	4 bps	2.41%	2.45%	(4 bps)
GDC sensitive payout	86.68 %	87.28%	(60 bps)	86.27%	86.49%	(22 bps)
Non-GDC sensitive payout	(0.01)%	0.42%	(43 bps)	0.41%	0.44%	(3 bps)
Total Payout Ratio	86.67 %	87.70%	(103 bps)	86.68%	86.93%	(25 bps)

Production expenses increased by \$21.9 million, or 3.0%, for the three months ended September 30, 2014 compared with the same period in 2013. The increase correlates with our commission and advisory revenues, which increased by 4.1% during the same period. Our GDC sensitive payout ratio was 86.68% for the three months ended September 30, 2014, compared to 87.28% for the prior-year period. The base payout rate decreased by 64 basis points in part due to the growth of our advisory platform, which on average has a lower base rate than our brokerage platform. The decrease in non-GDC sensitive payout is attributable to decreased advisor share-based



compensation for the three months ended September 30, 2014 compared to the same period in 2013 correlating to market movement in our stock and the advisor non-qualified deferred compensation plan as noted above.

Production expenses increased by \$159.8 million, or 7.5%, for the nine months ended September 30, 2014 compared with the same period in 2013. The increase correlates with our commission and advisory revenues, which increased by 7.8% during the same period. Our production payout was 86.68% for the nine months ended September 30, 2014, compared to 86.93% for the prior year period. The decrease in non-GDC sensitive payout ratio is attributable to decreased advisor share-based compensation correlating to market movement in our stock and production expenses related to the advisor non-qualified deferred compensation plan as noted above.

#### *Compensation and Benefits Expense*

Compensation and benefits expense increased by \$4.0 million, or 3.9%, for the three months ended September 30, 2014 compared with the same period in 2013. This was primarily driven by a 9.4% increase in our average number of full-time employees from 3,094 for the three months ended September 30, 2013 to 3,386 for the three months ended September 30, 2014, to support business growth and investments in staffing related to service and compliance.

Compensation and benefits expense increased by \$18.1 million, or 6.1%, for the nine months ended September 30, 2014 compared with the same period in 2013. Our average number of full-time employees increased 10.2% from 3,012 for the nine months ended September 30, 2013 to 3,320 for the nine months ended September 30, 2014, due to higher staffing levels to support investments in staffing related to service and compliance and increased levels of advisor and client activities.

#### *General and Administrative Expenses*

General and administrative expenses increased by \$19.2 million, or 18.7%, to \$122.1 million for the three months ended September 30, 2014 compared with the same period in 2013. The primary driver behind the increase was an increase of \$19.2 million for professional services. The increase in professional services includes the estimated costs of the investigation, settlement, and resolution of regulatory matters.

General and administrative expenses increased by \$58.2 million, or 21.9%, to \$323.2 million for the nine months ended September 30, 2014 compared with the same period in 2013. The primary drivers behind the increase were increases of \$35.1 million for professional services, \$8.3 million for business development and promotional expenses, and \$9.8 million for parallel rent, property tax, common area maintenance expenses, and fixed asset disposals incurred in connection with the relocation to our San Diego office building. The increase in professional services includes the estimated costs of the investigation, settlement, and resolution of regulatory matters.

#### *Depreciation and Amortization Expense*

For the three and nine months ended September 30, 2014, depreciation and amortization increased by \$3.1 million, or 14.4%, and \$9.2 million, or 14.9%, respectively, compared with the same periods in 2013. The increases were due primarily to capital assets placed into service during the latter half of 2013 related to the San Diego office building and capitalized software.

#### *Restructuring Charges*

Restructuring charges increased by \$3.4 million, or 53.2%, and \$6.6 million, or 33.4%, for the three and nine months ended September 30, 2014, respectively, compared with the same periods in 2013. These charges relate primarily to consulting fees paid to support our technology transformation as well as employee severance obligations and other related costs and non-cash charges for impairment incurred through our expansion of our Service Value Commitment. Refer to Note 3. *Restructuring*, within the notes to unaudited condensed consolidated financial statements for additional details regarding this matter.

#### *Other Expenses*

Other expenses for the three and nine months ended September 30, 2013 include the derecognition of fixed assets of \$6.9 million and goodwill of \$10.2 million, incurred as a result of the NestWise Closure, which ceased operations during the third quarter of 2013. The assets were from the 2012 acquisition of Veritat by NestWise, and were determined to have no future economic benefit. Additionally, we revised our estimate of the potential payment obligation to the former shareholders of Veritat, which resulted in a \$7.8 million decrease in the estimated fair value of contingent consideration during the three and nine months ended September 30, 2013.

### Interest Expense

Interest expense represents non-operating interest expense for our senior secured credit facilities. Interest expense decreased by \$0.5 million, or 3.5%, for the three months ended September 30, 2014 compared with the same period in 2013. Additionally, interest expense increased by \$0.5 million, or 1.2%, for the nine months ended September 30, 2014, compared with the same periods in 2013. The changes in interest expense for the 2014 periods are due to changes in the level of outstanding indebtedness following the amendment to the credit agreement in May 2013.

### Loss on Extinguishment of Debt

Losses from the extinguishment of debt totaled \$8.0 million for the nine months ended September 30, 2013. In May 2013, we refinanced and amended our previous credit agreement and effectively increased our borrowing by approximately \$236.1 million, with net proceeds used primarily for working capital requirements and other general corporate purposes. Accordingly, we wrote off \$8.0 million of unamortized debt issuance costs that had no future economic benefit related to our prior credit agreement.

### Provision for Income Taxes

We estimate our full-year effective income tax rate at the end of each reporting period. This estimate is used in providing for income taxes on a year-to-date basis and may change in subsequent interim periods. The tax rate in any quarter can be affected positively and negatively by adjustments that are required to be reported in the quarter in which resolution of the item occurs. The effective income tax rates reflect the impact of state taxes, settlement contingencies, and expenses that are not deductible for tax purposes.

During the three months ended September 30, 2014, we recorded income tax expense of \$22.2 million, compared with \$23.7 million in the prior year period. Our effective income tax rate was 40.0% and 38.6% for the three months ended September 30, 2014 and 2013, respectively.

During the nine months ended September 30, 2014, we recorded income tax expense of \$84.7 million, compared with \$89.3 million in the prior year period. Our effective income tax rate was 39.5% and 39.4% for the nine months ended September 30, 2014 and 2013, respectively.

### Liquidity and Capital Resources

Senior management establishes our liquidity and capital policies. These policies include senior management's review of short- and long-term cash flow forecasts, review of monthly capital expenditures, and daily monitoring of liquidity for our subsidiaries. Decisions on the allocation of capital are based on, among other things, projected profitability and cash flow, risks of the business, regulatory capital requirements, and future liquidity needs for strategic activities. Our Treasury department assists in evaluating, monitoring, and controlling the business activities that impact our financial condition, liquidity, and capital structure and maintains relationships with various lenders. The objectives of these policies are to support the executive business strategies while ensuring ongoing and sufficient liquidity. Cash requirements and liquidity needs are primarily funded through our cash flow from operations and our capacity for additional borrowing.

A summary of changes in our cash flow is provided as follows (in thousands):

	Nine Months Ended September 30,	
	2014	2013
Net cash flows provided by (used in):		
Operating activities	\$ 224,251	\$ 141,907
Investing activities	(80,114)	(40,769)
Financing activities	(201,227)	18,341
Net (decrease) increase in cash and cash equivalents	(57,090)	119,479
Cash and cash equivalents — beginning of period	516,584	466,261
Cash and cash equivalents — end of period	\$ 459,494	\$ 585,740

Net cash provided by or used in operating activities includes net income adjusted for non-cash expenses. Operating assets and liabilities include balances related to settlement and funding of client transactions, receivables from product sponsors, and accrued commissions and advisory expenses due to our advisors. Operating assets and liabilities that arise from the settlement and funding of transactions by our advisors' clients are the principal

cause of changes to our net cash from operating activities and can fluctuate significantly from day to day and period to period depending on overall trends and clients' behaviors.

Net cash provided by operating activities for the nine months ended September 30, 2014 and 2013 totaled \$224.3 million and \$141.9 million, respectively. The change in cash flows between periods primarily reflects the impact of client trading and settlement activity and represented a net source of funds of \$50.1 million in 2014, compared to a net use of funds of \$90.8 million in 2013. Cash flows from operating activities for 2014 also included uses of cash for an increase in receivables from others of \$31.2 million and a total change of \$22.2 million in income taxes receivable and payable. The net use of funds in 2013 was offset by net income of \$137.4 million, depreciation and amortization of \$61.5 million, and unamortized debt issuance costs of \$8.0 million, which were written off as a charge to earnings stemming from our May 2013 debt refinancing.

Net cash used in investing activities for the nine months ended September 30, 2014 and 2013 totaled \$80.1 million and \$40.8 million, respectively. The net cash used in 2014 primarily consisted of \$78.8 million in capital expenditures and the purchase of intangible assets. The net cash used in 2013 included \$40.8 million in capital expenditures.

Net cash used in financing activities for the nine months ended September 30, 2014 totaled \$201.2 million. Net cash provided by financing activities for the nine months ended September 30, 2013 totaled \$18.3 million. Cash flows used in financing activities in 2014 primarily consisted of \$150.0 million for repurchases of common stock and \$72.1 million for cash dividends paid, partially offset by \$25.3 million in proceeds from stock option exercises. Cash flows provided by financing activities in 2013 include \$1,079.0 million in proceeds from the issuance on senior debt, \$863.9 million to pay down term loans under our senior secured credit facility, \$175.7 million for repurchases of common stock, and \$48.7 million of cash dividends paid.

We believe that based on current levels of operations and anticipated growth, cash flow from operations, together with other available sources of funds, which includes three uncommitted lines of credit available and the revolving credit facility available through our credit agreement, will be adequate to satisfy our working capital needs, the payment of all of our obligations, and the funding of anticipated capital expenditures for the foreseeable future. In addition, we have certain capital adequacy requirements due to our registered broker-dealer entity and bank trust subsidiaries and have met all such requirements and expect to continue to do so for the foreseeable future. We regularly evaluate our existing indebtedness based on a number of factors, including our capital requirements, future prospects, contractual restrictions, the availability of refinancing on attractive terms, and general market conditions. Notwithstanding the foregoing, see the Risks Related to our Debt section within Part I, "Item 1A. Risk Factors" in our 2013 Annual Report on Form 10-K for more information about the risks associated with our debt obligations and their potential effect on our liquidity.

### Share Repurchases

The Board has periodically approved share repurchase programs pursuant to which we may repurchase issued and outstanding shares of our common stock. Purchases may be effected in open market or privately negotiated transactions, including transactions with our affiliates, with the timing of purchases and the amount of stock purchased generally determined at our discretion within the constraints of our credit agreement and general liquidity needs.

For the three months ended September 30, 2014 and 2013, we had the following activity under our approved share repurchase programs (in millions, except share and per share data):

Approval Date	Authorized Repurchase Amount	Amount Remaining at September 30, 2014	Three Months Ended September 30,					
			2014			2013		
			Shares Purchased	Weighted-Average Price Paid Per Share	Total Cost	Shares Purchased	Weighted-Average Price Paid Per Share	Total Cost
September 27, 2012	\$ 150.0	\$ —	—	\$ —	\$ —	759,786	\$ 38.40	\$ 29.2
May 28, 2013	\$ 200.0	—	—	—	—	2,566,630	37.94	97.3
February 10, 2014	\$ 150.0	67.9	531,426	47.06	25.0	—	—	—
		<u>\$ 67.9</u>	<u>531,426</u>	<u>\$ 47.06</u>	<u>\$ 25.0</u>	<u>3,326,416</u>	<u>\$ 38.04</u>	<u>\$ 126.5</u>

For the nine months ended September 30, 2014 and 2013, we had the following activity under our approved share repurchase programs (in millions, except share and per share data):

Approval Date	Authorized Repurchase Amount	Amount Remaining at September 30, 2014	Nine Months Ended September 30,					
			2014			2013		
			Shares Purchased	Weighted Average Price Paid Per Share	Total Cost	Shares Purchased	Weighted Average Price Paid Per Share	Total Cost
September 27, 2012	\$ 150.0	\$ —	—	\$ —	\$ —	2,343,651	\$ 37.10	\$ 87.0
May 28, 2013	\$ 200.0	—	1,306,288	52.00	67.9	2,566,630	37.94	97.3
February 10, 2014	\$ 150.0	67.9	1,683,424	48.77	82.1	—	—	—
		\$ 67.9	2,989,712	\$ 50.18	\$ 150.0	4,910,281	\$ 37.54	\$ 184.3

On February 12, 2014, we entered into a share repurchase agreement with an investment fund associated with TPG Capital, pursuant to which we repurchased 1.9 million shares of our common stock at a price of \$52.00 per share, for total consideration of \$100.0 million.

On October 1, 2014, the Board approved an increase in our share repurchase plan by \$150.0 million to a total of \$217.9 million.

### Dividends

The payment, timing, and amount of any dividends are subject to approval by our Board as well as certain limits under our credit facilities. Cash dividends per share of common stock and total cash dividends paid quarterly were as follows for the periods indicated (in millions, except per share data):

	2014		2013	
	Dividend per Share	Total Cash Dividend	Dividend per Share	Total Cash Dividend
First quarter	\$ 0.24	\$ 24.1	\$ 0.135	\$ 14.4
Second quarter	\$ 0.24	\$ 24.0	\$ 0.135	\$ 14.4
Third quarter	\$ 0.24	\$ 24.0	\$ 0.19	\$ 19.9

On October 28, 2014, the Board declared a cash dividend of \$0.24 per share on our outstanding common stock to be paid on November 26, 2014 to all stockholders of record on November 11, 2014.

### Operating Capital Requirements

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 at clearing organizations to support these clients' 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 cash equivalents on hand, cash and securities segregated under federal and other regulations, and proceeds from re-pledging or selling client securities in margin accounts. When a 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 re-pledge, loan, or sell securities that collateralize those margin accounts. As of September 30, 2014, we had received collateral primarily in connection with client margin loans with a fair value of approximately \$379.8 million, which can be re-pledged, loaned, or sold. Of these securities, approximately \$31.9 million had been pledged to the Options Clearing Corporation as collateral to secure certain client obligations related to options positions. As of September 30, 2014 there were no restrictions that materially limited our ability to re-pledge, loan, or sell the remaining \$347.9 million of client collateral.

Our other working capital needs are primarily related to regulatory capital requirements at our broker-dealer and bank trust subsidiaries and software development, which we have satisfied in the past from internally generated cash flows.

Notwithstanding the self-funding nature of our operations, 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 flow or, if needed, with

funds drawn on our uncommitted lines of credit at our broker-dealer subsidiary LPL Financial, or under our revolving credit facility.

Our registered broker-dealer, 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, as defined, equal to the greater of \$250,000 or 2.0% of aggregate debit balances arising from client transactions. At September 30, 2014, LPL Financial's excess net capital was \$102.5 million.

LPL Financial also acts as an introducing broker for commodities and futures. Accordingly, its trading activities are subject to the National Futures Association's ("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 pursuant to the SEC's Uniform Net Capital Rule.

In addition to the minimum net capital requirements, the SEC and FINRA have established "early warning" capital requirements for broker-dealers that, when exceeded, limit certain activities of the broker-dealer. Early warning requirements provide advance warning that a firm's net capital is dropping toward its minimum requirement, allowing time for initiation of corrective action. For LPL Financial, an early warning level is reached if its net capital falls below 5.0% of aggregate debit balances. At September 30, 2014, LPL Financial's net capital was \$109.2 million and its early warning requirement was \$16.8 million. LPL Financial typically maintains net capital in excess of the early warning level to maintain its ability to grow its business, demonstrate the stability of its operations, and provide a safeguard in the event of sustained levels of market volatility.

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 the FINRA early warning requirement of 5.0% of aggregate debit balances.

Our subsidiary, PTC, is also subject to various regulatory capital requirements. Failure to meet the respective 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.

## **Debt**

On May 13, 2013, we entered into the First Amendment and Incremental Assumption Agreement ("Credit Agreement") with our wholly owned subsidiary, LPL Holdings, Inc., and other parties thereto. The Credit Agreement amended our previous credit agreement, dated as of March 29, 2012. See Note 17. *Subsequent Events*, within the notes to unaudited condensed consolidated financial statements, for details regarding the amendment of the Credit Agreement.

The Credit Agreement includes a term loan A ("Term Loan A"), a term loan B, which had an initial principal amount of \$459.4 million maturing on March 29, 2017; ("Term Loan B"), which had an initial principal amount of \$1,083.9 million maturing on March 29, 2019; and the revolving credit facility ("Revolving Credit Facility"), which had an initial borrowing capacity of \$250.0 million maturing on March 29, 2017.

In addition, we maintain three uncommitted lines of credit at LPL Financial. Two of the lines have unspecified limits and are primarily dependent on our ability to provide sufficient collateral. The third line had a \$200.0 million limit at September 30, 2014 and December 31, 2013, and allows for both collateralized and uncollateralized borrowings. The lines were utilized in 2013; however, there were no balances outstanding at September 30, 2014 or December 31, 2013.

While our term loans are unhedged as of September 30, 2014, the risk of variability on our floating interest rate is partially mitigated by our cash sweep programs and client margin loans, which carry floating interest rates, as well as fees received from our cash sweep programs. At September 30, 2014, our receivables from our advisors' clients for margin loan activity were approximately \$271.3 million, and the balance of deposits in the cash sweep programs was \$24.0 billion.

## **Interest Rate and Fees**

Borrowings under Term Loan A and Term Loan B bear interest at a base rate equal to either a LIBOR based rate (the "Eurodollar Rate") plus the applicable interest rate margin, or an alternative base rate ("ABR") plus the applicable interest rate margin. The Eurodollar Rate with respect to Term Loan B shall in no event be less than 0.75%. The ABR is equal to the greatest of (a) the prime rate in effect on such day; (b) the effective federal funds

rate in effect on such day plus 0.50%; (c) the Eurodollar Rate plus 1.00%; or (d) solely in the case of Term Loan B, 1.75%.

As of September 30, 2014, borrowings under the term loans bear interest at the Eurodollar Rate with an applicable interest rate margin of 2.50%. Borrowings under our Revolving Credit Facility bear interest with an applicable interest rate margin of 2.50%. The applicable interest rate margin on Term Loan A and the Revolving Credit Facility could change depending on our total leverage ratio.

In addition to paying interest on outstanding principal under the Credit Agreement, we are required to pay a commitment fee to the lenders under the Revolving Credit Facility in respect of the unutilized commitments thereunder. The commitment fee rate at September 30, 2014 was 0.50% for our Revolving Credit Facility, but is subject to change depending on our leverage ratio. We must also pay customary letter of credit fees.

### **Prepayments**

The Credit Agreement requires us to prepay outstanding amounts under our senior secured term loan facility subject to certain exceptions, with:

- 100% of the net cash proceeds of all non-ordinary course asset sales or other dispositions of property (including insurance recoveries), if we do not reinvest or commit to reinvest those proceeds in assets to be used in our business or to make certain other permitted investments within 15 months as long as such reinvestment is completed within 180 days;
- 100% of the net cash proceeds of any incurrence of debt, other than proceeds from debt permitted under the Credit Agreement; and
- solely in the case of Term Loan B, 50% (percentage will be reduced to 0% if our total leverage ratio is 3.00 to 1.00 or less) of our annual excess cash flow (as defined in the Credit Agreement) adjusted for, among other things, changes in our net working capital (as of September 30, 2014 our total leverage ratio was 2.56).

Mandatory prepayments in respect of the incurrence of any debt can be applied by us to scheduled installments of principal of Term Loan A and Term Loan B in any order at our direction. Any other mandatory prepayments described above will be applied to scheduled installments of principal of Term Loan A and Term Loan B in direct order. We may voluntarily repay outstanding term loans under the Credit Agreement at any time without premium or penalty, other than customary "breakage" costs with respect to Eurodollar Rate loans.

### **Amortization**

At the time we entered into the Credit Agreement, we prepaid all mandatory payments required under Term Loan A with the remaining principal and accrued interest due upon maturity. Term Loan B includes quarterly payments at an annual rate of 1.0% of principal per year with the remaining principal and accrued interest due upon maturity. Any outstanding principal under the Revolving Credit Facility will be due upon maturity.

### **Guarantee and Security**

The loans under the Credit Agreement are secured primarily through pledges of the capital stock in certain of our subsidiaries.

### **Certain Covenants and Events of Default**

The Credit Agreement contains a number of covenants that, among other things, may restrict our ability to:

- incur additional indebtedness;
- engage in mergers or consolidations;
- pay dividends and distributions or repurchase our capital stock;
- make investments, loans, or advances; or
- engage in certain transactions with affiliates.

Our Credit Agreement prohibits us from paying dividends and distributions or repurchasing our capital stock except for limited purposes, including, but not limited to payments in connection with: (i) redemption, repurchase, retirement, or other acquisition of our equity interests from present or former officers, managers, consultants, employees and directors upon the death, disability, retirement, or termination of employment of any such person or otherwise in accordance with any stock option or stock appreciation rights plan, any management or employee stock ownership plan, stock subscription plan, employment termination agreement or any employment agreements

or stockholders' agreement, in an aggregate amount not to exceed \$10.0 million in any fiscal year plus the amount of cash proceeds from certain equity issuances to such persons, and the amount of certain key-man life insurance proceeds, (ii) franchise taxes, general corporate and operating expenses not to exceed \$3.0 million in any fiscal year, and fees and expenses related to any unsuccessful equity or debt offering permitted by the Amended Credit Agreement, (iii) tax liabilities to the extent attributable to our business and our subsidiaries and (iv) dividends and other distributions in an aggregate amount not to exceed the sum of (a) the greater of \$250,000,000 or 6.75% of our consolidated total assets, (b) the available amount (as defined in the Credit Agreement), (c) the available equity amount (as defined in the Credit Agreement), and (d) the incremental dividend amount (as defined in the Credit Agreement). Notwithstanding the foregoing, we may make unlimited dividends and distributions provided that after giving pro forma effect thereto, our total leverage ratio does not exceed 2.0. As of September 30, 2014, we have the ability to make dividends and distributions or repurchase our capital stock totaling \$359.6 million, subject to approval by the Board.

The share repurchase programs approved in September 2012, May 2013, and February 2014 were authorized by the Board pursuant to item (iv) above. Any future declarations of quarterly cash dividends will be authorized pursuant to item (iv) above.

In addition, our financial covenant requirements include a total leverage ratio test and an interest coverage ratio test. Each of our financial ratios is measured at the end of each fiscal quarter. Our Credit Agreement provides us with a right to cure in the event we fail to comply with our leverage ratio test or our interest coverage ratio test. We must exercise this right to cure within ten days of the delivery of our quarterly certificate calculating the financial ratios for that quarter.

The leverage ratio test and interest coverage ratio test use a Credit Agreement Adjusted EBITDA, which starts with Adjusted EBITDA and then excludes 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 each reporting period as well as other items, including employee severance costs, employee signing costs, and employee retention or completion bonuses.

Our covenant requirements and actual ratios as of September 30, 2014 and December 31, 2013 were as follows:

Financial Ratio	September 30, 2014		December 31, 2013	
	Covenant Requirement	Actual Ratio	Covenant Requirement	Actual Ratio
Leverage Test (Maximum)	4.25	2.56	4.25	2.34
Interest Coverage (Minimum)	3.00	10.44	3.00	10.91

As of September 30, 2014 and December 31, 2013 we were in compliance with all of our covenant requirements.

#### Off-Balance Sheet Arrangements

We enter into various off-balance-sheet arrangements in the ordinary course of business, primarily to meet the needs of our advisors' clients. These arrangements include firm commitments to extend credit. For information on these arrangements, see Note 9. *Commitments and Contingencies* and Note 16. *Financial Instruments with Off-Balance-Sheet Credit Risk and Concentrations of Credit Risk*, within the notes to unaudited condensed consolidated financial statements.

#### Contractual Obligations

In March 2014 we entered into a lease agreement for additional office space in Charlotte, North Carolina with a lease commencement date of March 1, 2014 and an expiration date of February 28, 2017. Future minimum payments for this lease commitment are \$0.2 million, \$1.0 million, \$1.1 million, and \$0.2 million, for the years 2014, 2015, 2016, and 2017, respectively.

In the three months ended September 30, 2014 there have been no material changes in our contractual obligations, other than in the ordinary course of business, from those above or disclosed in our 2013 Annual Report on Form 10-K. See Note 8. *Debt* and Note 9. *Commitments and Contingencies*, within the notes to unaudited 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 2013 Annual Report on Form 10-K, for further detail on operating lease obligations and obligations under noncancelable service contracts.

## Fair Value of Financial Instruments

We use fair value measurements to record certain financial assets and liabilities at fair value and to determine fair value disclosures.

We use prices obtained from an independent third-party pricing service to measure the fair value of our trading securities. We validate prices received from the pricing service using various methods, including comparison to prices received from additional pricing services, comparison to available market prices and review of other relevant market data including implied yields of major categories of securities.

At September 30, 2014, we did not adjust prices received from the independent third-party pricing service. For certificates of deposit and treasury securities, we utilize market-based inputs including observable market interest rates that correspond to the remaining maturities or next interest reset dates.

## Critical Accounting Policies and Estimates

In the notes to our consolidated financial statements and in “Item 7-Management’s Discussion and Analysis of Financial Condition and Results of Operations” included in our 2013 Annual Report on Form 10-K, we have disclosed those accounting policies that we consider to be significant in determining our results of operations and financial condition. There have been no material changes to those policies that we consider to be significant since the filing of our 2013 Annual Report on Form 10-K. The accounting principles used in preparing our unaudited condensed consolidated financial statements conform in all material respects to GAAP.

## Recently Issued Accounting Pronouncements

There are no recent accounting pronouncements that would impact our condensed consolidated statements of income, comprehensive income, financial condition, or cash flows.

## Item 3. Quantitative and Qualitative Disclosures About Market Risk

### Market Risk

We maintain trading securities owned 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, and to track the performance of our research models. These securities include mutual funds, debt securities issued by the U.S. government, money market funds, corporate debt securities, certificates of deposit, and equity securities.

Changes in the value of our trading inventory may result from fluctuations in interest rates, credit ratings of the issuer, equity prices, and the correlation among these factors. We manage our trading inventory by product type. Our activities to facilitate client transactions generally involve mutual fund activities, including dividend reinvestments. The balances are based on pending client activities that which are monitored by our Client Support Services department. Because these positions arise from pending client transactions, there are no specific trading or position limits. 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 settlement area within our Client Support Services department. Our research department develops model portfolios that are used by advisors in developing client portfolios. We currently maintain approximately 190 accounts based on model portfolios. At the time a portfolio is developed, we purchase the securities in that model portfolio in an amount equal to the account minimum for a client. Account minimums vary by product and can range from \$10,000 to \$250,000 per model. We utilize these positions to track the performance of the research department. The limits on this activity are established at the inception of each new model.

At September 30, 2014, the fair value of our trading securities owned were \$12.9 million. Securities sold, but not yet purchased were immaterial at September 30, 2014. The fair value of securities included within other assets were \$75.9 million at September 30, 2014. See Note 4. *Fair Value Measurements*, within the notes to unaudited condensed consolidated financial statements for information regarding the fair value of trading securities owned, securities sold, but not yet purchased and other assets associated with our client facilitation activities. See Note 5. *Held-to-Maturity Securities*, within the notes to unaudited condensed consolidated financial statements for information regarding the fair value of securities held to maturity.

We do not enter into contracts involving derivatives or other similar financial instruments for trading or proprietary purposes.



We also have market risk on the fees we earn that are based on the market value of advisory and brokerage assets, assets on which trailing commissions are paid, and assets eligible for sponsor payments.

## Interest Rate Risk

We are exposed to risk associated with changes in interest rates. As of September 30, 2014, all of the outstanding debt under our Credit Agreement, \$1.5 billion, was subject to floating interest rate risk. While our senior secured term loans are 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 income before taxes.

The following table summarizes the impact of increasing interest rates on our interest expense from the variable portion of our debt outstanding at September 30, 2014 (in thousands):

	Outstanding at Variable Interest Rates	Annual Impact of an Interest Rate Increase of			
		10 Basis Points	25 Basis Points	50 Basis Points	100 Basis Points
<b>Senior Secured Term Loans</b>					
Term Loan A	\$ 459,375	\$ 459	\$ 1,148	\$ 2,297	\$ 4,594
Term Loan B	1,067,592	—	—	429	5,237
Variable Rate Debt Outstanding	\$ 1,526,967	\$ 459	\$ 1,148	\$ 2,726	\$ 9,831

See Note 8. *Debt*, within the notes to unaudited condensed consolidated financial statements for additional information regarding variable interest rate and applicable interest rate margin on our outstanding borrowings.

We offer our advisors and their clients two primary cash sweep programs that are interest rate sensitive: our insured cash programs and money market sweep vehicles involving multiple money market fund providers. Our insured cash programs use multiple non-affiliated banks to provide up to \$1.5 million (\$3.0 million in joint accounts) of FDIC insurance for client deposits custodied at the banks. While clients earn interest for balances on deposit in the insured cash programs, we earn a fee. Our fees from the insured cash programs are based on prevailing interest rates in the current interest rate environment. Changes in interest rates and fees for the insured cash programs are monitored by our fee and rate setting committee (the “FRS committee”), which governs and approves any changes to our fees. By meeting promptly after interest rates change, or for other market or non-market reasons, the FRS committee balances financial risk of the insured cash programs with products that offer competitive client yields. However, as short-term interest rates hit lower levels, the FRS committee may be compelled to set lower fees.

The average Federal Reserve effective federal funds rate (“FFER”) for the three months ended September 30, 2014 was 0.09%. The following table reflects the approximate annual impact to asset-based revenues on our insured cash programs (assuming that client balances at September 30, 2014 remain unchanged) of an upward or downward change in short-term interest rates of one basis point (dollars in thousands):

Federal Reserve Effective Federal Funds Rate	Annualized Increase or Decrease in Asset-Based Revenues per One Basis Point Change
0.00% - 0.25%	\$ 1,700
0.26% - 1.25%	800
1.26% - 2.60%	700

The actual impact to asset-based revenues, including a change in the FFER of greater than 2.60%, may vary depending on the FRS committee’s strategy in response to a change in interest rate levels, the significance of a change and actual balances at the time of such change.

## 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. Credit risk includes the risk that collateral posted with LPL Financial by clients to support margin lending or derivative trading is insufficient to meet client’s contractual obligations to LPL Financial. We bear credit risk on the activities of our advisors’ clients, including the execution, settlement, and financing of various transactions on behalf of these clients.

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 cash (for

purposes of margin lending, cash is not used as collateral) and securities in the client's account. Under many of these agreements, we are permitted to re-pledge, loan, or sell 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 client's account 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 and did not exceed \$0.1 million during the nine months ended September 30, 2014 and 2013. 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 carefully monitored. We seek to limit this risk through careful 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 from the failure of internal controls, people, processes, procedures, or third parties. We operate in diverse markets and are reliant on the ability of our employees and systems, as well as third-party service providers and their systems, to process a large number of transactions effectively. These risks are less direct and quantifiable than credit and market risk, but managing them is critical, particularly in a rapidly changing environment with increasing transaction volumes and in light of increasing reliance on third-party service providers and electronic data processing and communications systems. In the event of a breakdown, unauthorized access, or improper operation of systems or improper action by employees, advisors, or third-party service providers, we could suffer financial loss, data loss, regulatory sanctions and damage to our reputation. Business continuity plans exist for critical systems, and redundancies are built into the systems as deemed appropriate. In order to mitigate and control operational risk, we have developed and continue to enhance specific policies and procedures that are 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. Notwithstanding the foregoing, please consult the Risks Related to our Technology section within Part I, "Item 1A. Risk Factors" in our 2013 Annual Report on Form 10-K for more information about the risks associated with our technology, including risks related to security, and the potential related effects on our operations.

### **Regulatory and Legal Risk**

The regulatory environment in which we operate is discussed in detail within Part I, "Item 1, Business Section" in our 2013 Annual Report on Form 10-K. In recent quarters, and during the period presented in this Quarterly Report on Form 10-Q, we have observed regulators broaden the scope, frequency, and depth of their examinations to include greater emphasis on the quality and consistency of the industry's execution of policies and procedures. Please consult the Risks Related to Our Regulatory Environment section within Part I, "Item 1A. Risk Factors" in our 2013 Annual Report on Form 10-K for more information about the risks associated with operating within our regulatory environment, 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 firm and its franchise. Our framework is designed to promote clear lines of risk management accountability and a structured escalation process for key risk information and events.

Our risk management governance approach includes our Board and certain of its committees; the Risk Oversight Committee of LPL Financial (the "ROC") and its subcommittees; the Internal Audit department and the Governance, Risk and Compliance (the "GRC") department of LPL Financial; and business line management. We

regularly reevaluate and, when necessary, modify our processes to improve the identification and escalation of risks and events.

*Audit Committee of the Board.* In addition to its other responsibilities, the Audit Committee of the Board (the “Audit Committee”) reviews our policies with respect to risk assessment and risk management, as well as our major financial risk exposures and the steps management has undertaken to control them. The Audit Committee provides reports to the Board at each of the Board’s regularly scheduled quarterly meetings.

*Compensation and Human Resources Committee of the Board.* In addition to its other responsibilities, the Compensation and Human Resources Committee of the Board assesses whether our compensation arrangements encourage inappropriate risk-taking, and whether risks arising from our compensation arrangements are reasonably likely to have a material adverse effect on the Company.

*Risk Oversight Committee of LPL Financial.* The Audit Committee has mandated that the ROC oversee our risk management activities, including those of our subsidiaries. As of October 30, 2014, the Chief Risk Officer of LPL Financial serves as chair, and an Executive Vice President, Deputy General Counsel of LPL Financial serves as vice chair, of the ROC, which generally meets on a monthly basis with *ad hoc* meetings as necessary. As of October 30, 2014, each member of the Management Committee of LPL Financial and the three other Managing Directors (Managing Director, Chief Investment Officer; Managing Director, Independent Advisor Services; and Managing Director, Institution Services) serve on the ROC. Additional members of the Company’s senior management team are also included as ex-officio members, representing the key control areas of the Company. These individuals include, but are not limited to, the Chief Compliance Officer, Brokerage; the Chief Compliance Officer, Advisory; the Chief Information Security Officer; and the Chief Privacy Officer of LPL Financial. Participation in the ROC by senior officers is intended to ensure that the ROC covers the key risk areas of the Company, including its subsidiaries, and that the ROC thoroughly reviews significant matters relating to risk priorities, policies and control procedures and related exceptions, certain new and complex products and business arrangements, transactions with significant risk elements, and identified emerging risks.

The chair of the ROC provides reports to the Audit Committee at each of the Audit Committee’s regularly scheduled quarterly meetings and, as necessary or requested, to the Board. The reports generally cover topics addressed by the ROC at its meetings since the immediately preceding report. If warranted, matters of material risk are escalated to the Audit Committee or Board more frequently.

*Subcommittees of the Risk Oversight Committee.* The ROC has established multiple subcommittees that cover key areas of risk. The subcommittees meet regularly and are responsible for keeping the ROC informed and escalating issues in accordance with the Company’s escalation policies. The responsibilities of such subcommittees include, for example, oversight of the approval of new and complex investment products offered to advisors’ clients; oversight of the Company’s investment advisory business; issues and trends related to advisor compliance and examination findings; whistle-blower hotline allegations; and oversight of disclosures related to our financial reporting.

*Internal Audit Department.* The Internal Audit department provides independent verification of the effectiveness of the Company’s internal controls by conducting risk assessments and audits designed to identify and cover important risk categories. The Internal Audit department provides regular reports to the ROC and reports to the Audit Committee at least as often as quarterly.

*Control Groups.* The GRC department provides compliance oversight and guidance, and conducts various risk and other assessments to address regulatory and firm-specific risks and requirements. The GRC department reports to the Chief Risk Officer, who reviews the results of the firm’s risk management process with the ROC, the Audit Committee and the Board as necessary. We also consider the Internal Audit department to be a control group.

*Business Line Management.* Each business line is responsible for managing its risk, and business line management is responsible for keeping senior management, including the members of the ROC, informed of operational risk and escalating risk matters (as defined by the Company’s escalation policies). We regularly conduct firm-wide escalation training for our employees. Certain business lines, including Client Support Services and Business Technology Services, have dedicated personnel with responsibilities for monitoring and managing risk-related matters. Business lines are subject to oversight by the control groups, and the Finance, Legal, Business Technology Services and Human Capital departments also execute certain control functions and report matters to the ROC, Audit Committee, and Board, as appropriate.

In addition to the ERM framework, we have written policies and procedures that govern the conduct of business by our advisors, employees, and the terms and conditions of our relationships with product manufacturers. Our client and advisor policies address the extension of credit for client accounts, data and physical security,

compliance with industry regulation and codes of ethics to govern employee and advisor conduct, among other matters.

#### **Item 4. Controls and Procedures**

##### **Evaluation of Disclosure Controls and Procedures**

Our Disclosure Committee, 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 Securities Exchange Act of 1934, as amended, 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 third quarter ended September 30, 2014 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

On May 14, 2013, the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") issued an updated version of its Internal Control - Integrated Framework (the "2013 Framework"). Originally issued in 1992 (the "1992 Framework"), the framework helps organizations design, implement, and evaluate the effectiveness of internal control concepts and simplify their use and application. The 1992 Framework remains available during the transition period, which extends to December 15, 2014, after which time COSO will consider it superseded by the 2013 Framework. As of September 30, 2014, the Company continues to utilize the 1992 Framework during the transition to the 2013 Framework, which will be completed by the end of 2014.

## PART II — OTHER INFORMATION

### Item 1. Legal Proceedings

See Note 9. *Commitments and Contingencies*, within the notes to unaudited condensed consolidated financial statements for disclosure of matters related to regulatory matters.

### 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 2013 Annual Report on Form 10-K, except for the risk factor "Anti-takeover provisions in our certificate of incorporation and bylaws could prevent or delay a change in control of our Company," which was revised to reflect the declassification of the Board that occurred during the quarter ending June 30, 2014 and which revised risk factor was set forth in Part II, "Item 1A. Risk Factors" in the Company's quarterly report on Form 10-Q for the quarter ended June 30, 2014.

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

The table below sets forth information regarding repurchases on a monthly basis during the three months ended September 30, 2014:

Period	Total Number of Shares Purchased	Weighted Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Programs(1)	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Programs
July 1, 2014 through July 31, 2014	44,624	\$ 47.95	44,624	\$ 90,788,355
August 1, 2014 through August 31, 2014	486,802	\$ 46.98	486,802	\$ —
September 1, 2014 through September 30, 2014	—	\$ —	—	\$ 67,927,079
July 1, 2014 through September 30, 2014	531,426	\$ 47.06	531,426	\$ 67,927,079

(1) See Note 10. *Stockholders' Equity*, within the notes to unaudited condensed consolidated financial statements for additional information.

**Item 3. Defaults Upon Senior Securities**

None.

**Item 4. Mine Safety Disclosures**

None.

**Item 5. Other Information**

None.

## Item 6. Exhibits

- 3.1 Amended and Restated Certificate of Incorporation (previously filed as Exhibit 3.1 to the registration statement on Form S-1 (File Number 333-167325) on July 9, 2010, and incorporated herein by reference)
  - 3.2 Certificate of Ownership and Merger (previously filed as Exhibit 3.1 to the Current Report on Form 8-K (File Number 001-34963) on June 19, 2012, and incorporated herein by reference)
  - 3.3 Certificate of Amendment to the Amended and Restated Certificate of Incorporation (previously filed as Exhibit 3.1 to the Current Report on Form 8-K (File Number 001-34963) on May 9, 2014, and incorporated herein by reference)
  - 3.4 Fifth Amended and Restated Bylaws (previously filed as Exhibit 3.1 to the Current Report on Form 8-K (File Number 001-34963) on March 12, 2014 and incorporated herein by reference)
  - 10.1 Second Amendment, Extension and Incremental Assumption Agreement dated October 1, 2014, among Holdings, LPL Holdings, Inc., the other Credit Parties signatory thereto, the several Lenders and Additional Lenders parties thereto, Bank of America, N.A., as Administrative Agent, Collateral Agent, Letter of Credit Issuer and Swingline Lender, J.P.Morgan Chase Bank, N.A., as future administrative agent and the other parties thereto\*
  - 10.2 First Amendment to Stockholders' Agreement dated September 24, 2014, by and between LPL Financial Holdings, Inc. and TPG Partners IV, L.P.\*
  - 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\*
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- 101.INS XBRL Instance Document
  - 101.SCH XBRL Taxonomy Extension Schema
  - 101.CAL XBRL Taxonomy Extension Calculation
  - 101.LAB XBRL Taxonomy Extension Label
  - 101.PRE XBRL Taxonomy Extension Presentation
  - 101.DEF XBRL Taxonomy Extension Definition

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\* Filed 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: October 30, 2014

By: /s/ MARK S. CASADY  
Mark S. Casady  
Chairman and Chief Executive Officer

Date: October 30, 2014

By: /s/ DAN H. ARNOLD  
Dan H. Arnold  
Chief Financial Officer



.....  
**SECOND AMENDMENT, EXTENSION AND INCREMENTAL ASSUMPTION AGREEMENT**

dated as of October 1, 2014

among

LPL FINANCIAL HOLDINGS INC.,  
as Holdings,

LPL HOLDINGS, INC.,  
as Borrower,

CERTAIN SUBSIDIARIES OF LPL FINANCIAL HOLDINGS INC.,  
as Subsidiary Guarantors,

THE LENDERS AND ADDITIONAL LENDERS PARTY HERETO,

BANK OF AMERICA, N.A.,  
as Administrative Agent and Current Agent

and

JPMORGAN CHASE BANK, N.A.,  
as Future Agent

.....  
J.P. MORGAN SECURITIES LLC,  
SUNTRUST ROBINSON HUMPHREY, INC.,  
WELLS FARGO SECURITIES, LLC,  
MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED,  
CITIZENS BANK, N.A.,  
MORGAN STANLEY SENIOR FUNDING, INC.,  
GOLDMAN SACHS BANK USA  
and  
CITIGROUP GLOBAL MARKETS INC.,  
as Joint Lead Arrangers and Joint Bookrunners,

BBVA COMPASS,  
as Documentation Agent

and

J.P. MORGAN SECURITIES LLC, SUNTRUST BANK,  
WELLS FARGO SECURITIES, LLC, MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED, CITIZENS BANK, N.A.,  
MORGAN STANLEY SENIOR FUNDING, INC., GOLDMAN SACHS BANK USA  
and  
CITIGROUP GLOBAL MARKETS INC.  
as Co-Syndication Agents

## SECOND AMENDMENT, EXTENSION AND INCREMENTAL ASSUMPTION AGREEMENT

This SECOND AMENDMENT, EXTENSION AND INCREMENTAL ASSUMPTION AGREEMENT (this “Agreement”), dated as of October 1, 2014, is made by and among LPL HOLDINGS, INC., a Massachusetts corporation (the “Borrower”), LPL FINANCIAL HOLDINGS INC., a Delaware corporation (“Holdings”), each subsidiary of the Borrower listed on the signature pages hereto (the “Subsidiary Guarantors”; the Subsidiary Guarantors, together with Holdings, the “Guarantors”; and the Guarantors, together with the Borrower, the “Credit Parties”), each of the undersigned banks and other financial institutions which is a “Lender” or an “Additional Lender” under (and as defined in) the Amended Credit Agreement (as defined below), BANK OF AMERICA, N.A., as administrative agent for the Lenders under, and as defined in, the Credit Agreement (as defined below) (the “Administrative Agent”), and also as collateral agent for the Lenders (in such capacities, “Current Agent” hereunder), and JPMORGAN CHASE BANK, N.A., as the future administrative agent and future collateral agent (in such capacities, “Future Agent”; and together with the Current Agent, the “Agents”).

### PRELIMINARY STATEMENTS:

(1) The Borrower, Holdings, the Administrative Agent, the arrangers and other agents party thereto, and the banks and other financial institutions from time to time party thereto as lenders are parties to that certain Credit Agreement, originally dated as of March 29, 2012 (as amended by that certain First Amendment and Incremental Assumption Agreement, dated as of May 13, 2013, and as otherwise amended, modified or supplemented from time to time prior to the date hereof, the “Credit Agreement”, and as further amended by this Agreement, the “Amended Credit Agreement”). Capitalized terms not otherwise defined in this Agreement have the same meanings as specified in the Credit Agreement;

(2) *The Incremental Revolving Refinancing Facility and the Incremental Revolving Increase.* Section 2.14 of the Credit Agreement provides that the Borrower, Holdings, each Lender and each Additional Lender providing Additional/Replacement Revolving Credit Commitments, as part of an Additional/Replacement Revolving Credit Facility, and the Administrative Agent, may enter into an “Incremental Agreement” to provide for the later-maturing Additional/Replacement Revolving Credit Facility contemplated to be made pursuant to this Agreement to refinance and replace the existing Revolving Credit Facility under the Credit Agreement. Section 2.14 of the Credit Agreement also provides that the Borrower, Holdings, each Lender and each Additional Lender providing an Incremental Revolving Increase Commitment (as defined below) pursuant to an Incremental Revolving Credit Commitment Increase (with respect to the new Additional/Replacement Revolving Credit Facility), and the Administrative Agent, may enter into an “Incremental Agreement” to provide for the Incremental Revolving Credit Commitment Increase contemplated to be made pursuant to this Agreement. The Borrower has requested that the Lenders and the Additional Lenders listed on Schedule 1 hereto, hereinafter collectively referred to as the “Incremental Revolving Lenders”, collectively provide, on the Second Amendment Effective Date (as defined below), pursuant to the terms hereof (a) the Incremental Revolving Refinancing Facility (as defined below) to replace the existing Revolving Credit Facility

with a new revolving credit facility with a maturity date extended from March 29, 2017 to September 30, 2019 (subject to a springing maturity requirement, as set forth in the Amended Credit Agreement), and (b) an Incremental Revolving Credit Commitment Increase in the revolving commitments available under the aforementioned Incremental Revolving Refinancing Facility, in an aggregate principal amount equal to \$150,000,000 (the “Incremental Revolver Increase”), and each Incremental Revolving Lender is prepared to provide a portion of such Incremental Revolving Refinancing Facility and/or such Incremental Revolver Increase, in each case in the corresponding amounts set forth in the applicable columns opposite such Incremental Revolving Lender’s name on Schedule 1 hereto, and in each case subject to the other terms and conditions set forth herein;

(3) *The Initial Tranche A Term Loan Extension and Refinancing.* Section 2.15 of the Credit Agreement provides that the Credit Parties, the Administrative Agent and the applicable Extending Lenders may establish an Extended Term Facility pursuant to an Extension Agreement. Section 2.14 of the Credit Agreement provides that the Borrower, Holdings, each Lender and each Additional Lender providing Incremental Term Loan Commitments, as part of an Incremental Term Loan Facility, and the Administrative Agent, may enter into an “Incremental Agreement” to provide for the later-maturing Incremental Term Loan Facility contemplated to be made pursuant to this Agreement and used to ratably refinance a portion of the remaining, unextended Initial Tranche A Term Loans. The Borrower (a) desires to extend the maturity date of all of the outstanding Initial Tranche A Term Loans from March 29, 2017 to September 30, 2019, subject to a springing maturity requirement, as set forth in the Amended Credit Agreement (the “Tranche A Extension”), and (b) has requested that, to the extent that any Initial Tranche A Term Loans remain unextended, that the Lenders and Additional Lenders listed on Schedule 2 hereto, hereinafter collectively referred to as the “Incremental Term Lenders”, provide, on the Second Amendment Effective Date, pursuant to the terms hereof, new Incremental Tranche A Term Loans to refinance a portion of the unextended Initial Tranche A Term Loans (such Incremental Tranche A Term Loans to be issued on the same terms, and subject to the same conditions, as the Extended Term Loans referenced above), in each case in a principal amount set forth opposite each such Incremental Term Lender’s name under the heading “2019 Refinancing Extended Tranche A Term Loan Amount” on Schedule 2 to this Agreement;

(4) *Agency Replacement Consents.* The Borrower desires to obtain the consent of all Lenders and all Additional Lenders party hereto to the making of certain other amendments to the Credit Agreement and the other Credit Documents to facilitate the future resignation and replacement of the Current Agent by the Future Agent;

(5) *Dividend Amendment.* The Borrower desires to increase the amount of the “fixed” part of the general Dividends basket in Section 10.6(h) of the Credit Agreement from \$250,000,000 to \$400,000,000 (the “Dividend Amendment”); and

(6) The Borrower, the other Credit Parties, the Agents, and the Lenders and Additional Lenders party hereto have agreed, subject to the terms and conditions set forth below, to amend the Credit Agreement as hereinafter set forth in accordance with Sections 2.14, 2.15 and 13.1 of the Credit Agreement.

**SECTION 1.**

**Revolver Transactions.** Pursuant to Section 2.14 of the Credit Agreement, and subject to the satisfaction of the conditions precedent set forth in Section 7 hereof, on and as of the Second Amendment Effective Date:

(a) **The Incremental Revolving Refinancing Facility.** (i) Each Incremental Revolving Lender hereby agrees that upon, and subject to, the occurrence of the Second Amendment Effective Date, (A) such Incremental Revolving Lender shall make, as contemplated by Section 2.14 of the Credit Agreement, a new Additional/Replacement Revolving Credit Commitment in an amount equal to the amount set forth opposite such Incremental Revolving Lender's name under the heading "Incremental Revolving Refinancing Commitments" on Schedule 1 to this Agreement, in each case as part of a new Class of revolving credit commitments constituting an Additional/Replacement Revolving Credit Facility, which is to be made pursuant hereto, and on the terms and conditions that are applicable to the "Revolving Credit Facility" (as defined in the Amended Credit Agreement), except that the aggregate principal amount all Additional/Replacement Revolving Credit Commitments thereunder shall initially be \$250,000,000, and such Additional/Replacement Revolving Credit Facility shall be referred to herein as the "Incremental Revolving Refinancing Facility"; and (B) such Incremental Revolving Lender shall (1) in the case of an Incremental Revolving Lender that is already a Lender under the Credit Agreement, continue to be a "Lender", and shall become an "Additional/Replacement Revolving Credit Lender" for all purposes of, and subject to all the obligations of an "Additional/Replacement Revolving Credit Lender" and a "Lender" under the Amended Credit Agreement and the other Credit Documents and (2) in the case of an Incremental Revolving Lender that is not an existing Lender under the Credit Agreement (immediately prior to the Second Amendment Effective Date), be deemed to be, and shall become, an "Additional Lender", an "Additional/Replacement Revolving Credit Lender" and a "Lender" for all purposes of, and subject to all the obligations of an "Additional Lender", an "Additional/Replacement Revolving Credit Lender" and a "Lender" under the Amended Credit Agreement and the other Credit Documents. Each Credit Party and Bank of America, N.A., in its capacity as the Administrative Agent, Letter of Credit Issuer and Swingline Lender, hereby agree that, from and after the Second Amendment Effective Date, each Incremental Revolving Lender shall be deemed to be, and shall be and/or shall become, an "Additional Lender", an "Additional/Replacement Revolving Credit Lender" and a "Lender", as applicable, for all purposes of, and with all the rights and remedies of an "Additional Lender", an "Additional/Replacement Revolving Credit Lender" and a "Lender", as applicable, under, the Amended Credit Agreement and the other Credit Documents.

(ii) Each Incremental Revolving Lender, each Credit Party and Bank of America, N.A., in its capacity as the Administrative Agent, Letter of Credit Issuer and Swingline Lender, hereby agree that this Agreement is an "Incremental Agreement", as defined in Section 2.14(e) of the Credit Agreement.

(iii) In accordance with the provisions of Section 5.2(e)(ii) and clause (ii) of the proviso to Section 2.14(b) of the Credit Agreement, the existing Revolving Credit Commitments under the Credit Agreement shall be immediately and permanently reduced by an amount equal to the aggregate principal amount of Additional/Replacement Revolving Credit Commitments made under the Incremental Revolving Refinancing Facility, and to

the extent that there are any Revolving Credit Loans outstanding under the Revolving Credit Facility on the Second Amendment Date, such outstanding Revolving Credit Loans shall be refinanced with Additional/Replacement Revolving Credit Loans made under the Incremental Revolving Refinancing Facility (which Additional/Replacement Revolving Credit Loans shall be funded in cash, or with respect to each Incremental Revolving Lender that is also a Revolving Credit Lender under the Credit Agreement, through the exchange of such Incremental Revolving Lender's outstanding Revolving Credit Loans, up to the full outstanding amount of such Revolving Credit Loans (with any deficiency to be funded in cash by such Incremental Revolving Lender)).

(iv) The Borrower and the Letter of Credit Issuer each hereby agrees that each Letter of Credit outstanding under the Revolving Credit Facility (immediately prior to the consummation of the transactions set forth in the preceding clauses of this Section 1(a)) shall be deemed to constitute a Letter of Credit issued pursuant to the Incremental Revolving Refinancing Facility.

(v) After giving effect to all of the transactions set forth in the preceding clauses of this Section 1(a), the Additional/Replacement Revolving Credit Facility established pursuant hereto and referred to herein as the "Incremental Revolving Refinancing Facility" shall become, and shall be referred to as, the "Revolving Credit Facility", and the "Additional/Replacement Revolving Credit Commitments", the "Additional/Replacement Revolving Credit Lenders" and the "Additional/Replacement Revolving Credit Loans" thereunder shall become, and shall be referred to as, the "Revolving Credit Commitments", the "Revolving Credit Lenders" and the "Revolving Credit Loans", respectively, in each case under, as defined in, and for all purposes of (x) the Amended Credit Agreement, and the other Credit Documents as amended by this Agreement, and (y) Section 1(b) of this Agreement.

(b) ***The Incremental Revolving Increase.*** (i) Each Incremental Revolving Lender hereby agrees that, subject to the occurrence of the Second Amendment Effective Date and immediately following the consummation of the transactions set forth in Section 1(a) above, (A) such Incremental Revolving Lender shall make, as contemplated by Section 2.14 of the Credit Agreement, an increased Revolving Credit Commitment in an amount equal to the amount set forth opposite such Incremental Revolving Lender's name under the heading "Incremental Revolving Increase Commitments" on Schedule 1 to this Agreement (each, an "Incremental Revolving Increase Commitment"), in each case constituting part of an Incremental Revolving Credit Commitment Increase made pursuant hereto; and (B) such Incremental Revolving Lender shall (1) in the case of an Incremental Revolving Lender that is already a Lender under the Credit Agreement (including if such Incremental Revolving Lender became a Lender after giving effect to Incremental Revolving Refinancing Facility), continue to be a "Revolving Credit Lender" and a "Lender", and shall become an "Incremental Revolving Credit Commitment Increase Lender", in each case for all purposes of, and subject to all the obligations of a "Revolving Credit Lender", a "Lender" and an "Incremental Revolving Credit Commitment Increase Lender" under the Amended Credit Agreement and the other Credit Documents, and (2) in the case of an Incremental Revolving Lender that is not an existing Lender under the Credit Agreement, be deemed to be, and shall become, an "Additional

Lender”, an “Incremental Revolving Credit Commitment Increase Lender” and a “Lender” for all purposes of, and subject to all the obligations of an “Additional Lender”, an “Incremental Revolving Credit Commitment Increase Lender” and a “Lender” under the Amended Credit Agreement and the other Credit Documents. Each Credit Party and the Administrative Agent hereby agree that, from and after the Second Amendment Effective Date and immediately following the consummation of the transactions set forth in Section 1(a) above, each Incremental Revolving Lender with an Incremental Revolving Increase Commitment shall be deemed to be, and shall be, a “Revolving Credit Lender”, an “Incremental Revolving Credit Commitment Increase Lender” and a “Lender”, as applicable, for all purposes of, and with all the rights and remedies of a “Revolving Credit Lender”, an “Incremental Revolving Credit Commitment Increase Lender” and a “Lender”, as applicable, under, the Amended Credit Agreement and the other Credit Documents. From and after the Second Amendment Effective Date and immediately following the consummation of the transactions set forth in Section 1(a) above, each reference in the Amended Credit Agreement to any Incremental Revolving Lender’s Revolving Credit Commitments shall include its Incremental Revolving Increase Commitment as acquired pursuant to this Agreement, and as set forth opposite its name on Schedule 1 to this Agreement under the heading “Incremental Revolving Increase Commitments” on such Schedule 1. As of the Second Amendment Effective Date, and after the consummation of the transactions set forth in this Section 1(b), each Incremental Revolving Lender’s aggregate Revolving Credit Commitment under the Amended Credit Agreement shall be the amount set forth opposite its name on Schedule 1 to this Agreement under the heading “Aggregate Revolving Commitments”.

(ii) Each Incremental Revolving Lender hereby acknowledges the provisions of Section 2.14(f)(ii) of the Amended Credit Agreement, and consents and agrees to (i) the assignments and assumptions of participations in outstanding Swingline Loans and Letters of Credit which shall be made pursuant thereto, and (ii) the making of the Revolving Credit Loans by such Incremental Revolving Lender which may be required to be made pursuant thereto.

(iii) Each Incremental Revolving Lender, each Credit Party and the Administrative Agent each hereby agree that this Agreement is an “Incremental Agreement”, as defined in Section 2.14(e) of the Credit Agreement.

## **SECTION 2. The Tranche A Term Loan Transactions.**

(a) ***The Initial Tranche A Term Loan Maturity Date Extension.*** Pursuant to Section 2.15 of the Credit Agreement, and subject to the satisfaction of the conditions precedent set forth in Section 7 hereof, on and as of the Second Amendment Effective Date:

(i) each Submitting Initial Tranche A Term Lender (as defined below) hereby (A) irrevocably offers for exchange into 2019 Initial Extended Tranche A Term Loans (as defined in the Amended Credit Agreement) an amount of the Initial Tranche A Term Loans held by such Lender equal to the amount set forth with respect to such Initial Tranche A Term Loans on such Submitting Initial Tranche A Term Lender’s signature page hereto, and (B) agrees that as of the Second Amendment Effective Date, (x) the amount of its Initial Tranche A Term Loans set forth on Schedule 2 hereto opposite such Submitting Initial

Tranche A Term Lender's name under the heading "2019 Initial Extended Tranche A Term Loan Amount" shall be exchanged for, and shall be reclassified to become, 2019 Initial Extended Tranche A Term Loans pursuant to the provisions of Section 2.15(a)(i) of the Credit Agreement, and such Submitting Initial Tranche A Term Lender shall become a 2019 Extended Tranche A Term Lender (as defined in the Amended Credit Agreement) with respect thereto, and (y) the remainder (if any) of such Submitting Initial Tranche A Term Lender's Initial Tranche A Term Loans will remain outstanding, but shall be reclassified as 2017 Initial Tranche A Term Loans (as defined in the Amended Credit Agreement), in the amount set forth on Schedule 2 hereto opposite such Submitting Initial Tranche A Term Lender's name under the heading "2017 Initial Tranche A Term Loan Amount", on the same terms as in existence prior to the Second Amendment Effective Date (other than those terms that are amended pursuant to Section 2.15 of the Credit Agreement and Section 3 hereof);

(ii) as of the Second Amendment Effective Date, the Initial Tranche A Term Loans of each Initial Tranche A Term Lender that is not a party hereto shall remain outstanding as Initial Tranche A Term Loans but shall be reclassified as 2017 Initial Term Loans in the amount set forth on Schedule 2 hereto opposite such Initial Tranche A Term Lender's name under the heading "2017 Initial Tranche A Term Loan Amount", on the same terms as in existence prior to the Second Amendment Effective Date (other than those terms that are amended pursuant to Section 2.15 of the Credit Agreement and Section 3 hereof);

(iii) each Submitting Initial Tranche A Term Lender, each Credit Party and the Administrative Agent each hereby agree that (A) this Agreement is an "Extension Agreement", as defined in Section 2.15(c) of the Credit Agreement, (B) the Initial Tranche A Term Loans constitute an "Existing Term Loan Class" for the purposes of Section 2.15(a)(i) of the Credit Agreement, (C) the 2019 Initial Extended Tranche A Term Loans are "Extended Term Loans" for the purposes of Section 2.15 of the Credit Agreement, (D) the Second Amendment Effective Date is the applicable "Extension Date" with respect to the 2019 Extended Tranche A Term Loans, (E) the 2019 Extended Tranche A Term Loan Facility (as defined in the Amended Credit Agreement) is an "Extended Term Loan Facility" for the purposes of Section 2.15 of the Credit Agreement, and (F) the 2019 Extended Tranche A Term Lenders (as defined in the Amended Credit Agreement) are "Extending Term Lenders" for the purposes of Section 2.15 of the Credit Agreement;

(iv) as used herein, "Submitting Initial Tranche A Term Lender" shall mean, each Initial Tranche A Term Lender that submits to the Administrative Agent a signature page to this Agreement offering to exchange all or a portion of such Initial Tranche A Term Lender's Initial Tranche A Term Loans for 2019 Extended Tranche A Term Loans at or prior to the Consent Deadline (as defined below) and the "Submitted Initial Term Loan Amount" of each Lender shall mean the principal amount of such Initial Tranche A Term Loans submitted for exchange by such Lender as set forth on its signature page to this Agreement; and

(v) on and after the date of delivery of a duly executed signature page by any Submitting Initial Tranche A Term Lender, until the Second Amendment Effective Date, all Initial Tranche A Term Loans comprising the Submitted Initial Term Loan Amount of each Initial Tranche A Term Lender shall continue to be subject to the offer for exchange described

above, notwithstanding any later transfer and/or assignment of all or a portion of such Submitted Initial Term Loan Amount to an Eligible Assignee prior to the Second Amendment Effective Date.

(b) ***The Incremental Tranche A Refinancing Facility.*** Pursuant to Section 2.14 of the Credit Agreement, and subject to the satisfaction of the conditions precedent set forth in Section 7 hereof, on and as of the Second Amendment Effective Date:

(i) each Incremental Term Lender hereby agrees that, subject to the occurrence of the Incremental Term Loan Effective Date and immediately following the consummation of the transactions set forth in Section 2(a) above, (A) as contemplated by Section 2.14 of the Credit Agreement, such Incremental Term Lender shall have a new Incremental Term Loan Commitment, and shall make Incremental Tranche A Term Loans pursuant thereto on the Second Amendment Closing Date, in each case in an amount equal to the amount set forth opposite such Incremental Term Lender's name under the heading "2019 Refinancing Tranche A Term Loan Amount" on Schedule 2 to this Agreement, in each case on the terms and conditions that are applicable to the "2019 Extended Tranche A Term Loan Facility" (as defined in the Amended Credit Agreement) and such Incremental Term Loan Facility shall be referred to herein as the "Incremental Tranche A Refinancing Facility"; and (B) such Incremental Term Lender shall (x) in the case of an Incremental Term Lender that is a Tranche A Lender under the Credit Agreement, continue to be a "Tranche A Lender" and a "Lender" for all purposes of, and subject to all the obligations of a "Tranche A Lender" and a "Lender" under the Amended Credit Agreement and the other Credit Documents, (y) in the case of an Incremental Term Lender that is a Lender, but is not a Tranche A Lender, under the Credit Agreement, continue to be a "Lender", and be deemed to be, and shall become, a "Tranche A Lender", for all purposes of, and subject to all the obligations of a "Tranche A Lender" and a "Lender" under the Amended Credit Agreement and the other Credit Documents, and (z) in the case of an Incremental Term Lender that is not an existing Lender under the Credit Agreement, be deemed to be, and shall become, an "Additional Lender", a "Tranche A Lender" and a "Lender" for all purposes of, and subject to all the obligations of an "Additional Lender", a "Tranche A Lender" and a "Lender" under the Amended Credit Agreement and the other Credit Documents. Each Credit Party and the Administrative Agent hereby agree that, from and after the Second Amendment Effective Date and immediately following the consummation of the transactions set forth in Section 2(a) above, each Incremental Term Lender shall be deemed to be, and shall become, an "Additional Lender", a "Tranche A Lender" and a "Lender", as applicable, for all purposes of, and with all the rights and remedies of an "Additional Lender", a "Tranche A Lender" and a "Lender", as applicable, under, the Amended Credit Agreement and the other Credit Documents. From and after the Second Amendment Effective Date and immediately following the consummation of the transactions set forth in Section 2(a) above, each reference in the Credit Agreement to any 2019 Extended Tranche A Term Lender's 2019 Extended Tranche A Term Loan Commitment or 2019 Extended Tranche A Term Loans shall include the Incremental Term Loan Commitment and the Incremental Term Loans made by such 2019 Extended Tranche A Term Lender (as an Incremental Term Lender hereunder) pursuant to this Section 2(b), and as set forth opposite its name on Schedule 2 to this Agreement under the heading "2019 Refinancing Extended



Tranche A Term Loan Amount” on Schedule 2 to this Agreement. The amount that is the sum of each 2019 Extended Tranche A Term Lender’s 2019 Initial Extended Tranche A Term Loan Amount and its 2019 Refinancing Extended Tranche A Term Loan Amount” shall be set forth opposite its name on Schedule 2 to this Agreement under the heading “2019 Extended Tranche A Total Term Loan Amount”. For the avoidance of doubt, all 2019 Initial Extended Tranche A Term Loans and all 2019 Refinancing Extended Tranche A Term Loans shall be 2019 Extended Tranche A Term Loans under the 2019 Extended Tranche A Term Loan Facility (in each case pursuant to, and as defined in, the Amended Credit Agreement) and shall be a single Class for all purposes of the Amended Credit Agreement and the other Credit Documents;

(ii) each Incremental Term Lender, each Credit Party and the Administrative Agent each hereby agree that this Agreement is an “Incremental Agreement”, as defined in Section 2.14(e) of the Credit Agreement and that the “Incremental Facility Closing Date” shall be the Second Amendment Effective Date immediately following the consummation of the transactions set forth in Section 2(a) above; and

(iii) in accordance with the provisions of Section 5.2(a)(i) and clause (i) of the proviso to Section 2.14(b) of the Credit Agreement, all of the Net Cash Proceeds from the Incremental Term Loans made by the Incremental Term Lenders pursuant to this Section 2(b) shall be immediately applied to the ratable prepayment of outstanding 2017 Initial Tranche A Term Loans (as defined in the Amended Credit Agreement).

**SECTION 3. Initial Amendments.** Pursuant to Sections 2.14, 2.15 and 13.1 of the Credit

Agreement, and subject to the satisfaction of the conditions precedent set forth in Section 7 hereof, effective on and as of the Second Amendment Effective Date, the Credit Agreement is hereby amended (a) to delete the struck text (indicated textually in the same manner as the following example: ~~struck text~~), and to add the double-underlined text (indicated textually in the same manner as the following example: double-underlined text) as set forth in the pages of the Amended Credit Agreement attached as Annex I-A hereto, and (b) to replace Exhibit D previously attached to the Credit Agreement with the corresponding Exhibit D attached hereto, thereby amending and restating in its entirety such Exhibit (collectively, the “Initial Amendments”), except that any Schedule or Exhibit to the Credit Agreement not amended pursuant to the terms of this Agreement or otherwise included as part of such Annex I-A shall remain in effect without any amendment or other modification thereto.

**SECTION 4. Dividend Amendment Consent and Other Amendments.** Pursuant to Section 13.1 of

the Credit Agreement, and subject to the satisfaction of the conditions precedent set forth in Section 8 hereof, each of the Lenders and Additional Lenders, the Borrower, the Administrative Agent and the Future Agent hereby each irrevocably agree that, effective on and as of the Post-Amendment Effective Date, the Credit Agreement is hereby amended to delete the struck text (indicated textually in the same manner as the following example: ~~struck text~~), and to add the double-underlined text (indicated textually in the same manner as the following example: double-underlined text) as set forth in the pages of the Amended Credit Agreement attached as Annex I-B hereto.

**SECTION 5.**

**Agency Replacement Consents.** Pursuant to Sections 12.8 and 13.1 of the Credit Agreement, and subject to the satisfaction of the conditions precedent set forth in Section 8 hereof, each Lender party hereto, each Additional Lender party hereto, the Agents, the Swingline Lender and each Letter of Credit Issuer party hereto hereby irrevocably consents to:

(a) the replacement of the Current Agent with the Future Agent pursuant to an agency resignation and assignment agreement (or other similar agreement), made on terms and conditions reasonably satisfactory to the Current Agent, the Future Agent and the Borrower, to be entered into among the Current Agent, the Future Agent and the Borrower (an “Agency Assignment Agreement”); and

(b) subject to the satisfaction of the conditions precedent set forth in Section 9 hereof, the amendment of the Amended Credit Agreement (i) to delete the struck text (indicated textually in the same manner as the following example: ~~struck text~~) and to add the double-underlined text (indicated textually in the same manner as the following example: double-underlined text) as set forth in the pages of the Amended Credit Agreement attached as Annex I-C hereto, and (ii) to replace Schedule 13.2 previously attached to the Credit Agreement with the corresponding Schedule 13.2 attached hereto, thereby amending and restating in its entirety such Schedule 13.2 (such amendments, the “Agency Replacement Amendments”).

**SECTION 6.**

**Representations and Warranties.** Each of the Credit Parties hereby represents and warrants, on and as of the Second Amendment Effective Date, to the Agents, the Lenders and Additional Lenders, the Swingline Lender and each Letter of Credit Issuer, that:

(a) The representations and warranties set forth in the Credit Agreement and in the other Credit Documents are true and correct in all material respects with the same effect as though such representations and warranties had been made on and as of the Second Amendment Effective Date, except to the extent such representations and warranties expressly relate to an earlier date, in which case such representations and warranties shall have been true and correct in all material respects as of such earlier date; provided that any representation and warranty that is qualified as to “materiality”, “Material Adverse Effect” or similar language shall be true and correct in all respects on the Second Amendment Effective Date, or on such earlier date, as the case may be (after giving effect to such qualification).

(b) It has the corporate or other organizational power to execute, deliver and perform this Agreement, and it has taken all necessary corporate or other organizational action required to be taken by it to authorize the execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby.

(c) At the time of and after giving effect to this Agreement, no Default or Event of Default has occurred and is continuing.

**SECTION 7.**

**Conditions to Second Amendment Effectiveness.** This Agreement, and the obligations of various Lenders and Additional Lenders party hereto to make and/or extend the maturity of their respective Commitments and Loans hereunder, as provided in Sections 1 and 2 hereof, shall become effective on and as of the first Business Day on which the following conditions shall have been satisfied or waived by the applicable Lenders and Additional Lenders party hereto (the "**Second Amendment Effective Date**"):

(a) the Administrative Agent shall have received, no later than September 30, 2014 (the "**Consent Deadline**") counterparts of this Agreement, duly executed and delivered on behalf of (i) the Borrower, (ii) Holdings, (iii) each Subsidiary Guarantor, (iv) the Administrative Agent and Current Agent, (v) the Future Agent, (vi) each Incremental Term Lender, (vii) each Submitting Initial Tranche A Term Lender, (viii) each Incremental Revolving Lender, (ix) the Swingline Lender and (x) each Letter of Credit Issuer;

(b) the Administrative Agent shall have received (i) with respect to the Tranche A Extension, a duly executed and complete Term Loan Extension Request from the Borrower, issued with respect to the Tranche A Extension and made in compliance with Section 2.15(a)(i), (ii) with respect to the Incremental Revolving Refinancing Facility, a written notice by the Borrower of its request for Additional/Replacement Revolving Credit Commitments pursuant to Section 2.14(a) and (iii) with respect to the Incremental Tranche A Term Loans, (A) a written notice by the Borrower of its request for Incremental Tranche A Term Loans pursuant to Section 2.14(a) and (B) a Notice of Borrowing on or prior to the Second Amendment Effective Date;

(c) the Administrative Agent shall have received (i) a certified copy of the resolutions, in form and substance reasonably satisfactory to the Administrative Agent, of the board of directors, other managers or general partner of the Borrower and each other Credit Party (or a duly authorized committee thereof) authorizing the execution, delivery and performance of this Agreement and the performance of the Amended Credit Agreement and the other Credit Documents to which such Credit Party is a party, in each case as modified by this Agreement, certified as of the Second Amendment Effective Date by an Authorized Officer of such Credit Party as being in full force and effect without modification or amendment, and (ii) good standing certificates for such Credit Party for each jurisdiction in which such Credit Party is organized;

(d) the Administrative Agent shall have received such incumbency certificates and/or other certificates of Authorized Officers of the Borrower and each other Credit Party as the Administrative Agent may reasonably require evidencing the identity, authority and capacity of each Authorized Officer of such Credit Party authorized to act as an Authorized Officer in connection with this Agreement, the Amended Credit Agreement and the other Credit Documents to which such Credit Party is a party;

(e) the Administrative Agent shall have received from Ropes & Gray LLP, counsel to Holdings, the Borrower and the other Credit Parties, an executed legal opinion covering such matters as the Agents may reasonably request and otherwise reasonably satisfactory to the Agents;

(f) the representations and warranties contained (i) in Section 6 of this Agreement, and (ii) in Section 8 of the Credit Agreement and in the other Credit Documents, shall, in each case, be true and correct in all material respects, on and as of the Second Amendment Effective Date, except to the extent such representations and warranties specifically refer to an earlier date, in which case they are true and correct as of such earlier date; provided that any representation and warranty that is qualified as to “materiality”, “Material Adverse Effect” or similar language shall be true and correct in all respects on the Second Amendment Effective Date or on such earlier date, as the case may be (after giving effect to such qualification);

(g) no Default or Event of Default exists immediately before or immediately after giving effect to this Agreement, and the consummation of the extensions of credit, extensions of maturity dates, and other transactions set forth herein;

(h) with respect to the Incremental Revolver Increase, after giving effect to any borrowings under the Incremental Revolver Increase and any Specified Transactions being consummated in connection therewith, the Borrower and the Restricted Subsidiaries would be in compliance on a Pro Forma Basis with the requirements of Sections 10.9 and 10.10 of the Credit Agreement as of the most recently ended Test Period on or prior to the incurrence such borrowings under the Incremental Revolver Increase, calculated on a Pro Forma Basis, in each case as if the Incremental Revolver Increase had been outstanding on the first day of such Test Period;

(i) the Administrative Agent shall have received a certificate, dated as of the Second Amendment Effective Date, signed by an Authorized Officer of the Borrower certifying as to compliance with the conditions precedent set forth in clauses (f), (g) and (h) of this Section 7;

(j) the Administrative Agent shall have received all documentation and other information reasonably requested in writing at least five Business Days prior to the date hereof in order to allow any Additional Lenders to comply with applicable “know your customer” and anti-money laundering rules and regulations, including without limitation, the PATRIOT ACT;

(k) the Administrative Agent shall have received a solvency certificate from the chief financial officer of the Borrower as to the solvency (on a consolidated basis) of the Borrower and its Subsidiaries as of the Second Amendment Effective Date;

(l) the Borrower shall have paid all reasonable out of pocket costs and expenses of the Agents (including the reasonable fees, disbursements and other charges of counsel) for which invoices have been presented at least two Business Days prior to the Second Amendment Effective Date; and

(m) the Borrower shall have paid to the Administrative Agent, for the account of (i) each of the “Joint Lead Arrangers and Joint Bookrunners” listed as such on the cover sheet of this Agreement (each a “JLA”), all fees payable to such JLA pursuant to each applicable fee letter made between or among the Borrower and the various JLAs, and

(ii) the Lenders and Additional Lenders party hereto:

(i) for each Lender or Additional Lender holding any “Revolving Credit Commitments” pursuant to, and as defined in, the Amended Credit Agreement as of the Second Amendment Effective Date (immediately following the effectiveness of this Agreement), a non-refundable fee in an amount equal to 0.20% of the aggregate principal amount of the “Revolving Credit Commitments” (as defined in the Amended Credit Agreement) of such Lender or Additional Lender as of the Second Amendment Effective Date (immediately following the effectiveness of this Agreement);

(ii) for each Lender or Additional Lender holding any “Revolving Credit Commitments” pursuant to, and as defined in, the Amended Credit Agreement as of the Second Amendment Effective Date (immediately following the effectiveness of this Agreement), an additional non-refundable fee in an amount equal to 0.20% of the *difference* (if a positive number) between (x) the aggregate principal amount of the “Revolving Credit Commitments” (as defined in the Amended Credit Agreement) of such Lender or Additional Lender as of the Second Amendment Effective Date (immediately following the effectiveness of this Agreement), *minus*, (y) the aggregate principal amount of the Revolving Credit Commitments under the Credit Agreement held by such Lender or Additional Lender immediately prior to the Second Amendment Effective Date (and without giving effect to any of the transactions in this Agreement);

(iii) for each Lender or Additional Lender holding any “2019 Extended Tranche A Term Loans” pursuant to, and as defined in, the Amended Credit Agreement as of the Second Amendment Effective Date (immediately following the effectiveness of this Agreement), a non-refundable fee in an amount equal to 0.20% of the aggregate principal amount of the “2019 Extended Tranche A Term Loans” (as defined in the Amended Credit Agreement) of such Lender or Additional Lender as of the Second Amendment Effective Date (immediately following the effectiveness of this Agreement); and

(iv) for each Lender or Additional Lender holding any “2019 Extended Tranche A Term Loans” pursuant to, and as defined in, the Amended Credit Agreement as of the Second Amendment Effective Date (immediately following the effectiveness of this Agreement), an additional non-refundable fee in an amount equal to 0.20% of the *difference* (if a positive number) between (x) the aggregate principal amount of the “2019 Extended Tranche A Term Loans” (as defined in the Amended Credit Agreement) of such Lender or Additional Lender as of the Second Amendment Effective Date (immediately following the effectiveness of this Agreement), *minus*, (y) the aggregate principal amount of the Initial Tranche A Term Loans under the Credit Agreement held by such Lender or Additional Lender immediately prior to the Second Amendment Effective Date (and without giving effect to any of the transactions in this Agreement).

**SECTION 8.**

**Conditions to Post-Amendment Effective Date.** The Dividend Amendment and the other amendments to be made pursuant to Section 4 hereof (collectively, the “Delayed Amendments”) shall become effective on and as of the first Business Day on which the following conditions precedent shall have been satisfied or waived by the Required Lenders (determined as of the applicable date on which such “Required Lenders” consent is obtained) (the “Post-Amendment Effective Date”):

(a) the Second Amendment Effective Date shall have occurred prior to, or shall occur contemporaneously with, the Post-Amendment Effective Date, in each case in accordance with Section 7 of this Agreement;

(b) the Administrative Agent (as defined in the Amended Credit Agreement as of the Post-Amendment Effective Date) shall have received counterparts of this Agreement and the duly executed and delivered originals or copies of such other agreements (including executed counterparts thereof) which constitute amendments to the Amended Credit Agreement (and which amendments specifically include the consent of the Lenders (as defined in the Amended Credit Agreement as of the Post-Amendment Effective Date) party thereto to the Delayed Amendments) as may be reasonably required by the Administrative Agent, in each case duly executed and delivered on behalf of the Required Lenders (determined after giving effect to the Initial Amendments);

(c) the Administrative Agent shall have received from Ropes & Gray LLP, counsel to Holdings, the Borrower and the other Credit Parties, an executed legal opinion covering such matters as related to the Delayed Amendments as the Agents may reasonably request and otherwise reasonably satisfactory to the Agents;

(d) the representations and warranties contained in Section 8 of the Credit Agreement and in the other Credit Documents, shall, in each case, be true and correct in all material respects, on and as of the Post-Amendment Effective Date (and giving full effect to the Delayed Amendments), except to the extent such representations and warranties specifically refer to an earlier date, in which case they are true and correct as of such earlier date; provided that any representation and warranty that is qualified as to “materiality”, “Material Adverse Effect” or similar language shall be true and correct in all respects on the Post-Amendment Effective Date or on such earlier date, as the case may be (after giving effect to such qualification);

(e) no Default or Event of Default exists immediately before, or immediately after giving full effect to the Delayed Amendments; and

(f) the Agents shall have received a certificate, dated as of the Post-Amendment Effective Date, signed by an Authorized Officer of the Borrower certifying as to compliance with the conditions precedent set forth in Sections 8(d) and (e) of this Agreement.

**SECTION 9.**

**Conditions to Agency Replacement Effective Date.** The Agency Replacement Amendments to be made pursuant to Section 5 hereof shall become effective on and as of the first Business Day on which the following conditions precedent shall have been satisfied

or waived by the Required Lenders (determined as of the applicable date on which such “Required Lenders” consent is obtained) (the “Agency Replacement Effective Date”):

(a) the Post-Amendment Effective Date shall have occurred prior to, or shall occur contemporaneously with, the Agency Replacement Effective Date, in each case in accordance with Section 8 of this Agreement; and

(b) the Administrative Agent (as defined in the Amended Credit Agreement as of the Post-Amendment Effective Date) shall have received the duly executed and delivered originals or copies of: (i) the Agency Assignment Agreement by the Current Agent, the Future Agent and the Borrower and (ii) this Agreement and such other agreements (including executed counterparts thereof) which constitute amendments to the Amended Credit Agreement (and which amendments specifically include the consent of the Lenders (as defined in the Amended Credit Agreement as of the Agency Replacement Effective Date) party thereto to the Agency Replacement Amendments) as may be reasonably required by the Administrative Agent, in each case duly executed and delivered on behalf of the Required Lenders (determined after giving effect to the Initial Amendments).

## **SECTION 10.**

## **Reference to and Effect on the Credit Agreement; Confirmation of**

### **Guarantors.**

(a) On and after the effectiveness of this Agreement (and with respect to the Delayed Amendments, on and after the Post-Amendment Effective Date and, with respect to the Agency Replacement Amendments, the Agency Replacement Effective Date), each reference in the Amended Credit Agreement to “this Agreement”, “hereunder”, “hereof” or words of like import referring to the Credit Agreement, shall mean and be a reference to the Credit Agreement, as amended by, and after giving effect to, this Agreement.

(b) Each Credit Document, after giving effect to this Agreement, is and shall continue to be in full force and effect and is hereby in all respects ratified and confirmed, except that, on and after the effectiveness of this Agreement, each reference in each of the Credit Documents (including the Security Agreement and the other Security Documents) to the “Credit Agreement”, “thereunder”, “thereof” or words of like import referring to the Credit Agreement shall mean and be a reference to the Credit Agreement, as amended by, and after giving effect to, this Agreement. Without limiting the generality of the foregoing, the Security Documents and all of the Collateral described therein do and shall continue to secure the payment of all Obligations, including under the Credit Documents, as amended by, and after giving effect to, this Agreement, in each case subject to the terms thereof.

(c) Each Credit Party hereby (i) ratifies and reaffirms all of its payment and performance obligations, contingent or otherwise, under each of the Credit Documents to which it is a party, (ii) ratifies and reaffirms each grant of a lien on, or security interest in, its property made pursuant to the Credit Documents (including, without limitation, the grant of security made by such Credit Party pursuant to the Security Agreement) and confirms that such liens and security interests continue to secure the Obligations, including under the Credit Documents, including, without limitation, all Obligations resulting from or incurred pursuant to the Incremental Facilities made

pursuant hereto, in each case subject to the terms thereof, and (iii) in the case of each Guarantor, ratifies and reaffirms its guaranty of the Obligations pursuant to its respective Guarantee.

(d) The execution, delivery and effectiveness of this Agreement shall not, except as expressly provided herein, operate as a waiver of any right, power or remedy of any Lender, any Additional Lender or any Agent under any of the Credit Documents, or constitute a waiver of any provision of any of the Credit Documents.

**SECTION 11.** **Costs, Expenses.** The Borrower agrees to pay on demand all reasonable out of pocket costs and expenses of the Agents in connection with the preparation, execution and delivery of this Agreement and the other instruments and documents to be delivered hereunder (including, without limitation, the reasonable fees and expenses of counsel for the Agents) in accordance with the terms of Section 13.5 of the Credit Agreement.

**SECTION 12.** **Execution in Counterparts.** This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute but one and the same agreement. Delivery of an executed counterpart of a signature page to this Agreement by telecopier (or other electronic transmission) shall be effective as delivery of a manually executed counterpart of this Agreement.

**SECTION 13.** **FATCA Withholding; Other Agreement.**

(a) The Credit Parties, the Administrative Agent, and the Lenders and Additional Lenders acknowledge and agree that, solely for purposes of determining the applicability of U.S. Federal withholding Taxes imposed by FATCA (as defined in the Amended Credit Agreement), from and after the Second Amendment Effective Date, the Revolving Credit Facility (as defined in the Amended Credit Agreement), the 2017 Initial Tranche A Term Loan Facility (as defined in the Amended Credit Agreement) and the 2019 Extended Tranche A Term Loan Facility (as defined in the Amended Credit Agreement) will not be treated as a “grandfathered obligation” within the meaning of Treasury Regulation Section 1.1471-2(b)(2)(i).

(b) Following the Second Amendment Effective Date until the Post-Effective Amendment Date, pursuant to Section 9.1(g)(ii) of the Credit Agreement, the Borrower hereby agrees to include in each certificate delivered by the Borrower under Section 9.1(d) of the Credit Agreement the amount available to the Borrower for Dividends under Section 10.6(h)(i) of the Credit Agreement as at the end of the fiscal year or fiscal quarter period, as the case may be, reported on such certificate.

**SECTION 15.** **WAIVER OF JURY TRIAL.** EACH PARTY HERETO HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES TRIAL BY JURY IN ANY LEGAL ACTION OR PROCEEDING RELATING TO THIS AGREEMENT OR ANY OTHER CREDIT DOCUMENT AND FOR ANY COUNTERCLAIM THEREIN.

**SECTION 16.** **GOVERNING LAW.** THIS AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAW OF THE



STATE OF NEW YORK.

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, the parties hereto have caused this Second Amendment, Extension and Incremental Assumption Agreement to be executed by their respective officers thereunto duly authorized, as of October 1, 2014.

**LPL HOLDINGS, INC.**

**as Borrower**

By: /s/ Dan H. Arnold

\_\_\_\_\_  
Name: Dan H. Arnold

Title: Chief Financial Officer

**LPL FINANCIAL HOLDINGS, INC.,**

**as Holdings**

By: /s/ Dan H. Arnold

\_\_\_\_\_  
Name: Dan H. Arnold

Title: Chief Financial Officer

**INDEPENDENT ADVISERS GROUP CORPORATION,  
as a Subsidiary Guarantor**

By: /s/ Dan H. Arnold

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Name: Dan H. Arnold

Title: Chief Financial Officer

**LPL INDEPENDENT ADVISOR SERVICES GROUP LLC,  
as a Subsidiary Guarantor**

By: /s/ Dan H. Arnold

---

Name: Dan H. Arnold

Title: Vice President and Treasurer

**LPL INSURANCE ASSOCIATES, INC.,  
as a Subsidiary Guarantor**

By: /s/ Ryan Parker

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Name: Ryan Parker

Title: President and Treasurer

**BANK OF AMERICA, N.A.,  
as Administrative Agent, Current Agent, Letter of  
Credit Issuer and Swingline Lender**

By: /s/ Matthew C. White

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Name: Matthew C. White

Title: Vice President

**JPMORGAN CHASE BANK, N.A.,  
as Future Agent**

By: /s/ Evelyn Crisci

---

Name: Evelyn Crisci

Title: Vice President

The undersigned hereby irrevocably and unconditionally approves this Second Amendment, Extension and Incremental Assumption Agreement as of October 1, 2014.

[\_\_\_\_\_] ,  
as a **Lender or an Additional Lender**

By: \_\_\_\_\_  
Name:  
Title:

Please check each of the boxes below to the extent that the statement or description immediately to the right of such box is applicable to Lender or Additional Lender that is the signatory above:

- Prior giving effect to this Second Amendment, Extension and Incremental Assumption Agreement, the signatory held Loans and/or Commitments under the Credit Agreement, and as such is a “Lender”.
- Prior giving effect to this Second Amendment, Extension and Incremental Assumption Agreement, the signatory did not hold any Loans or Commitments under the Credit Agreement, and as such is an “Additional Lender”.
- After giving effect to the Incremental Revolving Refinancing Facility only, the signatory held Loans and/or Commitments under the Credit Agreement, and as such is a “Lender” for purposes of all subsequent transactions.
- The signatory is making Additional/Replacement Revolving Credit Commitments and an Incremental Revolving Credit Commitment Increase pursuant to this Second Amendment, Extension and Incremental Assumption Agreement, and as such is an “Incremental Revolving Lender”.
- The signatory is submitting Initial Tranche A Term Loans for exchange into 2019 Extended Tranche A Term Loans pursuant to this Second Amendment, Extension and Incremental Assumption Agreement, and as such is a “Submitting Initial Tranche A Term Lender”, and the aggregate principal amount of the Initial Tranche A Loans submitted for exchange by such Submitting Initial Tranche A Term Lender is \$\_\_\_\_\_.
- The signatory is making Incremental Term Loan Commitments pursuant to this Second Amendment, Extension and Incremental Assumption Agreement, and as such is an “Incremental Term Lender”.



**Schedule 1**

**Incremental Revolving Refinancing Commitments  
and  
Incremental Revolving Increase Commitments**

**[On file with the Administrative Agent]**

**Schedule 2**

**Submitted Initial Term Loan Amounts,  
2019 Refinancing Tranche A Term Loan Amounts  
and  
2017 Initial Tranche A Term Loan Amounts**

**[On file with the Administrative Agent]**

**Annex I-A**

**Initial Amendments to Credit Agreement**

[See attached]

[ANNEX 1-A]

**CREDIT AGREEMENT**

Dated as of March 29, 2012

among

**LPL INVESTMENT HOLDINGS INC.,**  
as Holdings,

**LPL HOLDINGS, INC.,**  
as Borrower,

**The Several Lenders**  
**from Time to Time Parties Hereto,**

**BANK OF AMERICA, N.A.**  
as Administrative Agent, Collateral Agent, Letter of Credit Issuer and Swingline Lender

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**MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED AND GOLDMAN  
SACHS BANK USA**  
as Joint Lead Arrangers,

**MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED, GOLDMAN  
SACHS BANK USA, J.P. MORGAN SECURITIES LLC, MORGAN STANLEY SENIOR  
FUNDING, INC. AND SUNTRUST ROBINSON HUMPHREY, INC.**  
as Joint Bookrunners,

**GOLDMAN SACHS BANK USA, J.P. MORGAN SECURITIES LLC AND MORGAN  
STANLEY SENIOR FUNDING, INC.**  
as Syndication Agents and

**SUNTRUST BANK**  
as Documentation Agent

**CREDIT AGREEMENT**, dated as of March 29, 2012, among **LPL INVESTMENT HOLDINGS INC.**, a Delaware corporation (“Holdings”; as hereinafter further defined), **LPL HOLDINGS, INC.**, a Massachusetts corporation (the “Borrower”), the banks, financial institutions and other investors from time to time parties hereto as lenders (each a “Lender” and, collectively, the “Lenders”; each as hereinafter further defined), and **BANK OF AMERICA, N.A.**, as Administrative Agent, Collateral Agent, a Letter of Credit Issuer and Swingline Lender.

**RECITALS:**

**WHEREAS**, capitalized terms used in these Recitals and the preamble to this Agreement shall have the respective meanings set forth for such terms in Section 1.1 hereof;

**WHEREAS**, Holdings, the Borrower, the lending institutions party thereto (the “Original Lenders”), Morgan Stanley Senior Funding, Inc., as administrative agent, and Morgan Stanley & Co., as collateral agent, are parties to that certain Third Amended and Restated Credit Agreement, dated as of May 24, 2010 (as heretofore amended, supplemented or otherwise modified from time to time, the “Original Credit Agreement”), pursuant to which the Original Lenders extended or committed to extend certain credit facilities to the Borrower;

**WHEREAS**, the Borrower has requested that, immediately upon the satisfaction in full of the applicable conditions precedent set forth in Section 6 below, the Lenders and Letter of Credit Issuers extend a total of \$1,600,000,000 of credit to the Borrower in the form of (i) \$735,000,000 in aggregate principal amount of tranche A term loans to be borrowed on the Closing Date (the “2017 Initial Tranche A Term Loan Facility” (referred to as the “Initial Tranche A Term Loan Facility” prior to the Amendment No. 2 Effective Date (as defined below))), (ii) \$615,000,000 in aggregate principal amount of tranche B term loans to be borrowed on the Closing Date (the “Initial Tranche B Term Loan Facility”) and (iii) \$250,000,000 in aggregate principal amount of Revolving Credit Commitments, which amount was increased to \$400,000,000 as of the Amendment No. 2 Effective Date (the “Revolving Credit Facility”);

**WHEREAS**, the Borrower intends to use the proceeds of the Initial Term Loans (as defined below) to repay existing indebtedness under the Original Credit Agreement in an aggregate principal amount of approximately \$1,337,777,559.51, at which time all existing commitments, security interests and guarantees in respect of the Original Credit Agreement and the related documents and obligations thereunder will be terminated, released and discharged in full (other than contingent obligations, which by their terms survive such termination) (the “Refinancing”);

**WHEREAS**, the Borrower intends to pay a special dividend to Holdings from available cash on hand in an amount up to \$230,000,000 (the “Special Dividend”) to fund a one-time special dividend by Holdings to its common stockholders, which was announced by Holdings on March 6, 2012;

**WHEREAS**, in connection with the foregoing and as an inducement for the Lenders and the Letter of Credit Issuers to extend the credit contemplated hereunder, the Borrower has agreed to secure all of its Obligations by granting to the Collateral Agent, for the benefit of the benefit of the Secured Parties, a first priority lien on substantially all of its assets

(except for Liens permitted pursuant to Section 10.2), including a pledge of all of the Capital Stock (other than Excluded Capital Stock) of each of its Subsidiaries; and

**WHEREAS**, in connection with the foregoing and as an inducement for the Lenders and Letter of Credit Issuers to extend the credit contemplated hereunder, the Guarantors have agreed to guarantee the Obligations and to secure their respective guarantees by granting to the Collateral Agent, for the benefit of the Secured Parties, a first priority lien on their respective assets (except for Liens permitted pursuant to Section 10.2), including a pledge of all of the Capital Stock (other than Excluded Capital Stock) of each of their respective Subsidiaries.

#### **AGREEMENT:**

**NOW, THEREFORE**, in consideration of the premises and the agreements, provisions and covenants herein contained, the parties hereto agree as follows:

##### SECTION 1. Definitions

1.1 Defined Terms. As used herein, the following terms shall have the meanings specified in this Section 1.1 unless the context otherwise requires:

“100% Non-Guarantor Pledgee” shall mean any Restricted Subsidiary of the Borrower for which 100% of the Capital Stock of which has been pledged as Collateral to secure the Obligations.

“2013 Incremental Term Lenders” shall have the meaning provided in the Preliminary Statements to Amendment No. 1.

“2013 Incremental Tranche B Term Loan Commitment” shall have the meaning provided to “Incremental Term Loan Commitment” in Amendment No. 1.

“2013 Incremental Tranche B Term Loan” shall mean the Incremental Tranche B Term Loan provided pursuant to Section 1 of Amendment No. 1.

“2013 Incremental Tranche B Term Loan Maturity Date” shall mean the Initial Tranche B Term Loan Maturity Date.

“2013 Incremental Tranche B Term Loan Repayment Amount” shall have the meaning provided in Section 2.5(ee).

“2013 Incremental Tranche B Term Loan Repayment Date” shall have the meaning provided in Section 2.5(ee).

“2017 Initial Tranche A Term Lender” shall mean each Lender with a 2017 Initial Tranche A Term Loan Commitment or holding a 2017 Initial Tranche A Term Loan.

“2017 Initial Tranche A Term Loan Commitment” shall mean the “Initial Tranche A Term Loan Commitment” (as defined in this Agreement as in effect immediately prior to the Amendment No. 2 Effective Date), in each case as the same may be changed from time to time pursuant to the terms hereof.

“2017 Initial Tranche A Term Loan Facility” shall have the meaning provided in the recitals to this Agreement.

“2017 Initial Tranche A Term Loan Maturity Date” shall mean March 29, 2017; provided that if such date is not a Business Day, the “2017 Initial Tranche A Term Loan Maturity Date” will be the Business Day immediately following such date.

“2017 Initial Tranche A Term Loan Repayment Amount” shall have the meaning provided in Section 2.5(b).

“2017 Initial Tranche A Term Loan Repayment Date” shall have the meaning provided in Section 2.5(b).

“2017 Initial Tranche A Term Loans” shall have the meaning provided in Section 2.1(a)(ii).

“2019 Extended Tranche A Term Lender” shall mean each Lender with a 2019 Extended Tranche A Term Loan Commitment or holding a 2019 Extended Tranche A Term Loan.

“2019 Extended Tranche A Term Loan Commitment” shall mean, (a) in the case of each Lender that is a Lender on the Amendment No. 2 Effective Date, the amount, if any, set forth opposite such Lender’s name on Schedule 2 to Amendment No. 2 as such Lender’s respective “2019 Extended Tranche A Total Term Loan Amount”, and (b) in the case of any Lender that becomes a Lender after the Amendment No. 2 Effective Date, the amount specified as such Lender’s “2019 Extended Tranche A Term Loan Commitment” in the Assignment and Acceptance pursuant to which such Lender assumed a portion of the Total 2019 Extended Tranche A Term Loan Commitment, in each case as the same may be changed from time to time pursuant to the terms hereof. The aggregate amount of all 2019 Extended Tranche A Term Loan Commitments as of the Amendment No. 2 Effective Date is \$459,375,000.

“2019 Extended Tranche A Term Loan Facility” shall mean the term loan facility providing for, and consisting of, the 2019 Extended Tranche A Term Loans.

“2019 Extended Tranche A Term Loan Maturity Date” shall mean September 30, 2019, provided, that if such date is not a Business Day, then the “2019 Extended Tranche A Term Loan Maturity Date” will be the Business Day immediately following such date (the “Scheduled 2019 Extended Tranche A Term Loan Maturity Date”); provided, however, that to the extent that there are any outstanding Tranche B Loans maturing prior to, or within the 91 day period immediately following, the Scheduled 2019 Extended Tranche A Term Loan Maturity Date (as determined as of any date that is 91 days prior to the scheduled Maturity Date of any then-outstanding Tranche B Loans), then the “2019 Extended Tranche A Term Loan Maturity Date” shall be the date that is the day occurring 91 days immediately prior to the earliest scheduled

Maturity Date of any then-outstanding Tranche B Loans, provided that if such date is not a Business Day, then the “2019 Extended Tranche A Term Loan Maturity Date” will be the Business Day immediately preceding such date.

“2019 Extended Tranche A Term Loan Repayment Amount” shall have the meaning provided in Section 2.5(c).

“2019 Extended Tranche A Term Loan Repayment Date” shall have the meaning provided in Section 2.5(c).

“2019 Extended Tranche A Term Loans” shall have the meaning provided in Section.

“2019 Initial Extended Tranche A Term Loans” shall have the meaning provided in Section 2.1(a)(ii).

“2019 Refinancing Extended Tranche A Term Loans” shall have the meaning provided in Section 2.1(a)(ii).

“ABR” shall mean, for any day, a fluctuating rate per annum equal to the highest of (a) the Federal Funds Effective Rate in effect on such day plus 1/2 of 1%, (b) the rate of interest in effect for such day as publicly announced from time to time by the Administrative Agent as its “prime rate,” (c) the Eurodollar Rate plus 1.00% and (d) solely with respect to (i) prior to the Amendment No. 1 Effective Date, the Initial Tranche B Term Loans and, (ii) on and after the Amendment No. 1 Effective Date, the 2013 Incremental Tranche B Term Loans, 1.75%. The “prime rate” is a rate set by the Administrative Agent based upon various factors including the Administrative Agent’s costs and desired return, general economic conditions and other factors, and is used as a reference point for pricing some loans, which may be priced at, above, or below such announced rate. If the Administrative Agent shall have determined (which determination should be conclusive absent manifest error) that it is unable to ascertain the Federal Funds Effective Rate due to its inability to obtain sufficient quotations in accordance with the terms of the definition thereof, after notice is provided to the Borrower, the ABR shall be determined without regard to clause (b) of the preceding sentence until the circumstances giving rise to such inability no longer exist. Any change in the ABR due to a change in the “prime rate”, the Federal Funds Effective Rate or the Eurodollar Rate shall be effective as of the opening of business on the effective day of such change in the “prime rate”, the Federal Funds Effective Rate or the Eurodollar Rate, respectively.

“ABR Loan” shall mean each Loan bearing interest at the rate provided in Section

2.8(a) and, in any event, shall include all Swingline Loans.

“Acceptable Reinvestment Commitment” shall mean a binding commitment of the Borrower or any Restricted Subsidiary entered into at any time prior to the end of the Reinvestment Period to reinvest the proceeds of an Asset Sale Prepayment Event, Permitted Sale Leaseback or Recovery Prepayment Event.

“Acquired EBITDA” shall mean, with respect to any Acquired Entity or Business or any Converted Restricted Subsidiary for any period, the amount for such period of



as the Administrative Agent may hereafter designate in writing as such to the other parties hereto.

“Affiliate” shall mean, with respect to any Person, another Person that directly or indirectly, through one or more intermediaries, Controls or is Controlled by or is under common Control with the Person specified. The term “Control” shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise. The terms “Controlling” and “Controlled” have meanings correlative thereto.

“Affiliated Lender” shall mean a Non-Debt Fund Affiliate or a Debt Fund Affiliate.

“Affiliated Lender Assignment and Acceptance” shall have the meaning provided in Section 13.6(g)(C).

“Affiliated Lender Register” shall have the meaning provided in Section 13.6(j).

“Agency Effective Date” shall mean the “Agency Replacement Effective Date” (as defined in Amendment No. 2).

“Agency Fee Letter” shall mean that certain Agency Fee Letter, dated as of March 16, 2012, between the Borrower and the Administrative Agent.

“Agent Parties” shall have the meaning provided in Section 13.2.

“Agents” shall mean each of (i) the Administrative Agent and (ii) the Collateral Agent.

“Aggregate Debit Items” shall have the meaning set forth in SEC Rule 15c3-1(a)(1)(ii) and items 10-14 of Exhibit A to SEC Rule 15c3-3.

“Agreement” shall mean this Credit Agreement.

“Amendment No. 1” shall mean the First Amendment and Incremental Assumption Agreement to this Agreement, dated as of May 13, 2013.

“Amendment No. 1 Effective Date” shall mean the “Amendment Effective Date” (as defined in Amendment No. 1).

“Amendment No. 2” shall mean the Second Amendment, Extension and Incremental Assumption Agreement to this Agreement, dated as of October 1, 2014.

“Amendment No. 2 Effective Date” shall mean the “Second Amendment Effective Date” (as defined in Amendment No. 2).

“Amendment No. 2 Financial Statement Delivery Date” shall mean the date on which Section 9.1 Financials are delivered to the Administrative Agent under Section 9.1(a) for the fiscal year of the Borrower ending December 31, 2014.

“Anti-Terrorism Laws” shall have the meaning provided in Section 8.19.

“Applicable Laws” shall mean, as to any Person, any international, foreign, federal, state and local law (including common law and Environmental Laws), statute, regulation, ordinance, treaty, rule, order, code, regulation, decree, guideline, judgment, consent decree, writ, injunction, settlement agreement or governmental requirement enacted, promulgated or imposed or entered into or agreed by any Governmental Authority, in each case applicable to or binding on such Person or any of its property or assets or to which such Person or any of its property or assets is subject.

“Applicable Margin” shall mean a percentage per annum equal to:

(a) with respect to the Tranche B Term Loans (A) for Eurodollar Loans, 2.50% and (B) for ABR Loans, 1.50% ~~and~~;

(b) with respect to (x) the 2017 Initial Tranche A Term Loans, ~~Revolving Credit Loans and Swingline Loans (it being understood that all Swingline Loans shall be ABR Loans)~~ and (y) prior to the Amendment No. 2 Effective Date, the 2019 Extended Tranche A Term Loans, (i) initially, (A) for Eurodollar Loans, 2.50% and (B) for ABR Loans, 1.50% and (ii) following the Initial Financial Statement Delivery Date, as set forth on the grid below:

<b>Pricing Level</b>	<b>Consolidated Total Debt to Consolidated EBITDA Ratio</b>	<b>Applicable Margin for 2019 Extended Tranche A Term Loans* and 2017 Initial Tranche A Term Loans that are Eurodollar Loans</b>	<b>Applicable Margin for 2019 Extended Tranche A Term Loans* and 2017 Initial Tranche A Term Loans that are ABR Loans</b>
1	Greater than 2.25:1.00	2.50%	1.50%
2	Less than or equal to 2.25:1.00 but greater than 1.50:1.00	2.25%	1.25%
3	Less than or equal to 1.50:1.00 but greater than 1.00:1.00	2.00%	1.00%
4	Less than or equal to 1.00:1.00	1.75%	0.75%

\*prior to the Amendment No. 2 Effective Date.

(c) at all times on and after the Amendment No. 2 Effective Date, with respect to the 2019 Extended Tranche A Term Loans, the Revolving Credit Loans and the Swingline Loans (it being understood that all Swingline Loans shall be ABR Loans), (i) initially, (A) for Eurodollar Loans, 2.50% and (B) for ABR Loans, 1.50% and (ii) following the Amendment No. 2 Financial Statement Delivery Date, as set forth on the grid below:

Pricing Level	Consolidated Total Debt to Consolidated EBITDA Ratio	Applicable Margin for Revolving Credit Loans and Initial 2019 Extended Tranche A Term Loans that are Eurodollar Loans	Applicable Margin for Revolving Credit Loans and Initial 2019 Extended Tranche A Term Loans that are ABR Loans, and Swingline Loans
1	Greater than <del>2.25</del> 2.50:1.00	2.50%	1.50%
2	Less than or equal to <del>2.25</del> 2.50:1.00 but greater than <del>1.50</del> 1.75:1.00	2.25%	1.25%
3	Less than or equal to <del>1.50</del> 1.75:1.00 but greater than <del>1.00</del> 1.25:1.00	2.00%	1.00%
4	Less than or equal to <del>1.00</del> 1.25:1.00	1.75%	0.75%

Any increase or decrease in the Applicable Margin for the 2017 Initial Tranche A Term Loans, the 2019 Extended Tranche A Term Loans, Revolving Credit Loans or Swingline Loans resulting from a change in the Consolidated Total Debt to Consolidated EBITDA Ratio shall become effective as of the first Business Day immediately following the date Section 9.1 Financials are delivered to the Administrative Agent pursuant to Sections 9.1(a) and 9.1(b) (provided, that with respect to the 2019 Extended Tranche A Term Loans, the Revolving Credit Loans and the Swingline Loans, such increases or decreases shall only commence pursuant to clause (c)(ii) above following the Amendment No. 2 Financial Statement Delivery Date); provided that at the option of the Required Credit Facility Lenders with respect to the 2017 Initial Tranche A Term Loans, the 2019 Extended Tranche A Term Loans and Revolving Credit Loans, the highest pricing level (as set forth in the table above) shall apply (a) as of the first Business Day after the date on which Section 9.1 Financials were required to have been delivered but have not been delivered pursuant to Section 9.1 and shall continue to so apply to and including the date on which such Section 9.1 Financials are so delivered (and thereafter the pricing level otherwise determined in accordance with this definition shall apply) and (b) as of the first Business Day after an Event of Default under Section 11.1 or Section 11.5 shall have occurred and be continuing and the Administrative Agent has notified the Borrower that the highest pricing level applies, and shall continue to so apply to but excluding the date on which such Event of Default shall cease to be continuing (and thereafter the pricing level otherwise determined in accordance with this definition shall apply).

have, at such time, the right or the ability by voting power, contract or otherwise to elect or designate for election at least a majority of the members of the Board of Directors of Holdings;

- (b) at any time Continuing Directors shall not constitute at least a majority of the Board of Directors of Holdings;
- (c) a “change of control” or any comparable term under any documentation governing any Indebtedness for borrowed money owed to a third party by the Borrower or any of its Restricted Subsidiaries with an aggregate outstanding principal amount in excess of \$35,000,000 shall have occurred;
- (d) Holdings shall cease to beneficially own and control 100% of the Voting Stock of the Borrower; and/or
- (e) the Borrower shall cease to beneficially own and control 100% of the Voting Stock of LPL Financial LLC.

provided that, at any time when at least a majority of the outstanding Voting Stock of Holdings is directly or indirectly owned by a Parent Entity, all references in clause (a) and (b) above to “Holdings” (other than in this proviso) shall be deemed to refer to the ultimate Parent Entity that directly or indirectly owns such Voting Stock of Holdings.

“Class”, when used in reference to any Loan or Borrowing, shall refer to whether such Loan, or the Loans comprising such Borrowing, are Revolving Credit Loans, 2017 Initial Tranche A Term Loans, 2019 Extended Tranche A Term Loans, Initial Tranche B Term Loans, 2013 Incremental Tranche B Term Loans, Incremental Term Loans (of a Class), Extended Term Loans (of the same Extension Series), Extended Revolving Credit Loans (of the same Extension Series and any related swingline loans thereunder), Additional/Replacement Revolving Credit Loans (and any related swingline loans thereunder) or Swingline Loans and, when used in reference to any Commitment, refers to whether such Commitment is a Revolving Credit Commitment, ~~an~~ 2017 Initial Tranche A Term Loan Commitment, a 2019 Extended Tranche A Term Loan Commitment, an Initial Tranche B Term Loan Commitment, a 2013 Incremental Tranche B Term Loan Commitment, an Incremental Term Loan Commitment (of a Class), an Extended Revolving Credit Commitment (of the same Extension Series and any related swingline commitment thereunder), an Additional/Replacement Revolving Credit Commitment (and any related swingline commitment thereunder) or a Swingline Commitment, and when used in reference to any Lender, refers to whether such Lender has a Loan or Commitment of any such Class.

“Clearing Broker-Dealer Minimum Capital” shall mean, for any Subsidiary of the Borrower that is a broker-dealer subject to SEC Rule 15c(3)-3, as of any date of determination, the greater of (a) \$40,000,000 and (b) 15% of Aggregate Debit Items on such date.

“Closing Date” shall mean the date upon which the conditions set forth in Section 6 are satisfied, which date is March 29, 2012.

“Closing Date Indebtedness” shall mean Indebtedness described on Schedule 10.1.

“Code” shall mean the Internal Revenue Code of 1986, as amended from time to time. Section references to the Code are to the Code, as in effect on the Closing Date, and any subsequent provisions of the Code, amendatory thereof, supplemental thereto or substituted therefor.

“Collateral” shall have the meaning provided for such term or a similar term in each of the Security Documents; provided that with respect to any Mortgages, “Collateral” shall mean “Mortgaged Property” as defined therein.

“Collateral Agent” shall mean Bank of America or any successor appointed in accordance with the provisions of Section 12.8, together with its Affiliates, as the collateral agent for the Secured Parties.

“Commitment” shall mean, with respect to each Lender (to the extent applicable), such Lender’s Revolving Credit Commitment, 2017 Initial Tranche A Term Loan Commitment, 2019 Extended Tranche A Term Loan Commitment, Initial Tranche B Term Loan Commitment, Incremental Term Loan Commitment, Extended Revolving Credit Commitment, Additional/Replacement Revolving Credit Commitment or any combination thereof (as the context requires) and (b) with respect to the Swingline Lender or swingline lender under any Extended Revolving Credit Commitments or Additional/Replacement Revolving Credit Commitment, its Swingline Commitment or swingline commitment, as applicable.

“Commitment Fee” shall have the meaning provided in Section 4.1(a).

“Commitment Fee Rate” shall mean a rate equal to (a) initially, 0.50% per annum, **and** (b) following the **Initial Amendment No. 2** Financial Statement Delivery Date, the rate per annum determined in accordance with the grid set forth below. Any increase or decrease in the Commitment Fee Rate resulting from a change in the Consolidated Total Debt to Consolidated EBITDA Ratio shall become effective as of the first Business Day immediately following the date Section 9.1 Financials are delivered to the Administrative Agent pursuant to Sections 9.1(a) and 9.1(b):

<b>Consolidated Total Debt to Consolidated EBITDA Ratio</b>	<b>Applicable Revolving Commitment Fee Percentage</b>
> <del>2.25</del> 2.50:1.00	0.50%
≤ <del>2.25</del> 2.50:1.00 but > <del>1.00</del> 1.25:1.00	0.375%
≤ <del>1.00</del> 1.25:1.00	0.25%

“Commodity Exchange Act” shall mean the Commodity Exchange Act (7 U.S.C. § 1 *et seq.*), as amended from time to time, and any successor statute.

“Confidential Information” shall have the meaning provided in Section 13.16.

mandatory prepayments that are on terms not more favorable to the lenders or holders providing such Indebtedness than those applicable to the Refinanced Debt) prior to the 91st day after the maturity date of the Refinanced Debt.

“Credit Documents” shall mean this Agreement, the Guarantee, the Security Documents, the Agency Fee Letter, each Letter of Credit, any promissory notes issued by the Borrower hereunder, any Incremental Agreement, any Extension Agreement, Amendment No. 1, [Amendment No. 2](#), and any Customary Intercreditor Agreement entered into after the Closing Date to which the Collateral Agent and/or Administrative Agent is a party.

“Credit Event” shall mean and include the making (but not the conversion or continuation) of a Loan and the issuance, or increase in the amount, of a Letter of Credit.

“Credit Facility” shall mean any of the [2017 Initial Tranche A Term Loan Facility](#), [the 2019 Extended Tranche A Term Loan Facility](#), Initial Tranche B Term Loan Facility, any Incremental Term Loan Facility, the Revolving Credit Facility, any Additional/Replacement Revolving Credit Facility, any Extended Term Loan Facility or any Extended Revolving Credit Facility, as applicable.

“Credit Party” shall mean the Borrower and each of the Guarantors.

“Cumulative Consolidated Net Income” shall mean, as at any date of determination, Consolidated Net Income for the period (taken as one accounting period) commencing on January 1, 2012 and ending on the last day of the most recent fiscal quarter for which Section 9.1 Financials have been delivered.

“Cure Amount” shall have the meaning provided in Section 11.12(a).

“Cure Deadline” shall have the meaning provided in Section 11.12(a).

“Cure Right” shall have the meaning provided in Section 11.12(a).

“Customary Intercreditor Agreement” shall mean (a) to the extent executed in connection with the incurrence of secured Indebtedness, the security of which is not intended to rank junior or senior to the Liens securing the Obligations (but without regard to the control of remedies), at the option of the Borrower and the Administrative Agent acting together, either (i)

any intercreditor agreement substantially in the form of the Senior Priority Lien Intercreditor Agreement or (ii) a customary intercreditor agreement in a form reasonably acceptable to the Administrative Agent and the Borrower, which agreement shall provide that the Liens securing such Indebtedness shall not rank junior or senior to the Lien securing the Obligations (but

without regard to the control of remedies) and (b) to the extent executed in connection with the incurrence of secured Indebtedness, the security of which is intended to rank junior to the Liens securing the Obligations, at the option of the Borrower and the Administrative Agent acting together, either (i) an intercreditor agreement substantially in the form of the Junior Priority Lien Intercreditor Agreement or (ii) a customary intercreditor agreement in a form reasonably acceptable to the Administrative Agent and the Borrower, which agreement shall provide that the Liens securing such Indebtedness shall rank junior to the Lien securing the Obligations.

“Existing Revolving Credit Class” shall have the meaning provided in Section 2.15(a)(ii).

“Existing Revolving Credit Commitments” shall have the meaning provided in Section 2.15(a)(ii).

“Existing Revolving Credit Loans” shall have the meaning provided in Section 2.15(a)(ii).

“Existing Term Loan Class” shall have the meaning provided in Section 2.15(a).

“Expected Cure Amount” shall have the meaning provided in Section 11.12(b)

“Extended Loans/Commitments” shall mean Extended Term Loans, Extended Revolving Credit Loans and/or Extended Revolving Credit Commitments.

“Extended Repayment Date” shall have the meaning provided in Section 2.5(d~~f~~).

“Extended Revolving Credit Commitments” shall have the meaning provided in Section 2.15(a)(ii).

“Extended Revolving Credit Facility” shall mean each Class of Extended Revolving Credit Commitments established pursuant to Section 2.15(a)(ii).

“Extended Revolving Credit Loans” shall have the meaning provided in Section 2.15(a)(ii).

“Extended Term Loan Class” shall have the meaning provided in Section 2.15(a), and shall include the Class made up of the 2019 Extended Tranche A Term Loans under the 2019 Extended Tranche A Term Loan Facility.

“Extended Term Loan Facility” shall mean each Class of Extended Term Loans made pursuant to Section ~~2.15~~2.15, and shall include the 2019 Extended Tranche A Term Loan Facility.

“Extended Term Loan Repayment Amount” shall have the meaning provided in Section 2.5(d~~f~~), and shall include the 2019 Extended Tranche A Term Loan Repayment Amount.

“Extended Term Loans” shall have the meaning provided in Section 2.15(a), and shall include the 2019 Extended Tranche A Term Loans.

“Extending Lender” shall have the meaning provided in Section 2.15(b), and shall include the 2019 Extended Tranche A Term Lenders.

“Extension Agreement” shall have the meaning provided in Section 2.15(c).

“Extension Date” shall have the meaning provided in Section 2.15(d).

“Incremental Facility Closing Date” shall have the meaning provided in Section 2.14(e).

“Incremental Limit” shall have the meaning provided in Section 2.14(b).

“Incremental Revolving Credit Commitment Increase” shall have the meaning provided in Section 2.14(a).

“Incremental Revolving Credit Commitment Increase Lender” shall have the meaning provided in Section 2.14(f).

“Incremental Term Loan Commitment” shall mean the Commitment of any Lender to make Incremental Term Loans of a particular Class pursuant to Section 2.14(a).

“Incremental Term Loan Effective Date” shall mean the “Incremental Term Loan Effective Date” (as defined in Amendment No. 1).

“Incremental Term Loan Facility” shall mean each Class of Incremental Term Loans made pursuant to Section 2.14.

“Incremental Term Loan Maturity Date” shall mean, with respect to any Class of Incremental Term Loans made pursuant to Section 2.14, the final maturity date thereof and shall include, with respect to the 2013 Incremental Tranche B Term Loan, the 2013 Incremental Tranche B Term Loan Maturity Date.

“Incremental Term Loan Repayment Amount” shall have the meaning provided in Section 2.5(df) and shall include any 2013 Incremental Tranche B Term Loan Repayment Amount.

“Incremental Term Loan Repayment Date” shall have the meaning provided in Section 2.5(df) and shall include any 2013 Incremental Tranche B Term Loan Repayment Date.

“Incremental Term Loans” shall have the meaning provided in Section 2.14(a).

“Incremental Tranche A Term Loans” shall have the meaning provided in Section 2.14(a).

“Incremental Tranche B Term Loans” shall have the meaning provided in Section 2.14(a).

“Indebtedness” shall mean, as to any Person at a particular time, without duplication, all of the following, whether or not included as indebtedness or liabilities in accordance with GAAP:

- (a) all indebtedness of such Person for borrowed money and all indebtedness of such Person evidenced by bonds, debentures, notes, loan agreements or other similar instruments;



amount of such Indebtedness and (ii) the Fair Market Value of the property encumbered thereby as determined by such Person in good faith.

“Indemnified Parties” shall have the meaning provided in Section 13.5(a).

“Initial Financial Statement Delivery Date” shall mean the date on which Section 9.1 Financials are delivered to the Administrative Agent under Section 9.1(a) or (b) for the first full fiscal quarter of the Borrower commencing after the Closing Date.

“Initial Term Loan Repayment Amount” shall mean ~~ama~~ 2017 Initial Tranche A Term Loan Repayment Amount or an Initial Tranche B Term Loan Repayment Amount, as the case may be.

“Initial Term Loan Repayment Date” shall mean ~~ama~~ 2017 Initial Tranche A Term Loan Repayment Date or an Initial Tranche B Term Loan Repayment Date, as the case may be.

“Initial Term Loans” shall mean the 2017 Initial Tranche A Term Loans and the Initial Tranche B Term Loans.

~~“Initial Tranche A Term Lender” shall mean each Lender with an Initial Tranche A Term Loan Commitment or holding an Initial Tranche A Term Loan.~~

~~“Initial Tranche A Term Loan” shall have the meaning provided in Section 2.1(a).~~

~~“Initial Tranche A Term Loan Commitment” shall mean, (a) in the case of each Lender that is a Lender on the Closing Date, the amount, if any, set forth opposite such Lender’s name on Schedule 1.1(a) as such Lender’s “Initial Tranche A Term Loan Commitment” and (b) in the case of any Lender that becomes a Lender after the Closing Date, the amount specified as such Lender’s “Initial Tranche A Term Loan Commitment” in the Assignment and Acceptance pursuant to which such Lender assumed a portion of the Total Initial Tranche A Term Loan Commitment, in each case as the same may be changed from time to time pursuant to the terms hereof. The aggregate amount of the Initial Tranche A Term Loan Commitments as of the Closing Date is \$735,000,000.~~

~~“Initial Tranche A Term Loan Facility” shall have the meaning provided in the recitals to this Agreement.~~

~~“Initial Tranche A Term Loan Maturity Date” shall mean March 29, 2017; provided that if such date is not a Business Day, the “Initial Tranche A Term Loan Maturity Date” will be the Business Day immediately following such date.~~

~~“Initial Tranche A Term Loan Repayment Amount” shall have the meaning provided in Section 2.5(b).~~

~~“Initial Tranche A Term Loan Repayment Date” shall have the meaning provided in Section 2.5(b).~~

“Initial Tranche B Term Lender” shall mean each Lender with an Initial Tranche B Term Loan Commitment or holding an Initial Tranche B Term Loan.

“Initial Tranche B Term Loan” shall have the meaning provided in Section 2.1(b).

“Initial Tranche B Term Loan Commitment” shall mean, (a) in the case of each Lender that is a Lender on the Closing Date, the amount, if any, set forth opposite such Lender’s name on Schedule 1.1(a) as such Lender’s “Initial Tranche B Term Loan Commitment” and (b) in the case of any Lender that becomes a Lender after the Closing Date, the amount specified as such Lender’s “Initial Tranche B Term Loan Commitment” in the Assignment and Acceptance pursuant to which such Lender assumed a portion of the Total Initial Tranche B Term Loan Commitment, in each case as the same may be changed from time to time pursuant to the terms hereof. The aggregate amount of the Initial Tranche B Term Loan Commitments as of the Closing Date is \$615,000,000.

“Initial Tranche B Term Loan Facility” shall have the meaning provided in the recitals to this Agreement.

“Initial Tranche B Term Loan Maturity Date” shall mean March 29, 2019; provided that if such date is not a Business Day, the “Initial Tranche B Term Loan Maturity Date” will be the Business Day immediately following such date.

“Initial Tranche B Term Loan Repayment Amount” shall have the meaning provided in Section 2.5(ed).

“Initial Tranche B Term Loan Repayment Date” shall have the meaning provided in Section 2.5(ed).

“Intellectual Property” shall have the meaning provided for such term or a similar term in the Security Agreement.

“Intercompany Note” shall mean the Amended and Restated Intercompany Subordinated Note, dated as of the Amendment No. 1 Effective Date, substantially in the form of Exhibit N, executed by Holdings, the Borrower and each other Subsidiary of the Borrower party thereto.

“Interest Period” shall mean, with respect to any Eurodollar Loans, the interest period applicable thereto, as determined pursuant to Section 2.9.

“Introducing Broker-Dealer Minimum Capital” shall mean for those Subsidiaries

of the Borrower that are broker-dealers exempt from the provisions of SEC Rule 15c3-3, as of any date of determination, the greater of (a) 120% of such Subsidiaries’ consolidated minimum dollar Net Capital required (as defined in SEC Rule 15c3-1), and (b) the consolidated Aggregate Indebtedness (as defined in SEC Rule 15c3-1) of such Subsidiaries, divided by ten.

“Material Adverse Effect” shall mean a circumstance or condition that materially and adversely affects (a) the business, assets, operations, properties or financial condition of the Borrower and the Restricted Subsidiaries taken as a whole, (b) the ability of the Credit Parties (taken as a whole) to perform their payment obligations under the Credit Documents or (c) the rights and remedies of the Administrative Agent, the Collateral Agent or the Lenders under the Credit Documents.

“Maturity Date” shall mean the 2017 Initial Tranche A Term Loan Maturity Date, the 2019 Extended Tranche A Term Loan Maturity Date, the Initial Tranche B Term Loan Maturity Date, any Incremental Term Loan Maturity Date, the Revolving Credit Maturity Date, any maturity date related to any Class of Extended Revolving Credit Commitments, any maturity date related to any Class of Additional/Replacement Revolving Credit Commitments, any maturity date related to any Class of Extended Term Loans, or the Swingline Maturity Date, as applicable.

“Minimum Borrowing Amount” shall mean (a) with respect to a Borrowing of Term Loans or Revolving Credit Loans, \$1,000,000 and (b) with respect to a Borrowing of Swingline Loans, \$100,000.

“Minority Investment” shall mean any Person (other than a Subsidiary) in which the Borrower or any Restricted Subsidiary owns Capital Stock.

“Moody’s” shall mean Moody’s Investors Service, Inc. or any successor by merger or consolidation to its business.

“Mortgage” shall mean a mortgage or a deed of trust, deed to secure debt, trust deed or other security document entered into by the owner of a Mortgaged Property in favor of the Collateral Agent for the benefit of the Secured Parties evidencing a Lien on such Mortgaged Property, substantially in the form of Exhibit O (with such changes thereto as may be necessary to account for local law matters) or otherwise in such form as reasonably agreed between the Borrower and the Collateral Agent.

“Mortgaged Property” shall mean (a) Real Property identified on Schedule 1.1(d) and (b) Real Property owned in fee with respect to which a Mortgage is required to be granted pursuant to Section 9.13(b)

“Multiemployer Plan” shall mean a multiemployer plan as defined in Section 4001(a)(3) of ERISA to which the Borrower, a Restricted Subsidiary or an ERISA Affiliate had an obligation to contribute over the five preceding calendar years.

“Necessary Cure Amount” shall have the meaning provided in Section 11.12(b)

“Net Cash Proceeds” shall mean, with respect to any Prepayment Event, any issuance of Capital Stock, any capital contribution or any Disposition of any Investment, (a) the gross cash proceeds (including payments from time to time in respect of installment obligations, if applicable, but only as and when received and, with respect to any Recovery Event, any insurance proceeds or condemnation awards in respect of such Recovery Event) received by or

“Present Fair Saleable Value” shall mean the amount that could be obtained by an independent willing seller from an independent willing buyer if the assets (both tangible and intangible) of the applicable Person and its subsidiaries taken as a whole are sold on a going-concern basis with reasonable promptness in an arm’s-length transaction under present conditions for the sale of comparable business enterprises insofar as such conditions can be reasonably evaluated.

“Previous Holdings” shall have the meaning provided in the definition of the term “Holdings.”

“Prior Initial Tranche A Term Lender” shall have the meaning provided in Section 2.1(a).

“Prior Initial Tranche A Term Loan” shall have the meaning provided in Section

2.1(a).

“Pro Forma Adjustment” shall mean, for any Test Period that includes all or any part of a fiscal quarter included in any Post-Transaction Period with respect to the Acquired EBITDA of the applicable Pro Forma Entity or the Consolidated EBITDA of the Borrower, the pro forma increase or decrease in such Acquired EBITDA or such Consolidated EBITDA, as the case may be, projected by the Borrower in good faith as a result of (a) reasonably identifiable and factually supportable cost savings, operating expense reductions or other synergies realized or expected to be realized prior to or during such Post-Transaction Period or (b) any additional costs, expenses or charges, accruals or reserves (collectively, “Costs”) incurred prior to or during such Post-Transaction Period in connection with the combination of the operations of a Pro Forma Entity with the operations of the Borrower and its Restricted Subsidiaries or otherwise in connection with, as a result of or related to such Specified Transaction; provided that, so long as such cost savings, operating expense reductions or other synergies are realized or expected to be realized prior to or during such Post-Transaction Period, or such Costs are incurred prior to or during such Post-Transaction Period, it may be assumed, for purposes of projecting such pro forma increase or decrease to such Acquired EBITDA or such Consolidated EBITDA, as the case may be, that such cost savings, operating expense reductions or other synergies will be realizable during the entirety of such Test Period and/or such Costs will be incurred during the entirety of such Test Period, as applicable; and provided, further, that any such pro forma increase or decrease to such Acquired EBITDA or such Consolidated EBITDA, as the case may be, shall be without duplication for cost savings, operating expense reductions or other synergies or Costs already included in such Acquired EBITDA or such Consolidated EBITDA, as the case may be, for such Test Period.

“Pro Forma Adjustment Certificate” shall mean any certificate of an Authorized Officer of the Borrower delivered pursuant to Section 9.1(h) or setting forth the information described in clause (iv) to Section 9.1(d).

“Pro Forma Basis,” “Pro Forma Compliance” and “Pro Forma Effect” shall mean, with respect to compliance with any test or covenant hereunder, that (A) to the extent applicable, the Pro Forma Adjustment shall have been made and (B) all Specified Transactions and the following transactions in connection therewith shall be deemed to have occurred as of the first

“Resignation Effective Date” shall have the meaning provided in Section 12.8.

“Restoration Certification” shall mean, with respect to any Recovery Prepayment Event, a certification made by an Authorized Officer of the Borrower or a Restricted Subsidiary, as applicable, to the Administrative Agent prior to the end of the Reinvestment Period certifying (a) that the Borrower or such Restricted Subsidiary intends to use the proceeds received in connection with such Recovery Prepayment Event to repair, restore or replace the property or assets in respect of which such Recovery Prepayment Event occurred, or otherwise invest in assets useful to the business, (b) the approximate costs of completion of such repair, restoration or replacement and (c) that such repair, restoration, reinvestment or replacement will be completed within the later of (x) twelve months after the date on which cash proceeds with respect to such Recovery Prepayment Event were received and (y) 180 days after delivery of such Restoration Certification.

“Restricted Foreign Subsidiary” shall mean each Restricted Subsidiary that is also a Foreign Subsidiary.

“Restricted Subsidiary” shall mean any Subsidiary of the Borrower other than an Unrestricted Subsidiary. Unless otherwise expressly provided herein, all references herein to a “Restricted Subsidiary” shall mean a Restricted Subsidiary of the Borrower.

“Retained Refused Proceeds” shall have the meaning provided in Section 5.2(c)(ii).

“Revolving Credit Commitment” shall mean, (a) with respect to each Lender that is a Lender on the ~~Closing~~Amendment No. 2 Effective Date, the amount set forth opposite such Lender’s name on Schedule ~~1.1(a)1~~ to Amendment No. 2 as such Lender’s “Aggregate Revolving ~~Credit~~ Commitment;”, (b) in the case of any Lender that becomes a Lender after the Closing Date, the amount specified as such Lender’s “Revolving Credit Commitment” in the Assignment and Acceptance pursuant to which such Lender assumed a portion of the Total Revolving Credit Commitment and (c) in the case of any Lender that increases its Revolving Credit Commitment or becomes an Incremental Revolving Credit Commitment Increase Lender, in each case pursuant to Section 2.14, the amount specified in the applicable Incremental Agreement, in each case as the same may be changed from time to time pursuant to terms hereof. ~~The~~After giving effect to Amendment No. 2, the aggregate amount of the Revolving Credit Commitments as of the ~~Closing~~Amendment No. 2 Effective Date is ~~\$250,000,000~~400,000,000.

“Revolving Credit Commitment Percentage” shall mean at any time, for each Lender, the percentage obtained by dividing (a) such Lender’s Revolving Credit Commitment by (b) the aggregate amount of the Revolving Credit Commitments; provided that at any time when the Total Revolving Credit Commitment shall have been terminated, each Lender’s Revolving Credit Commitment Percentage shall be its Revolving Credit Commitment Percentage as in effect immediately prior to such termination.

“Revolving Credit Exposure” shall mean, with respect to any Lender at any time, the sum of (a) the aggregate principal amount of the Revolving Credit Loans of such Lender then

outstanding and (b) such Lender's Letter of Credit Exposure at such time and (c) such Lender's Swingline Exposure at such time.

“Revolving Credit Extension Request” shall have the meaning provided in Section 2.15(a)(ii).

“Revolving Credit Facility” shall have the meaning provided in the recitals to this Agreement.

“Revolving Credit Lender” shall mean, at any time, any Lender that has a Revolving Credit Commitment at such time.

“Revolving Credit Loan” shall have the meaning provided in Section 2.1(c).

“Revolving Credit Maturity Date” shall mean ~~March 29, 2017~~; September 30, 2019, provided, that if such date is not a Business Day, then the “Revolving Credit Maturity Date” will be the Business Day immediately following such date (the “Scheduled Revolving Credit Maturity Date”); provided, however, that to the extent that there are any outstanding Tranche B Loans maturing prior to, or within the 91 day period immediately following, the Scheduled Revolving Credit Maturity Date (as determined as of any date that is 91 days prior to the scheduled Maturity Date of any then-outstanding Tranche B Loans), then the “Revolving Credit Maturity Date” shall be the date that is the day occurring 91 days immediately prior to the earliest scheduled Maturity Date of any then-outstanding Tranche B Loans, provided that if such date is not a Business Day, then the “Revolving Credit Maturity Date” will be the ~~next~~ Business Day immediately ~~following~~preceding such date.

“Revolving Credit Termination Date” shall mean, following the Amendment No. 2 Effective Date, the date on which the Revolving Credit Commitments shall have terminated, no Revolving Credit Loans shall be outstanding and the Letter of Credit Obligations shall have been reduced to zero or Cash Collateralized.

“S&P” shall mean Standard & Poor's Ratings Services or any successor by merger or consolidation to its business.

“Sale Leaseback” shall mean any transaction or series of related transactions pursuant to which the Borrower or any of the Restricted Subsidiaries (a) sells, transfers or otherwise disposes of any property, real or personal, whether now owned or hereafter acquired, and (b) as part of such transaction, thereafter rents or leases such property or other property that it intends to use for substantially the same purpose or purposes as the property being sold, transferred or disposed of; provided that any transaction described above that is consummated within 270 days of the date of acquisition of the applicable property by the Borrower or any of its Restricted Subsidiaries shall not constitute a “Sale Leaseback” for purposes of this Agreement.

“SDN List” shall have the meaning provided in Section 8.21.

“SEC” shall mean the Securities and Exchange Commission or any successor thereto.

“Section 9.1 Financials” shall mean the financial statements delivered, or required to be delivered, pursuant to Section 9.1(a) or (b) together with the accompanying officer’s certificate delivered, or required to be delivered, pursuant to Section 9.1(d).

“Secured Cash Management Agreement” shall mean any agreement relating to Cash Management Services that is entered into by and between Holdings, the Borrower or any Restricted Subsidiary and a Cash Management Bank.

“Secured Hedging Agreement” shall mean any Hedging Agreement that is entered into by and between any Credit Party or any Restricted Subsidiary and any Hedge Bank.

“Secured Parties” shall mean, collectively, (a) the Lenders, (b) the Letter of Credit Issuers, (c) the Swingline Lender, (d) the Administrative Agent, (e) the Collateral Agent, (f) each Hedge Bank, (g) each Cash Management Bank, (h) the beneficiaries of each indemnification obligation undertaken by any Credit Party under the Credit Documents and (i) any successors, endorsees, transferees and assigns of each of the foregoing.

“Securities Act” shall mean the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

“Security Agreement” shall mean the Security Agreement, dated as of the Closing Date, among Holdings, the Borrower, the other grantors party thereto and the Collateral Agent for the benefit of the Secured Parties, substantially in the form of Exhibit B.

“Security Documents” shall mean, collectively, (a) the Security Agreement, (b) the Pledge Agreement, (c) the Mortgages, if any, and (d) each other security agreement or other instrument or document executed and delivered pursuant to Section 9.11, 9.12 or 9.14 or Customary Intercreditor Agreement executed and delivered pursuant to Section 10.2 or pursuant to any of the Security Documents, Permitted Additional Debt Documents or documentation governing Credit Agreement Refinancing Indebtedness to secure or perfect the security interest in any property as collateral for any or all of the First Lien Obligations.

“Segregated Cash” shall mean, as of any date of determination, all cash and “qualified” cash equivalents segregated on the balance sheet of the Broker-Dealer Regulated Subsidiary as of such date under SEC Rule 15c3-3.

“Senior Priority Lien Intercreditor Agreement” means the Senior Priority Lien Intercreditor Agreement substantially in the form of Exhibit I-1 among the Administrative Agent and/or the Collateral Agent and one or more representatives for holders of one or more classes of Permitted Additional Debt and/or Permitted First Priority Refinancing Debt, with such modifications thereto as the Administrative Agent and the Borrower may reasonably agree.

“Scheduled 2019 Extended Tranche A Term Loan Maturity Date” shall have the meaning provided in the definition of “2019 Extended Tranche A Term Loan Maturity Date”.

“Scheduled Revolving Credit Maturity Date” shall have the meaning provided in the definition of “Revolving Credit Maturity Date”.

“Syndication Agents” shall mean the Persons identified on the cover page of this Agreement as such, in their respective capacities as syndication agent under this Agreement.

“Taxes” shall have the meaning provided in Section 5.4(a).

“Term Loan” shall mean ~~an~~ 2017 Initial Tranche A Term Loan, a 2019 Extended Tranche A Term Loan, an Initial Tranche B Term Loan, an Incremental Term Loan or any Extended Term Loans, as applicable.

“Term Loan Extension Request” shall have the meaning provided in Section 2.15(a).

“Term Loan Facility” shall mean any of the 2017 Initial Tranche A Term Loan Facility, the 2019 Extended Tranche A Term Loan Facility, the Initial Tranche B Term Loan Facility, any Incremental Term Loan Facility and any Extended Term Loan Facility.

“Test Period” shall mean, for any determination under this Agreement, the most recent period of four consecutive fiscal quarters of the Borrower ended on or prior to such date of determination (taken as one accounting period) in respect of which Section 9.1 Financials shall have been (or were required by Section 9.1(a) or Section 9.1(b) to have been) delivered to the Administrative Agent for each fiscal quarter or fiscal year in such period; provided that, prior to the first date that Section 9.1 Financials shall have been delivered pursuant to Section 9.1(a) or (b), the Test Period in effect shall be the period of four consecutive fiscal quarters of the Borrower ended December 31, 2011. A Test Period may be designated by reference to the last day thereof, *i.e.*, the December 31, 2011 Test Period refers to the period of four consecutive fiscal quarters of the Borrower ended December 31, 2011, and a Test Period shall be deemed to end on the last day thereof.

“Total ~~Revolving Credit~~ 2017 Initial Tranche A Term Loan Commitment” shall mean, ~~on any date,~~ the sum of the ~~Revolving Credit~~ 2017 Initial Tranche A Term Loan Commitments ~~on such date of all Revolving Credit~~ of all the Lenders.

“Total 2019 Extended Tranche A Term Loan Commitment” shall mean the sum of the 2019 Extended Tranche A Term Loan Commitments of all the Lenders.

“Total Additional/Replacement Revolving Credit Commitment” shall mean the sum of Additional/Replacement Revolving Credit Commitments of all the Lenders providing any tranche of Additional/Replacement Revolving Credit Commitments.

“Total Commitment” shall mean the sum of the Total 2017 Initial Tranche A Term Loan Commitment, the Total 2019 Extended Tranche A Term Loan Commitment, the Total Initial Tranche B Term Loan Commitment, the Total Incremental Term Loan Commitment, the Total Revolving Credit Commitment, the Total Extended Revolving Credit Commitment of each Extension Series and the Total Additional/Replacement Revolving Credit Commitment.

“Total Credit Exposure” shall mean, at any date, the sum of the Total Commitment at such date and the outstanding principal amount of all Term Loans at such date.



“Total Extended Revolving Credit Commitment” shall mean the sum of all Extended Revolving Credit Commitments of all Lenders under each Extension Series.

“Total Incremental Term Loan Commitment” shall mean the sum of the Incremental Term Loan Commitments of any Class of Incremental Term Loans of all the Lenders providing such Class of Incremental Term Loans.

~~“Total Initial Tranche A Term Loan Commitment” shall mean the sum of the Initial Tranche A Term Loan Commitments of all the Lenders.~~

“Total Initial Tranche B Term Loan Commitment” shall mean the sum of the Initial Tranche B Term Loan Commitments of all the Lenders.

“Total Revolving Credit Commitment” shall mean the sum of the Revolving Credit Commitments of all the Lenders.

“Tranche A Lender” shall mean any Lender holding Tranche A Loans and/or any commitment thereunder.

“Tranche A Loans” shall mean the 2017 Initial Tranche A Term Loans, the 2019 Extended Tranche A Term Loans, any Incremental Tranche A Term Loans or any Extended Term Loans for which 2017 Initial Tranche A Term Loans, 2019 Extended Tranche A Term Loans or Incremental Tranche A Term Loans were exchanged.

“Tranche B Lender” shall mean any Lender holding Tranche B Loans and/or any commitment thereunder.

“Tranche B Loans” shall mean the Initial Tranche B Term Loans, Incremental Tranche B Term Loans (including the 2013 Incremental Tranche B Term Loans) or any Extended Term Loans for which Initial Tranche B Term Loans or Incremental Tranche B Term Loans were exchanged.

“Transaction Expenses” shall mean any fees or expenses incurred or paid by the Sponsors, Holdings, the Borrower or any of its Restricted Subsidiaries or any of their Affiliates in connection with the Transactions and the transactions contemplated hereby and thereby.

“Transactions” shall mean, collectively, (a) the Refinancing, (b) the entering into of the Credit Documents and the funding of the Initial Term Loans and, to the extent applicable, the Revolving Credit Loans on the Closing Date, (c) the declaration and payment of the Special Dividend, (d) the consummation of any other transactions connected with the foregoing and (e)

the payment of fees and expenses in connection with any of the foregoing (including the Transaction Expenses).

“Transferee” shall have the meaning provided in Section 13.6(f).

“Type” shall mean (a) as to any Term Loan, its nature as an ABR Loan or a Eurodollar Loan, (b) as to any Revolving Credit Loan, its nature as an ABR Loan or a Eurodollar Loan, (c) as to any Extended Revolving Credit Loan, its nature as an ABR Loan or a Eurodollar

1.12 Guaranties of Hedging Obligations. Notwithstanding anything else to the contrary in any Credit Document, no Specified Credit Party shall be required to guarantee or provide security for Excluded Swap Obligations, and any reference in any Credit Document with respect to such Specified Credit Party guaranteeing or providing security for the Obligations shall be deemed to be all Obligations other than the Excluded Swap Obligations.

## SECTION 2. Amount and Terms of Credit Facilities

2.1 Loans. (a) (i) Subject to and upon the terms and conditions ~~herein set forth, each Initial Tranche A Term Lender severally agrees to make a loan or loans (each, of this Agreement as in effect immediately prior to the Amendment No. 2 Effective Date, each Lender having an “Initial Tranche A Term Loan”) to the Borrower, which~~ Commitment” (as defined in this Agreement as in effect immediately prior to the Amendment No. 2 Effective Date) (each such Lender, a “Prior Initial Tranche A Term Lender”) severally made a loan or loans pursuant thereto (each, a “Prior Initial Tranche A Term Loan” and collectively the “Prior Initial Tranche A Term Loans (i) shall not exceed, for any such Lender, the Initial Tranche A Term Loan Commitment of such Initial Tranche A Term Lender, (ii) shall not exceed, in the aggregate, the Total Initial Tranche A Term Loan Commitment, (iii) shall be made on the Closing Date and”) to the Borrower on the Closing Date.

(ii) As of the Amendment No. 2 Effective Date, in accordance with, and upon the terms and conditions set forth in, Amendment No. 2, (A) (x) the Prior Initial Tranche A Term Loans of each Prior Initial Tranche A Term Lender outstanding on such date shall be extended as a new series of Extended Term Loans (the “2019 Initial Extended Tranche A Term Loans”) on such date, in the principal amount with respect to each such Prior Initial Tranche A Term Lender as is set forth on Schedule 2 to Amendment No. 2 opposite such Lender’s name under the heading “2019 Extended Tranche A Term Loan Amount” and (y) certain Lenders shall make Incremental Tranche A Term Loans to the Borrower on the same terms and conditions as the 2019 Initial Extended Tranche A Term Loans (the “2019 Refinancing Extended Tranche A Term Loans”) for the purpose of refinancing a portion of the then-outstanding 2017 Initial Tranche A Term Loans (such 2019 Refinancing Extended Tranche A Term Loans, together with the 2019 Initial Extended Tranche A Term Loans, the “2019 Extended Tranche A Term Loans”), and each Lender making any 2019 Extended Tranche A Term Loans shall become a 2019 Extended Tranche A Term Lender with respect thereto; provided that all such 2019 Extended Tranche A Term Loans made by each of the 2019 Extended Tranche A Term Lenders on the Amendment No. 2 Effective Date shall, unless otherwise provided herein, consist entirely of 2019 Extended Tranche A Term Loans of the same Class; and (B) the Prior Initial Tranche A Term Loans of each Prior Initial Tranche A Term Lender that are not extended as 2019 Extended Tranche A Term Loans pursuant to clause (A) above shall be re-designated, but otherwise continued unchanged hereunder on the Amendment No. 2 Effective Date as the “2017 Initial Tranche A Term Loans”, and each such non-extending Prior Initial Tranche A Term Lender shall be re-designated as a 2017 Initial Tranche A Term Lender with respect to such Lender’s 2017 Initial Tranche A Term Loans.

(iii) The 2017 Initial Tranche A Term Loans and the 2019 Extended Tranche A Term Loans (A) shall be denominated in U.S. Dollars, (~~iv~~B) may at the option of the Borrower be incurred and maintained as, and/or converted into, ABR Loans or Eurodollar

Loans; provided that all such 2017 Initial Tranche A Term Loans or 2019 Extended Tranche A Term Loans made by each of the 2017 Initial Tranche A Term Lenders or 2019 Extended Tranche A Term Lenders, as applicable, pursuant to the same Borrowing shall, unless otherwise provided herein, consist entirely of 2017 Initial Tranche A Term Loans or 2019 Extended Tranche A Term Loans, as applicable, of the same Type and (v) may be repaid or prepaid in accordance with the provisions hereof, but once repaid or prepaid may not be reborrowed. On the 2017 Initial Tranche A Term Loan Maturity Date, all outstanding 2017 Initial Tranche A Term Loans shall be repaid in full. On the 2019 Extended Tranche A Term Loan Maturity Date, all outstanding 2019 Extended Tranche A Term Loans shall be repaid in full.

(b) (i) Subject to and upon the terms and conditions herein set forth, each Initial Tranche B Term Lender severally agrees to make a loan or loans (each, an “Initial Tranche B Term Loan”) to the Borrower, which Initial Tranche B Term Loans (i) shall not exceed, for any such Lender, the Initial Tranche B Term Loan Commitment of such Initial Tranche B Term Lender, (ii) shall not exceed, in the aggregate, the Total Initial Tranche B Term Loan Commitment, (iii) shall be made on the Closing Date and shall be denominated in U.S. Dollars, (iv) may at the option of the Borrower be incurred and maintained as, and/or converted into, ABR Loans or Eurodollar Loans; provided that all such Initial Tranche B Term Loans made by each of the Initial Tranche B Term Lenders pursuant to the same Borrowing shall, unless otherwise provided herein, consist entirely of Initial Tranche B Term Loans of the same Type and (v) may be repaid or prepaid in accordance with the provisions hereof, but once repaid or prepaid may not be reborrowed. On the Initial Tranche B Term Loan Maturity Date, all outstanding Initial Tranche B Term Loans shall be repaid in full.

(ii) Subject to and upon the terms and conditions herein set forth and in Amendment No. 1, each 2013 Incremental Term Lender severally agrees to make a 2013 Incremental Tranche B Term Loan to the Borrower, which 2013 Incremental Tranche B Term Loan (i) shall not exceed, for any such Lender, the Incremental Term Loan Commitment of such 2013 Incremental Term Lender, (ii) shall not exceed, in the aggregate, the Total Incremental Term Loan Commitment, (iii) shall be made on the Incremental Term Loan Effective Date and shall be denominated in U.S. Dollars, (iv) may at the option of the Borrower be incurred and maintained as, and/or converted into, ABR Loans or Eurodollar Loans; provided that all such 2013 Incremental Tranche B Term Loans made by each of the 2013 Incremental Term Lenders pursuant to the same Borrowing shall, unless otherwise provided herein, consist entirely of 2013 Incremental Tranche B Term Loans of the same Class and (v) may be repaid or prepaid in accordance with the provisions hereof, but once repaid or prepaid may not be reborrowed. On the 2013 Incremental Tranche B Term Loan Maturity Date, all outstanding 2013 Incremental Tranche B Term Loans shall be repaid in full.

(c) Subject to and upon the terms and conditions herein set forth, each Revolving Credit Lender severally agrees to make a loan or loans (each, a “Revolving Credit Loan”) to the Borrower in U.S. Dollars, which Revolving Credit Loans (i) shall not exceed, for any such Lender, the Revolving Credit Commitment of such Lender, (ii) shall not, after giving effect thereto and to the application of the proceeds thereof, result in such Lender’s Revolving Credit Exposure at such time exceeding such Lender’s Revolving Credit Commitment at such time, (iii) shall not, after giving effect thereto and to the application of the proceeds thereof, at any time result in the aggregate amount of all Lenders’ Revolving Credit Exposures exceeding

thereto (except that Mandatory Borrowings shall be made in the amounts required by Section 2.1(f) and Revolving Credit Loans to reimburse the Letter of Credit Issuer with respect to any Unpaid Drawing shall be made in the amounts required by Section 3.3 or Section 3.4, as applicable). More than one Borrowing may be incurred on any date; provided that at no time shall there be outstanding more than 20 Borrowings of Eurodollar Loans under this Agreement. For purposes of the foregoing, Borrowings having different Interest Periods, regardless of whether they commence on the same date, shall be considered separate Borrowings.

2.3 Notice of Borrowing. (a) The Borrower shall give the Administrative Agent at the Administrative Agent's Office (i) prior to 1:00 p.m. (New York City time) at least three Business Days' prior written notice (or telephonic notice promptly confirmed in writing) of the Borrowing of Initial Term Loans or any Borrowing of Incremental Term Loans (unless otherwise set forth in the applicable Incremental Agreement), as the case may be, if all or any of such Term Loans are to be initially Eurodollar Loans, and (ii) prior written notice (or telephonic notice promptly confirmed in writing) prior to 10:00 a.m. (New York City time) on the date of the Borrowing of Initial Term Loans or any Borrowing of Incremental Term Loans, as the case may be, if all such Term Loans are to be ABR Loans. Such notice (together with each notice of a Borrowing of Revolving Credit Loans pursuant to Section 2.3(b) and each notice of a Borrowing of Swingline Loans pursuant to Section 2.3(d), a "Notice of Borrowing") shall specify substantially in the form of Exhibit D (i) the aggregate principal amount of the Initial Term Loans or Incremental Term Loans, as the case may be, to be made, (ii) the date of the Borrowing (which shall be (x) in the case of Initial Term Loans, the Closing Date and (y) in the case of Incremental Term Loans, the applicable Incremental Facility Closing Date in respect of such Class), (iii) whether the Initial Term Loans or Incremental Term Loans, as the case may be, shall consist of ABR Loans and/or Eurodollar Loans and, if the Initial Term Loans or Incremental Term Loans, as the case may be, are to include Eurodollar Loans, the Interest Period to be initially applicable thereto and (iv) whether the Initial Term Loans are being borrowed under the 2017 Initial Tranche A Term Loan Facility or Initial Tranche B Term Loan Facility. The Administrative Agent shall promptly give each Lender written notice (or telephonic notice promptly confirmed in writing) of each proposed Borrowing of Term Loans, of such Lender's proportionate share thereof and of the other matters covered by the related Notice of Borrowing.

(b) Whenever the Borrower desires to incur Revolving Credit Loans hereunder (other than Mandatory Borrowings or borrowings to repay Unpaid Drawings under Letters of Credit), it shall give the Administrative Agent at the Administrative Agent's Office, (i) prior to 1:00 p.m. (New York City time) at least three Business Days' prior written notice (or telephonic notice promptly confirmed in writing) of each Borrowing of Revolving Credit Loans that are to be Eurodollar Loans, and (ii) prior to 1:00 p.m. (New York City time) at least one Business Day's prior written notice (or telephonic notice promptly confirmed in writing) of each Borrowing of Revolving Credit Loans that are to be ABR Loans. Each such Notice of Borrowing, except as otherwise expressly provided in Section 2.10, shall specify (i) the aggregate principal amount of the Revolving Credit Loans to be made pursuant to such Borrowing, (ii) the date of Borrowing (which shall be a Business Day) and (iii) whether the respective Borrowing shall consist of ABR Loans or Eurodollar Loans and, if Eurodollar Loans, the Interest Period to be initially applicable thereto. The Administrative Agent shall promptly give each Lender written notice (or telephonic notice promptly confirmed in writing) of each

Issuer, as the case may be, severally agrees to repay to the Administrative Agent forthwith on demand the amount so distributed to such Lender or the Letter of Credit Issuer, in immediately available funds with interest thereon, for each day from and including the date such amount is distributed to it to but excluding the date of payment to the Administrative Agent, at the Federal Funds Effective Rate.

2.5 Repayment of Loans; Evidence of Debt.

(a) ~~(a)~~ The Borrower agrees to repay to the Administrative Agent, for the benefit of the applicable Lenders, (i) on the 2017 Initial Tranche A Term Loan Maturity Date, all then outstanding 2017 Initial Tranche A Term Loans, (ii) on the 2019 Extended Tranche A Term Loan Maturity Date, all then outstanding 2019 Extended Tranche A Term Loans, (iii) on the Initial Tranche B Term Loan Maturity Date, all then outstanding Initial Tranche B Term Loans, ~~(iiiiv)~~ on the relevant Incremental Term Loan Maturity Date for any Class of Incremental Term Loans, any then outstanding Incremental Term Loans of such Class, ~~(ivv)~~ on the Revolving Credit Maturity Date, all then outstanding Revolving Credit Loans, ~~(vvi)~~ on the relevant maturity date for any Class of Additional/Replacement Revolving Credit Commitments, all then outstanding Additional/Replacement Revolving Credit Loans of such Class, ~~(viiivii)~~ on the relevant maturity date for any Class of Extended Term Loans, all then outstanding Extended Term Loans of such Class, ~~(viiiiviii)~~ on the relevant maturity date for any Class of Extended Revolving Credit Commitments, all then outstanding Extended Revolving Credit Loans of such Class and ~~(viiiiix)~~ on the Swingline Maturity Date, all then outstanding Swingline Loans.

(b) The Borrower shall repay to the Administrative Agent, for the benefit of the 2017 Initial Tranche A Term Lenders, on each date set forth below (each, with respect to the 2017 Initial Tranche A Term Lenders, ~~ana~~ “2017 Initial Tranche A Term Loan Repayment Date”), a principal amount of the 2017 Initial Tranche A Term Loans (each such amount, ~~ana~~ “2017 Initial Tranche A Term Loan Repayment Amount”) (as such principal amount may be reduced by, and after giving effect to, any voluntary and mandatory prepayments made in accordance with Section 5 (including all such prepayments made prior to the Amendment No. 2 Effective Date), or as contemplated by Section 2.15), in each case as set forth below opposite such 2017 Initial Tranche A Term Loan Repayment Date:

2017 Initial Tranche A Term Loan Repayment Date	2017 Initial Tranche A Term Loan Repayment Amount <sup>13</sup>
June 30, 2012	\$9,187,500
September 30, 2012	\$9,187,500
December 31, 2012	\$9,187,500
March 31, 2013	\$9,187,500
June 30, 2013	\$9,187,500
September 30, 2013	\$9,187,500
December 31, 2013	\$9,187,500

<sup>13</sup> Repayment amounts from December 31, 2014 through December 31, 2016 will be reduced in the same proportion as the amount of 2017 Initial Tranche A Term Loans are reduced in the Second Amendment.

2017 Initial Tranche A Term Loan Repayment Date	2017 Initial Tranche A Term Loan Repayment Amount <sup>13</sup>
March 31, 2014	\$9,187,500
June 30, 2014	\$18,375,000
September 30, 2014	\$18,375,000
December 31, 2014	\$0
March 31, 2015	\$0
June 30, 2015	\$0
September 30, 2015	\$0
December 31, 2015	\$0
March 31, 2016	\$0
June 30, 2016	\$0
September 30, 2016	\$0
December 31, 2016	\$0
2017 Initial Tranche A Term Loan Maturity Date	Balance of outstanding 2017 Initial Tranche A Term Loans

(c) The Borrower shall repay to the Administrative Agent, for the benefit of the 2019 Extended Tranche A Term Lenders, on each date set forth below (each, with respect to the 2019 Extended Tranche A Term Lender, a “2019 Extended Tranche A Term Loan Repayment Date”), a principal amount of the 2019 Extended Tranche A Term Loans (as such principal amount may be reduced by, and after giving effect to, any voluntary and mandatory prepayments made in accordance with Section 5 or as contemplated by Section 2.15), in each case as set forth below opposite such 2019 Extended Tranche A Term Loan Repayment Date (each such amount, a “2019 Extended Tranche A Term Loan Repayment Amount”):

<del>Initial</del> 2019 Extended Tranche A Term Loan Repayment Date	<del>Initial</del> 2019 Extended Tranche A Term Loan Repayment Amount
<del>June 30, 2012</del>	<del>\$9,187,500</del>
<del>September 30, 2012</del>	<del>\$9,187,500</del>
December 31, <del>2012</del> 2017	<del>\$9,187,500</del> 8,613,281.25
March 31, <del>2013</del> 2018	<del>\$9,187,500</del> 8,613,281.25
June 30, <del>2013</del> 2018	<del>\$9,187,500</del> 8,613,281.25
September 30, <del>2013</del> 2018	<del>\$9,187,500</del> 8,613,281.25
December 31, <del>2013</del> 2018	<del>\$9,187,500</del> 8,613,281.25
March 31, <del>2014</del> 2019	<del>\$9,187,500</del> 8,613,281.25
June 30, <del>2014</del> 2019	<del>\$9,187,500</del> 8,613,281.25
<del>September 30, 2014</del>	<del>\$18,375,000</del>
<del>December 31, 2014</del>	<del>\$18,375,000</del>
<del>March 31, 2015</del>	<del>\$18,375,000</del>
<del>June 30, 2015</del>	<del>\$18,375,000</del>

<del>Initial</del> 2019 Extended Tranche A Term Loan Repayment Date	<del>Initial</del> 2019 Extended Tranche A Term Loan Repayment Amount
<del>September 30, 2015</del>	<del>\$18,375,000</del>
<del>December 31, 2015</del>	<del>\$18,375,000</del>
<del>March 31, 2016</del>	<del>\$18,375,000</del>
<del>June 30, 2016</del>	<del>\$18,375,000</del>
<del>September 30, 2016</del>	<del>\$18,375,000</del>
<del>December 31, 2016</del>	<del>\$18,375,000</del>
<del>Initial</del> 2019 Extended Tranche A Term Loan Maturity Date	Balance of outstanding <del>Initial</del> 2019 Extended Tranche A Term Loans

Each 2019 Extended Tranche A Term Lender acknowledges and agrees that otherwise applicable amortization payments prior to December 31, 2017 have been reduced to zero as a result of voluntary prepayments made prior to the Amendment No. 2 Effective Date.

(d) (e) The Borrower shall repay to the Administrative Agent, for the benefit of the Initial Tranche B Term Lenders, on each date set forth below (each, an “Initial Tranche B Term Loan Repayment Date”), a principal amount of the Initial Tranche B Term Loans (each such amount, an “Initial Tranche B Term Loan Repayment Amount”) (as such principal amount may be reduced by, and after giving effect to, any voluntary and mandatory prepayments made in accordance with Section 5 or as contemplated by Section 2.15), in each case as set forth below opposite such Initial Tranche B Term Loan Repayment Date:

<u>Initial Tranche B Term Loan Repayment Date</u>	<u>Initial Tranche B Term Loan Repayment Amount</u>
June 30, 2012	\$1,537,500
September 30, 2012	\$1,537,500
December 31, 2012	\$1,537,500
March 31, 2013	\$1,537,500
June 30, 2013	\$1,537,500
September 30, 2013	\$1,537,500
December 31, 2013	\$1,537,500
March 31, 2014	\$1,537,500
June 30, 2014	\$1,537,500
September 30, 2014	\$1,537,500
December 31, 2014	\$1,537,500
March 31, 2015	\$1,537,500
June 30, 2015	\$1,537,500
September 30, 2015	\$1,537,500
December 31, 2015	\$1,537,500
March 31, 2016	\$1,537,500
June 30, 2016	\$1,537,500

<u>2013 Incremental Tranche B Term Loan Repayment Date</u>	<u>2013 Incremental Tranche B Term Loan Repayment Amount</u>
September 30, 2017	\$2,709,625
December 31, 2017	\$2,709,625
March 31, 2018	\$2,709,625
June 30, 2018	\$2,709,625
September 30, 2018	\$2,709,625
December 31, 2018	\$2,709,625
2013 Incremental Tranche B Term Loan Maturity Date	Balance of 2013 Incremental Tranche B Term Loans

(e) (f) In the event any Incremental Term Loans are made, such Incremental Term Loans shall mature and be repaid in amounts (each such amount, an “Incremental Term Loan Repayment Amount”) and on dates as agreed between the Borrower and the relevant Lenders of such Incremental Term Loans in the applicable Incremental Agreement (each an “Incremental Term Loan Repayment Date”), subject to the requirements set forth in Section 2.14. In the event that any Extended Term Loans are established, such Extended Term Loans shall, subject to the requirements of Section 2.15, mature and be repaid by the Borrower in the amounts (each such amount, an “Extended Term Loan Repayment Amount”) and on the dates (each an “Extended Repayment Date”) set forth in the applicable Extension Agreement. In the event any Extended Revolving Credit Commitments are established, such Extended Revolving Credit Commitments shall, subject to the requirements of Section 2.15, be terminated (and all Extended Revolving Credit Loans of the same Extension Series repaid) on the dates set forth in the applicable Extension Agreement.

(f) (e) Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of the Borrower to the appropriate lending office of such Lender resulting from each Loan made by such lending office of such Lender from time to time, including the amounts of principal and interest payable and paid to such lending office of such Lender from time to time under this Agreement.

(g) (f) The Administrative Agent, on behalf of the Borrower, shall maintain the Register pursuant to Section 13.6(b) and a subaccount for each Lender, in which the Register and the subaccounts (taken together) shall be recorded (i) the amount of each Loan made hereunder, whether such Loan is ~~an~~ a 2017 Initial Tranche A Term Loan, a 2019 Extended Tranche A Term Loan, an Initial Tranche B Term Loan, an Incremental Term Loan (and the relevant Class thereof), a Revolving Credit Loan, an Additional/Replacement Revolving Credit Loan (and the relevant Class thereof), an Extended Term Loan (and the relevant Class thereof), an Extended Revolving Credit Loan (and the relevant Class thereof) or a Swingline Loan, as applicable, the Type of each Loan made and the Interest Period, if any, applicable thereto, (ii) the amount of any principal or interest due and payable or to become due and payable from the Borrower to each Lender or the Swingline Lender hereunder, (iii) the amount of any sum received by the Administrative Agent hereunder from the Borrower and each Lender’s share thereof and (iv) any cancellation or retirement of Loans contemplated by Section 13.6(i).



(h) ~~(g)~~ The entries made in the Register and accounts and subaccounts maintained pursuant to paragraphs (ef) and (fg) of this Section 2.5 shall, to the extent permitted by Applicable Law, be prima facie evidence of the existence and amounts of the obligations of the Borrower therein recorded; provided that the failure of any Lender or the Administrative Agent to maintain such account, such Register or such subaccount, as applicable, or any error therein, shall not in any manner affect the obligation of the Borrower to repay (with applicable interest) the Loans made to the Borrower by such Lender in accordance with the terms of this Agreement.

2.6 Conversions and Continuations. (a) The Borrower shall have the option on any Business Day, subject to Section 2.11, to convert all or a portion equal to at least the Minimum Borrowing Amount of the outstanding principal amount of Term Loans, Revolving Credit Loans, Additional/Replacement Revolving Credit Loans or Extended Revolving Credit Loans of one Type into a Borrowing or Borrowings of another Type and except as otherwise provided herein the Borrower shall have the option on the last day of an Interest Period to continue the outstanding principal amount of any Eurodollar Loans as Eurodollar Loans for an additional Interest Period; provided that (i) no partial conversion of Eurodollar Loans shall reduce the outstanding principal amount of Eurodollar Loans made pursuant to a single Borrowing to less than the Minimum Borrowing Amount, (ii) ABR Loans may not be converted into Eurodollar Loans if an Event of Default is in existence on the date of the conversion and the Administrative Agent has, or the Required Credit Facility Lenders with respect to any such Credit Facility have, determined in its or their sole discretion not to permit such conversion, (iii) Eurodollar Loans may not be continued as Eurodollar Loans for an additional Interest Period if an Event of Default is in existence on the date of the proposed continuation and the Administrative Agent has, or the Required Credit Facility Lenders with respect to any such Credit Facility have, determined in its or their sole discretion not to permit such continuation and (iv) Borrowings resulting from conversions pursuant to this Section 2.6 shall be limited in number as provided in Section 2.2. Each such conversion or continuation shall be effected by the Borrower giving the Administrative Agent at the Administrative Agent's Office prior to 1:00 p.m. (New York City time) at least (i) three Business Days', in the case of a continuation of, or conversion to, Eurodollar Loans or (ii) one Business Day's, in the case of a conversion into ABR Loans, prior written notice (or telephonic notice promptly confirmed in writing) (each, a "Notice of Conversion or Continuation") specifying the Loans to be so converted or continued, the Type of Loans to be converted into or continued, the requested date of the conversion or continuation, as the case may be (which shall be a Business Day), the principal amount of Loans to be converted or continued, as the case may be, and, if such Loans are to be converted into, or continued as, Eurodollar Loans, the Interest Period to be initially applicable thereto. If the Borrower fails to give a timely notice requesting a conversion or continuation, then the applicable Term Loans, Revolving Credit Loans, Additional/Replacement Revolving Credit Loans or Extended Revolving Credit Loans shall be made or continued as the same Type of Loan, which, if a Eurodollar Loan, shall have the same Interest Period as that of the Loans being continued or converted (subject to the definition of Interest Period). Any such automatic continuation shall be effective as of the last day of the Interest Period then in effect with respect to the applicable Eurodollar Loans. If the Borrower requests a conversion to, or continuation of Eurodollar Loans in any such Notice of Conversion of Continuation, but fails to specify an Interest Period, it will be deemed to have specified an Interest Period of one month's duration. Notwithstanding anything to the contrary herein, a Swingline Loan may not be converted to a Eurodollar Loan. The Administrative Agent shall give each

applicable Lender notice as promptly as practicable of any such proposed conversion or continuation affecting any of its Loans.

(b) If an Event of Default is in existence at the time of any proposed continuation of any Eurodollar Loans and the Administrative Agent has, or the Required Lenders with respect to any such continuation have, determined in its or their sole discretion not to permit

such continuation, Eurodollar Loans shall be automatically converted on the last day of the current Interest Period into ABR Loans.

2.7 Pro Rata Borrowings. Each Borrowing of 2017 Initial Tranche A Term Loans or 2019 Extended Tranche A Term Loans under this Agreement shall be granted by the 2017 Initial Tranche A Term Lenders or the 2019 Extended Tranche A Term Lenders, as applicable, pro rata on the basis of their then-applicable 2017 Initial Tranche A Term Loan Commitments or 2019 Extended Tranche A Term Loan Commitments, respectively, and each Borrowing of Initial Tranche B Term Loans under this Agreement shall be granted by the Initial Tranche B Term Lenders pro rata on the basis of their then-applicable Initial Tranche B Term Loan Commitments. Each Borrowing of Revolving Credit Loans under this Agreement shall be granted by the Revolving Credit Lenders pro rata on the basis of their then-applicable Revolving Credit Commitment Percentages with respect to the applicable Class. Each Borrowing of Incremental Term Loans under this Agreement shall be granted by the Lenders of the relevant Class thereof pro rata on the basis of their then-applicable Incremental Term Loan Commitments for such Class. Each Borrowing of Additional/Replacement Revolving Credit Loans under this Agreement shall be granted by the Lenders of the relevant Class thereof pro rata on the basis of their then-applicable Additional/Replacement Revolving Credit Commitments for such Class. Each Borrowing of Extended Revolving Credit Loans under this Agreement shall be granted by the Lenders of the relevant Class thereof pro rata on the basis of their then-applicable Extended Revolving Credit Commitments for such Class. It is understood that (a) no Lender shall be responsible for any default by any other Lender in its obligation to make Loans hereunder and that each Lender, severally and not jointly, shall be obligated to make the Loans provided to be made by it hereunder, regardless of the failure of any other Lender to fulfill its commitments hereunder, and (b) other than as expressly provided herein with respect to a Defaulting Lender, failure by a Lender to perform any of its obligations under any of the Credit Documents shall not release any Person from performance of its obligations under any Credit Document.

2.8 Interest. (a) The unpaid principal amount of each ABR Loan shall bear interest from the date of the Borrowing thereof until maturity (whether by acceleration or otherwise) at a rate per annum that shall at all times be the Applicable Margin in effect from time to time plus the ABR in effect from time to time.

(b) The unpaid principal amount of each Eurodollar Loan shall bear interest from the date of the Borrowing thereof until maturity thereof (whether by acceleration or otherwise) at a rate per annum that shall at all times be the Applicable Margin in effect from time to time plus the Eurodollar Rate in effect from time to time.

(c) If all or a portion of the principal amount of any Loan or any interest payable thereon or any fees or other amounts due hereunder shall not be paid when due (whether at the stated maturity, by acceleration or otherwise), such overdue amount shall bear interest

equal to the aggregate amount of Additional/Replacement Revolving Credit Commitments so provided.

(c) (i) (A) The Incremental Tranche A Term Loans (i) shall rank pari passu in right of payment and of security with the 2017 Initial Tranche A Term Loans and the 2019 Extended Tranche A Term Loans, (ii) shall not mature earlier than the 2017 Initial Tranche A Term Loan Maturity Date, (iii) shall not have a shorter Weighted Average Life to Maturity than the 2017 Initial Tranche A Term Loan Facility, (iv) shall have an amortization schedule (subject to clause (iii) above), and interest rates (including through fixed interest rates), interest margins, rate floors, upfront fees, funding discounts, original issue discounts and prepayment premiums for the Incremental Tranche A Term Loans as determined by the Borrower and the lenders of the Incremental Tranche A Term Loans, and (v) may otherwise have terms and conditions different from those of the 2017 Initial Tranche A Term Loans and (B) the Incremental Tranche B Term Loans (i) shall rank pari passu in right of payment and of security with the Initial Tranche B Term Loans, (ii) shall not mature earlier than the Initial Tranche B Term Loan Maturity Date, (iii) shall not have a shorter Weighted Average Life to Maturity than the Initial Tranche B Term Loan Facility, (iv) shall have an amortization schedule (subject to clause (iii) above), and interest rates (including through fixed interest rates), interest margins, rate floors, upfront fees, funding discounts, original issue discounts and prepayment premiums for the Incremental Tranche B Term Loans as determined by the Borrower and the lenders of the Incremental Tranche B Term Loans and (v) may otherwise have terms and conditions different from those of the Initial Tranche B Term Loans; provided that (except with respect to matters contemplated by subclauses (ii), (iii) and (iv) in clauses (A) and (B) above) any differences shall be reasonably satisfactory to the Administrative Agent.

(ii) The Incremental Revolving Credit Commitment Increase shall be treated the same as the Revolving Credit Commitments (including with respect to maturity date thereof) and shall be considered to be part of the Revolving Credit Facility.

(iii) The Additional/Replacement Revolving Credit Commitments (i) shall rank pari passu in right of payment and of security with the Revolving Credit Loans, (ii) shall not mature earlier than ~~the Revolving Credit Maturity Date~~ March 29, 2017 and shall require no mandatory commitment reduction prior to ~~the Revolving Credit Maturity Date~~ March 29, 2017, (iii) shall have interest rates (including through fixed interest rates), interest margins, rate floors, upfront fees, undrawn commitment fees, funding discounts, original issue discounts and prepayment premiums as determined by the Borrower and the lenders of such commitments, (iv) shall contain borrowing, repayment and termination of Commitment procedures as determined by the Borrower and the lenders of such commitments, (v) may include provisions relating to swingline loans and/or letters of credit, as applicable, issued thereunder, which issuances shall be on terms substantially similar (except for the overall size of such subfacilities, the fees payable in connection therewith and the identity of the swingline lender and letter of credit issuer, as applicable, which shall be determined by the Borrower, the lenders of such commitments and the applicable letter of credit issuers and swingline lenders and borrowing, repayment and termination of commitment procedures with respect thereto, in each case which shall be specified in the applicable Incremental Agreement) to the terms relating to Swingline Loans and Letters of Credit with respect to the Revolving Credit Commitments or otherwise reasonably acceptable to the Administrative Agent and (vi) may otherwise have terms and

3.11 Existing Letters of Credit. Subject to the terms and conditions hereof, each Existing Letter of Credit that is outstanding on the Closing Date, listed on Schedule 1.1(c) shall, effective as of the Closing Date and without any further action by the Borrower, be continued as a Letter of Credit hereunder, from and after the Closing Date be deemed a Letter of Credit for all purposes hereof and be subject to and governed by the terms and conditions hereof.

3.12 Applicability of ISP and UCP. Unless otherwise expressly agreed by the Letter of Credit Issuer and the Borrower when a Letter of Credit is issued, (i) the rules of the ISP shall apply to each standby Letter of Credit, and (ii) the rules of the UCP shall apply to each commercial Letter of Credit. Notwithstanding the foregoing, the Letter of Credit Issuer shall not be responsible to the Borrower for, and the Letter of Credit Issuer's rights and remedies against the Borrower shall not be impaired by, any action or inaction of the Letter of Credit Issuer required or permitted under any Applicable Law, order, or practice that is required or permitted to be applied to any Letter of Credit or this Agreement, including the Applicable Law or any order of a jurisdiction where the Letter of Credit Issuer or the beneficiary is located, the practice stated in the ISP or UCP, as applicable, or in the decisions, opinions, practice statements, or official commentary of the ICC Banking Commission, the Bankers Association for Finance and Trade - International Financial Services Association (BAFT-IFSA), or the Institute of International Banking Law & Practice, whether or not any Letter of Credit chooses such law or practice.

#### SECTION 4. Fees; Commitment Reductions and Terminations.

4.1 Fees. (a) The Borrower agrees to pay to the Administrative Agent for the account of each Revolving Credit Lender (in each case pro rata according to the respective Revolving Credit Commitments of all such Revolving Credit Lenders) a commitment fee (the "Commitment Fee") that shall accrue from and including the Closing Amendment No. 2 Effective Date to but excluding the Revolving Credit Termination Date. Each Commitment Fee shall be payable (x) quarterly in arrears on the last Business Day of each March, June, September and December (for the three-month period (or portion thereof) ended on such day for which no payment has been received) and (y) on the Revolving Credit Termination Date (for the period ended on such date for which no payment has been received pursuant to clause (x) above), and shall be computed for each day during such period at a rate per annum equal to the Commitment Fee Rate in effect on such day to be calculated based on the actual amount of the Available Revolving Credit Commitment (assuming for this purpose that there is no reference to "Swingline Loans" in clause (b)(i) of the definition of Available Revolving Credit Commitment) in effect on such day.

(b) The Borrower agrees to pay (i) directly to the Letter of Credit Issuer for its own account a fronting fee (the "Fronting Fee") with respect to each Letter of Credit, computed at the rate for each day equal to 0.125% per annum or such other amount as is agreed in a separate writing between any Letter of Credit Issuer and the Borrower times the average daily Stated Amount of such Letter of Credit and (ii) any other letter of credit fee agreed to in writing by any Letter of Credit Issuer and the Borrower. The Fronting Fee shall be due and payable quarterly in arrears on the first Business Day after the end of each March, June, September and December, in respect of the most recently-ended quarterly period (or portion thereof, in the case of the first payment), commencing with the first such date to occur after the issuance of such

effect to such repayment or reduction, the Existing Revolving Credit Loans of such Class are held by the Lenders of such Class on a pro rata basis in accordance with their Existing Revolving Credit Commitments of such Class after giving effect to such reduction) (provided that (x) after giving effect to any such reduction and to the repayment of any Loans made on such date, the aggregate amount of the revolving credit exposure of any such Lender does not exceed the Existing Revolving Credit Commitment thereof (such revolving credit exposure and Existing Revolving Credit Commitment being determined in each case, for the avoidance of doubt, exclusive of such Lender's Extended Revolving Credit Commitment and any exposure in respect thereof) and (y) for the avoidance of doubt, any such repayment of Loans contemplated by the preceding clause shall be made in compliance with the requirements of Section 5.3(a) with respect to the ratable allocation of payments hereunder, with such allocation being determined after giving effect to any exchange pursuant to Section 2.15 of Existing Revolving Credit Commitments and Existing Revolving Credit Loans into Extended Revolving Credit Commitments and Extended Revolving Credit Loans respectively, and prior to any reduction being made to the Commitment of any other Lender), (c) any partial reduction pursuant to this Section 4.2 shall be in an aggregate amount of \$10,000,000 or any whole multiple of \$1,000,000 in excess thereof, (d) after giving effect to such termination or reduction and to any prepayments of Revolving Credit Loans or cancellation or Cash Collateralization of Letters of Credit made on the date thereof in accordance with this Agreement, the aggregate amount of the Lenders' Revolving Credit Exposures for such Class shall not exceed the Total Revolving Credit Commitment for such Class, (e) after giving effect to such termination or reduction and to any prepayments of Additional/Replacement Revolving Credit Loans of any Class or cancellation or cash collateralization of letters of credit made on the date thereof in accordance with the Agreement, the aggregate amount of such Lender's revolving credit exposure shall not exceed the Total Additional/Replacement Revolving Credit Commitment for such Class and (f) if, after giving effect to any reduction hereunder, the Letter of Credit Commitment or the Swingline Commitment exceeds the sum of the Total Revolving Credit Commitment and the Total Additional/Replacement Revolving Credit Commitment (if any), such Commitment shall be automatically reduced by the amount of such excess.

(b) Upon at least one Business Day's prior written notice (or telephonic notice promptly confirmed in writing) to the Administrative Agent and the Letter of Credit Issuer (which notice the Administrative Agent shall promptly transmit to each of the applicable Revolving Credit Lenders), the Borrower shall have the right, on any day, permanently to terminate or reduce the Letter of Credit Commitment in whole or in part; provided that, after giving effect to such termination or reduction, the Letter of Credit Obligations shall not exceed the Letter of Credit Commitment.

(c) The Borrower may terminate the unused amount of the Commitment of a Defaulting Lender upon not less than two Business Days' prior notice to the Administrative Agent (which will promptly notify the Lenders thereof), and in such event the provisions of Section 2.16(a)(iv) will apply to all amounts thereafter paid by the Borrower for the account of such Defaulting Lender under this Agreement (whether on account of principal, interest, fees, indemnity or other amounts), provided that such termination will not be deemed to be a waiver or release of any claim the Borrower, the Administrative Agent, any Letter of Credit Issuer, the Swingline Lender or any Lender may have against such Defaulting Lender.

4.3 Mandatory Termination of Commitments. (a) The ~~Total~~2017 Initial Tranche A Term Loan Commitment and Total Initial Tranche B Term Loan Commitment ~~shall each terminate at 5:00 p.m. (New York City time)~~each terminated on the Closing Date.

(b) The Total Revolving Credit Commitment shall terminate at 5:00 p.m. (New York City time) on the Revolving Credit Maturity Date.

(c) The Swingline Commitment shall terminate at 5:00 p.m. (New York City time) on the Swingline Maturity Date.

(d) The Incremental Term Loan Commitment for any Class shall, unless otherwise provided in the documentation governing such Incremental Term Loan Commitment, terminate at 5:00 p.m. (New York City time) on the Incremental Facility Closing Date for such Class.

(e) The Additional/Replacement Revolving Credit Commitment for any Class shall terminate at 5:00 p.m. (New York City time) on the maturity date for such Class specified in the documentation governing such Class.

(f) The Extended Loan/Commitment for any Extension Series shall terminate at 5:00 p.m. (New York City time) on the maturity date for such tranche specified in the Extension Agreement.

(g) The Total 2019 Extended Tranche A Term Loan Commitment shall terminate at 5:00 p.m. (New York City time) on Amendment No. 2 Effective Date.

## SECTION 5. Payments

5.1 Voluntary Prepayments. (a) The Borrower shall have the right to prepay Term Loans, Revolving Credit Loans, Extended Revolving Credit Loans, Additional/Replacement Revolving Credit Loans and Swingline Loans, without, except as set forth in Section 5.1(b), premium or penalty, in whole or in part from time to time on the following terms and conditions: (a) the Borrower shall give the Administrative Agent at the Administrative Agent's Office written notice (or telephonic notice promptly confirmed in writing) of its intent to make such prepayment, the amount of such prepayment and in the case of Eurodollar Loans, the specific Borrowing(s) pursuant to which made, which notice shall be given by the Borrower no later than (i) in the case of Term Loans, Extended Revolving Credit Loans, Additional/Replacement Revolving Credit Loans or Revolving Credit Loans, 1:00 p.m. (New York City time) (x) one Business Day prior to (in the case of ABR Loans) or (y) three Business Days prior to (in the case of Eurodollar Loans), or (ii) in the case of Swingline Loans, 1:00 p.m. (New York City time) on, the date of such prepayment and shall promptly be transmitted by the Administrative Agent to each of the relevant Lenders or the Swingline Lender, as the case may be; (b) each partial prepayment of any Borrowing of Term Loans or Revolving Credit Loans shall be in a multiple of \$100,000 and in an aggregate principal amount of at least \$1,000,000 and each partial prepayment of Swingline Loans shall be in a multiple of \$100,000 and in an aggregate principal amount of at least \$100,000; provided that no partial prepayment of Eurodollar Loans made pursuant to a single Borrowing shall reduce the outstanding Eurodollar Loans made pursuant to such Borrowing to an amount less than the

to evidence that each Credit Party is duly organized or formed, and that each of the Borrower and each Guarantor is validly existing, in good standing and qualified to engage in business in (x) in the case of the Borrower, the State of Massachusetts and (y) in the case of each Guarantor, the State of Delaware.

6.7 Fees and Expenses. The fees in the amounts previously agreed in writing by the Agents to be received on the Closing Date and all reasonable out-of-pocket expenses (including the reasonable fees, disbursements and other charges of counsel) for which invoices have been presented at least three Business Days prior to the Closing Date (except as otherwise reasonably agreed by the Borrower), shall have been, or will be substantially simultaneously with the initial Credit Event, paid in full (which amounts may be offset against the proceeds of the “Initial Tranche A Term Loan” (as defined in this Agreement as in effect immediately prior to the Amendment No. 2 Effective Date) and/or the Initial Tranche B Term Loan).

6.8 Solvency Certificate. The Administrative Agent shall have received a certificate from the chief financial officer of the Borrower substantially in the form of Exhibit L, with appropriate attachments and demonstrating that after giving effect to the consummation of the Transactions and other transactions contemplated hereby, the Borrower and its Subsidiaries, on a consolidated basis, are Solvent.

6.9 Refinancing. The Refinancing shall have been consummated, or shall be consummated simultaneously with the funding of the Initial Term Loans hereunder and the Administrative Agent shall have received reasonably satisfactory evidence of the repayment of all Indebtedness for borrowed money to be repaid on the Closing Date pursuant to the Refinancing, including one or more duly executed payoff letters, terminations and releases in form and substance reasonably satisfactory to the Administrative Agent.

6.10 Insurance Certificates. The Administrative Agent shall have received copies of insurance certificates evidencing the insurance required to be maintained by the Borrower and the Restricted Subsidiaries pursuant to Section 9.3, each of which shall be endorsed or otherwise amended to include a “standard” or “New York” lender’s additional loss payable or additional mortgagee endorsement (as applicable) and shall name the Collateral Agent, on behalf of the Secured Parties, as additional insured on any liability policy and the Collateral Agent, on behalf of the Secured Parties, as additional loss payee and/or mortgagee on any casualty policy, in form and substance reasonably satisfactory to the Administrative Agent.

6.11 PATRIOT ACT. The Administrative Agent and the Joint Lead Arrangers shall have received all documentation and other information concerning the Borrower and the Guarantors as has been reasonably requested in writing at least 10 Business Days prior to the Closing Date by the Administrative Agent or the Joint Lead Arrangers (on behalf of itself and/or any Lender) that either reasonably determines is required by regulatory authorities under applicable “know your customer” and anti-money laundering rules and regulations, including without limitation the PATRIOT Act.

Without limiting the generality of the provisions of the last paragraph of Section 12.3, for purposes of determining compliance with the conditions specified in this Section 6,

Collateral Agent, (2) dated or re-certificated not earlier than three months prior to the date of such delivery, (3) certified to the Administrative Agent, the Collateral Agent and the title insurance company issuing the title insurance policy for such Mortgaged Property pursuant to clause (ii), which certification shall be reasonably acceptable to the Collateral Agent and (4) complying with the “Minimum Standard Detail Requirements for ALTA/ACSM Land Title Surveys,” jointly established and adopted by American Land Title Association, the American Congress on Surveying and Mapping and the National Society of Professional Surveyors in 2005 (except for such deviations as are acceptable to the Collateral Agent) or (B) coverage under the title insurance policy or policies referred to in clause (ii) above that does not contain a general exception for survey matters and which contains survey-related endorsements reasonably acceptable to the Collateral Agent, (y) a local opinion of counsel to the Borrower (or in the event a Subsidiary of the Borrower is the mortgagor, to such Subsidiary) with respect to the enforceability, perfection, due authorization, execution and delivery of the applicable Mortgages and any related fixture filings, and (z) such other documents as the Collateral Agent may reasonably request, in each case in form and substance reasonably satisfactory to the Collateral Agent.

(c) Notwithstanding anything herein to the contrary, if the Collateral Agent and the Borrower reasonably determine in writing that the cost of creating or perfecting any Lien on any property is excessive in relation to the benefits afforded to the Lenders thereby, then such property may be excluded from the Collateral for all purposes of the Credit Documents.

(d) Notwithstanding anything herein to the contrary, the Borrower shall not be required to take any actions outside the United States to (i) create any security interest in assets titled or located outside the United States or (ii) perfect or make enforceable any security interests in any Collateral.

9.15 Use of Proceeds. The proceeds of the “Initial Tranche A Term Loans ~~and~~” (as defined in this Agreement as in effect immediately prior to the Amendment No. 2 Effective Date), the Initial Tranche B Term Loans and the Revolving Credit Loans, if any, borrowed on the Closing Date, together with cash on hand at the Borrower and its Subsidiaries, will be used on the Closing Date (i) to consummate the Refinancing and/or (ii) to pay the Transaction Expenses. After the Closing Date, Revolving Credit Loans available under the Revolving Credit Facility will be used for working capital requirements and other general corporate purposes of the Borrower or its Subsidiaries, including the financing of acquisitions permitted hereunder and other investments and dividends. The proceeds of the Incremental Term Loan Facility, the proceeds of any Revolving Credit Loans made pursuant to any Incremental Revolving Credit Commitment Increase and the proceeds of any Additional/Replacement Revolving Credit Loans made pursuant to any Additional/Replacement Revolving Credit Commitments may be used for working capital requirements and other general corporate purposes of the Borrower and its Subsidiaries including the financing of acquisitions permitted hereunder, other investments and dividends and other distributions permitted hereunder on account of the Capital Stock of the Borrower (or any Parent Entity thereof). The proceeds of the 2013 Incremental Tranche B Term Loans will be used to fund the 2013 Tranche A Term Loan Repayment (as defined in Amendment No. 1), the 2013 Tranche B Term Loan Repayment (as defined in Amendment No. 1) and for working capital requirements and other general corporate purposes of the Borrower and its Subsidiaries, including the financing of



consent to any assignment if, in order for such assignment to comply with Applicable Law, the Borrower would be required to obtain the consent of, or make any filing or registration with, any Governmental Authority, and

(B) the Administrative Agent and, in the case of Revolving Credit Commitments or Revolving Credit Loans, the Swingline Lender and each Letter of Credit Issuer; provided that no consent of the Administrative Agent shall be required for an assignment of any Term Loan to a Lender, an Affiliate of a Lender or an Approved Fund or to any Purchasing Borrower Party or any Affiliated Lender.

Notwithstanding the foregoing or anything to the contrary set forth herein, any assignment of any Loans to a Purchasing Borrower Party or any Affiliated Lender shall also be subject to the requirements of Section 13.6(g).

(ii) Assignments shall be subject to the following additional conditions:

(A) except in the case of (i) an assignment to a Lender, an Affiliate of a Lender or an Approved Fund or (ii) an assignment of the entire remaining amount of the assigning Lender's Commitments or Loans, the amount of the Commitments or Loans of the assigning Lender subject to each such assignment (determined as of the date the Assignment and Acceptance with respect to such assignment is delivered to the Administrative Agent) shall not be less than, in the case of Revolving Credit Commitments or Revolving Credit Loans, Additional/Replacement Revolving Credit Commitments or Additional/Replacement Revolving Credit Loans, \$5,000,000 or, in the case of 2017 Initial Tranche A Term Loan Commitments, 2019 Extended Tranche A Term Loan Commitments, Initial Tranche B Term Loan Commitments, Incremental Term Loan Commitments or Term Loans, \$1,000,000, unless each of the Borrower and the Administrative Agent otherwise consents; provided that no such consent of the Borrower shall be required if an Event of Default under Section 11 has occurred and is continuing; and provided, further, that contemporaneous assignments to a single assignee made by affiliated Lenders or related Approved Funds or by a single assignor to related Approved Funds shall be aggregated for purposes of meeting the minimum assignment amount requirements stated above;

(B) subject to the terms of Section 13.7(c), the parties to each assignment shall execute and deliver to the Administrative Agent an Assignment and Acceptance;

(C) the parties to each assignment shall execute and deliver to the Administrative Agent an Assignment and Acceptance together with a processing fee of \$3,500 (it being understood that such processing fee shall not apply to any assignment by any of the Joint Lead Arrangers, the Joint Bookrunners or any of their respective affiliates hereunder); provided that (x) a single processing fee of \$3,500 will be payable for multiple assignments by Lenders permitted hereunder that comprise one transaction and are implemented substantially concurrently with one another and (y) the Administrative Agent may, in its sole discretion, elect to waive or reduce such processing fee in the case of any assignment, including assignments effected pursuant to the provisions of Section 13.7;

(D) the assignee, if it shall not be a Lender, shall deliver to the Administrative Agent any tax form required by Section 5.4 and an administrative questionnaire in a form approved by the Administrative Agent in which the assignee designates one or more credit contacts to whom all syndicate-level information (which may contain material non-public information about the Credit Parties and their Related Parties or their respective securities) will be made available and who may receive such information in accordance with the assignee's compliance procedures and Applicable Laws, including Federal and state securities laws; and

(E) each partial assignment shall be made as an assignment of a proportionate part of all the assigning Lender's rights and obligations under this Agreement with respect to the Loan or the Commitment assigned, except that this clause (E) shall not prohibit any Lender from assigning all or a portion of its rights and obligations among separate tranches of Loans (if any) on a non-pro rata basis.

Notwithstanding the foregoing or anything to the contrary set forth herein (i) any assignment of any Loans or Commitments to an Affiliated Lender shall also be subject to the requirements set forth in Section 13.6(g) and (ii) no natural person may be an assignee or Participant with respect to any Loans or Commitments.

(iii) Subject to acceptance and recording thereof pursuant to Section 13.6(b)(vi), from and after the effective date specified in each Assignment and Acceptance, the assignee thereunder shall be a party hereto and, to the extent of the interest assigned by such Assignment and Acceptance, have the rights and obligations of a Lender under this Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Acceptance, be released from its obligations under this Agreement (and, in the case of an Assignment and Acceptance covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto but shall continue to be entitled to the benefits and subject to the requirements of Sections 2.10, 2.11, 5.4 and 13.5). Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this Section 13.6 shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with Section 13.6(d).

(iv) By executing and delivering an Assignment and Acceptance, the assigning Lender thereunder and the assignee thereunder shall be deemed to confirm to and agree with each other and the other parties hereto as follows: (A) such assigning Lender warrants that it is the legal and beneficial owner of the interest being assigned thereby free and clear of any adverse claim and that its 2017 Initial Tranche A Term Loan Commitment, Initial 2019 Extended Tranche A Term Loan Commitment, Incremental Term Loan Commitment, Revolving Credit Commitment and Additional/Replacement Revolving Credit Commitment, and the outstanding balances of its Loans, in each case without giving effect to assignments thereof which have not become effective, are as set forth in such Assignment and Acceptance, (B) except as set forth in (A) above, such assigning Lender makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with this Agreement, or the execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement, any other Credit Document or any other instrument or document furnished pursuant hereto, or the financial condition of Holdings, the Borrower or any

information that identifies the Borrower, which information includes the name and address of the Borrower and other information that will allow such Lender to identify the Borrower in accordance with the Patriot Act.

13.18 Legend. The 2017 Initial Tranche A Term Loans, 2019 Extended Tranche A Term Loans, Initial Tranche B Term Loans and 2013 Incremental Tranche B Term Loans may be issued with original issue discount (“OID”) for U.S. Federal income tax purposes. The issue price, amount of OID, issue date and yield to maturity of these 2017 Initial Tranche A Term Loans, 2019 Extended Tranche A Term Loans, Initial Tranche B Term Loans and 2013 Incremental Tranche B Term Loans may be obtained by writing to the Administrative Agent at the address set forth in Section 13.2.

13.19 Release of Collateral and Guarantee Obligations; Subordination of Liens.

(a) The Lenders hereby irrevocably agree that the Liens granted to the Collateral Agent by the Credit Parties on any Collateral shall be automatically released (i) in full, as set forth in clause (b) below, (ii) upon the sale, transfer or other disposition of such Collateral (including as part of or in connection with any other sale, transfer or other disposition permitted hereunder) to any Person other than another Credit Party, to the extent such sale, transfer or other disposition is made in compliance with the terms of this Agreement (and the Collateral Agent may rely conclusively on a certificate to that effect provided to it by any Credit Party upon its reasonable request without further inquiry), (iii) to the extent such Collateral is comprised of property leased to a Credit Party by a Person that is not a Credit Party, upon termination or expiration of such lease, (iv) if the release of such Lien is approved, authorized or ratified in writing by the Required Lenders (or such other percentage of the Lenders whose consent may be required in accordance with Section 13.1), (v) to the extent the property constituting such Collateral is owned by any Guarantor, upon the release of such Guarantor from its obligations under the Guarantee (in accordance with the second succeeding sentence and Section 25 of the Guarantee), (vi) as required by the Collateral Agent to effect any sale, transfer or other disposition of Collateral in connection with any exercise of remedies of the Collateral Agent pursuant to the Security Documents and (vii) to the extent such Collateral otherwise becomes Excluded Capital Stock or Excluded Property (as defined in the Security Agreement). Any such release shall not in any manner discharge, affect, or impair the Obligations or any Liens (other than those being released) upon (or obligations (other than those being released) of the Credit Parties in respect of) all interests retained by the Credit Parties, including the proceeds of any sale, all of which shall continue to constitute part of the Collateral except to the extent otherwise released in accordance with the provisions of the Credit Documents. Additionally, the Lenders hereby irrevocably agree that the Guarantors shall be released from the Guarantees upon consummation of any transaction permitted hereunder resulting in such Subsidiary ceasing to constitute a Restricted Subsidiary, or otherwise becoming an Excluded Subsidiary, or, in the case of a Previous Holdings, in accordance with the conditions set forth in the definition of Holdings. The Lenders hereby authorize the Administrative Agent and the Collateral Agent, as applicable, to execute and deliver any instruments, documents, and agreements necessary or desirable to evidence and confirm the release of any Guarantor or Collateral pursuant to the foregoing provisions of this paragraph, all without the further consent or joinder of any Lender. Any

**Annex I-B**

**Delayed Amendments to the Amended Credit Agreement**

[See attached]

[ANNEX 1-B]

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**CREDIT AGREEMENT**

Dated as of March 29, 2012

among

**LPL INVESTMENT HOLDINGS INC.,**  
as Holdings,

**LPL HOLDINGS, INC.,**  
as Borrower,

**The Several Lenders**  
**from Time to Time Parties Hereto,**

**BANK OF AMERICA, N.A.**  
as Administrative Agent, Collateral Agent, Letter of Credit Issuer and Swingline Lender

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**MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED AND GOLDMAN  
SACHS BANK USA**  
as Joint Lead Arrangers,

**MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED, GOLDMAN  
SACHS BANK USA, J.P. MORGAN SECURITIES LLC, MORGAN STANLEY SENIOR  
FUNDING, INC. AND SUNTRUST ROBINSON HUMPHREY, INC.**  
as Joint Bookrunners,

**GOLDMAN SACHS BANK USA, J.P. MORGAN SECURITIES LLC AND MORGAN  
STANLEY SENIOR FUNDING, INC.**  
as Syndication Agents and

**SUNTRUST BANK**  
as Documentation Agent

[NYDOC SO2/996722-8](#)

- (i) any other Domestic Subsidiary acquired pursuant to a Permitted Acquisition and financed with secured Indebtedness incurred pursuant to Section 10.1(j) or 10.1(k) and permitted by the proviso to subclause (z) and (y) of each such Section, respectively, and each Restricted Subsidiary acquired in such Permitted Acquisition that guarantees such Indebtedness to the extent that, and for so long as, the documentation relating to such Indebtedness to which such Restricted Subsidiary is a party prohibits such Restricted Subsidiary from guaranteeing the Obligations (so long as such prohibition is not incurred in contemplation of such acquisition),
- (j) any Subsidiary that is a captive insurance company, and
- (k)  any Subsidiary to the extent that the guarantee of the Obligations would result in material adverse tax

consequences to Holdings, the Borrower or any Subsidiary as reasonably determined by the Borrower in consultation with the Administrative Agent and notified in writing to the Collateral Agent.

“Excluded Swap Obligation” shall mean, with respect to any Credit Party, any obligation (a “Swap Obligation”) to pay or perform under any agreement, contract, or transaction that constitutes a “swap” within the meaning of Section 1a(47) of the Commodity Exchange Act, if, and to the extent that, all or a portion of the guarantee of such Credit Party of, or the grant by such Credit Party of a security interest to secure, such Swap Obligation (or any guarantee thereof) is or becomes illegal under the Commodity Exchange Act or any rule, regulation, or order of the Commodity Futures Trading Commission (or the application or official interpretation of any thereof) by virtue of such Credit Party’s failure for any reason to constitute an “eligible contract participant” as defined in the Commodity Exchange Act (determined after giving effect to Section 9.18 hereof and any other “keepwell, support or other agreement” for the benefit of such Credit Party for all purposes of Section 1a(18)(A)(v)(II) of the Commodity Exchange Act) at the time the Guarantee of such Credit Party, or a grant by such Credit Party of a security interest, becomes effective with respect to such Swap Obligation. If a Swap Obligation arises under a master agreement governing more than one swap, such exclusion shall apply only to the portion of such Swap Obligation that is attributable to swaps for which such Guarantee or security interest is or becomes excluded in accordance with the first sentence of this definition.

“Exclusive IP Licenses” shall mean any exclusive intellectual property license, sublicense or cross-license granted by the Borrower or any of its Restricted Subsidiaries to another Person, which license, sublicense or cross-license was not made in the ordinary course of business and which materially limits the ability of the Borrower or its Restricted Subsidiaries to continue to use such intellectual property in its business.

“Existing Class” shall mean Existing Term Loan Classes and each Class of Existing Revolving Credit Commitments.

“Existing Letters of Credit” shall mean the Letters of Credit listed on Schedule 1.1(c).

Consolidated EBITDA Ratio as of the Test Period most recently ended on or prior to the incurrence of any such Incremental Facility, calculated on a Pro Forma Basis, as if such incurrence (and transaction) had occurred on the first day of such Test Period, that is no greater than 2.25:1.0 (the “Incremental Limit”); provided that (i) Incremental Term Loans may be incurred without regard to the Incremental Limit, without regard to the requirement set forth in the proviso to Section 2.14(a) that the Borrower and the Restricted Subsidiaries be in compliance on a Pro Forma Basis with the requirements of Sections 10.9 and 10.10 as of the most recently ended Test Period, and without regard to whether an Event of Default has occurred and is continuing, to the extent that the Net Cash Proceeds from such Incremental Term Loans are used on the date of incurrence of such Incremental Term Loans to prepay Term Loans in accordance with the procedures set forth in Section 5.2(a)(i) and subject to the payment of premiums set forth in Section 5.1(b), if applicable, and (ii) Additional/Replacement Revolving Credit Commitments may be provided without regard to the Incremental Limit, without regard to the requirement set forth in the proviso to Section 2.14(a) that the Borrower and the Restricted Subsidiaries be in compliance on a Pro Forma Basis with the requirements of Sections 10.9 and 10.10 as of the most recently ended Test Period, and without regard to whether an Event of Default has occurred and is continuing, to the extent that the existing Revolving Credit Commitments shall be permanently reduced in accordance with Section 5.2(e)(ii) by an amount equal to the aggregate amount of Additional/Replacement Revolving Credit Commitments so provided.

(c) (i) (A) The Incremental Tranche A Term Loans (i) shall rank pari passu in right of payment and of security with the 2017 Initial Tranche A Term Loans and the 2019 Extended Tranche A Term Loans, (ii) shall not mature earlier than ~~the 2017 Initial Tranche A Term Loan Maturity Date~~ the 2019 Extended Tranche A Term Loan Maturity Date, (iii) shall not have a shorter Weighted Average Life to Maturity than the ~~2017 Initial Tranche A Term Loan Facility~~ 2019 Extended Tranche A Term Loan Facility, (iv) shall have an amortization schedule (subject to clause (iii) above), and interest rates (including through fixed interest rates), interest margins, rate floors, upfront fees, funding discounts, original issue discounts and prepayment premiums for the Incremental Tranche A Term Loans as determined by the Borrower and the lenders of the Incremental Tranche A Term Loans, and (v) may otherwise have terms and conditions different from those of the 2017 Initial Tranche A Term Loans and (B) the Incremental Tranche B Term Loans (i) shall rank pari passu in right of payment and of security with the Initial Tranche B Term Loans, (ii) shall not mature earlier than the Initial Tranche B Term Loan Maturity Date, (iii) shall not have a shorter Weighted Average Life to Maturity than the Initial Tranche B Term Loan Facility, (iv) shall have an amortization schedule (subject to clause (iii) above), and interest rates (including through fixed interest rates), interest margins, rate floors, upfront fees, funding discounts, original issue discounts and prepayment premiums for the Incremental Tranche B Term Loans as determined by the Borrower and the lenders of the Incremental Tranche B Term Loans and (v) may otherwise have terms and conditions different from those of the Initial Tranche B Term Loans; provided that (except with respect to matters contemplated by subclauses (ii), (iii) and (iv) in clauses (A) and (B) above) any differences shall be reasonably satisfactory to the Administrative Agent.

(ii) The Incremental Revolving Credit Commitment Increase shall be treated the same as the Revolving Credit Commitments (including with respect to maturity date thereof) and shall be considered to be part of the Revolving Credit Facility.



(iii) The Additional/Replacement Revolving Credit Commitments (i) shall rank pari passu in right of payment and of security with the Revolving Credit Loans, (ii) shall not mature earlier than ~~March 29, 2017~~ the Revolving Credit Maturity Date and shall require no mandatory commitment reduction prior to ~~March 29, 2017~~ the Revolving Credit Maturity Date, (iii) shall have interest rates (including through fixed interest rates), interest margins, rate floors, upfront fees, undrawn commitment fees, funding discounts, original issue discounts and prepayment premiums as determined by the Borrower and the lenders of such commitments, (iv) shall contain borrowing, repayment and termination of Commitment procedures as determined by the Borrower and the lenders of such commitments, (v) may include provisions relating to swingline loans and/or letters of credit, as applicable, issued thereunder, which issuances shall be on terms substantially similar (except for the overall size of such subfacilities, the fees payable in connection therewith and the identity of the swingline lender and letter of credit issuer, as applicable, which shall be determined by the Borrower, the lenders of such commitments and the applicable letter of credit issuers and swingline lenders and borrowing, repayment and termination of commitment procedures with respect thereto, in each case which shall be specified in the applicable Incremental Agreement) to the terms relating to Swingline Loans and Letters of Credit with respect to the Revolving Credit Commitments or otherwise reasonably acceptable to the Administrative Agent and (vi) may otherwise have terms and conditions different from those of the Revolving Credit Facility; provided that (except with respect to matters contemplated by clauses (ii), (iii), (iv) and (v) above) any differences shall be reasonably satisfactory to the Administrative Agent.

(d) Each notice from the Borrower pursuant to this Section 2.14 shall be given in writing and shall set forth the requested amount and proposed terms of the relevant Incremental Term Loans, Incremental Revolving Credit Commitment Increases or Additional/Replacement Revolving Credit Commitments. Incremental Term Loans may be made, and Incremental Revolving Credit Commitment Increases and Additional/Replacement Revolving Credit Commitments may be provided, subject to the prior written consent of the Borrower (not to be unreasonably withheld), by any existing Lender (it being understood that no existing Lender will have an obligation to make a portion of any Incremental Term Loan, no existing Lender with a Revolving Credit Commitment will have any obligation to provide a portion of any Incremental Revolving Credit Commitment Increase and no existing Lender with an Revolving Credit Commitment will have an obligation to provide a portion of any Additional/Replacement Revolving Credit Commitment) or by any other bank, financial institution, other institutional lender or other investor (any such other bank, financial institution or other investor being called an “Additional Lender”); provided that (i) the Administrative Agent shall have consented (not to be unreasonably withheld) to such Lender’s or Additional Lender’s making such Incremental Term Loans or providing such Incremental Revolving Credit Commitment Increases or such Additional/Replacement Revolving Credit Commitments if such consent would be required under Section 13.6(b) for an assignment of Loans or Commitments, as applicable, to such Lender or Additional Lender; provided further that, solely with respect to any Incremental Revolving Credit Commitment Increases or Additional/Replacement Revolving Credit Commitments, the Swingline Lender and each Letter of Credit Issuer shall have consented (not to be unreasonably withheld) to such Additional Lender’s providing such Incremental Revolving Credit Commitment Increases or Additional/Replacement Revolving Credit Commitments if such consent would be required under Section 13.6(b) for an assignment of Loans or Commitments, as applicable, to such Lender or Additional Lender.

5.4 Net Payments. (a) Except as required by Applicable Law, all payments made by or on behalf of the Borrower under this Agreement or any other Credit Document shall be made free and clear of, and without deduction or withholding for or on account of, any current or future income, stamp or other taxes, levies, imposts, duties, charges, fees, deductions or withholdings, now or hereafter imposed, levied, collected, withheld or assessed by any Governmental Authority (including any interest, additions to tax and penalties) (collectively, "Taxes"), excluding in the case of each Lender and each Agent and except as otherwise provided in Section 5.4(f), (A) net income Taxes (and franchise Taxes imposed in lieu of net income Taxes) that would not have been imposed on such Agent or such Lender but for a present or former connection between such Agent or such Lender and the jurisdiction of the Governmental Authority imposing such Tax or any political subdivision or Governmental Authority thereof or therein (other than any such connection arising from such Agent or such Lender having executed, delivered or performed its obligations or received a payment under, or enforced, received or perfected a security interest under, or engaged in any other transactions pursuant to, this Agreement or any other Credit Document), (B) any branch profits Taxes imposed by the United States of America or any similar Tax imposed by any other jurisdiction described in clause (A) and (C) any U.S. federal withholding Tax pursuant to FATCA (all non-excluded Taxes, "Non-Excluded Taxes" and all such excluded Taxes, "Excluded Taxes"). If any Taxes are required to be withheld by a Withholding Agent from any amounts payable under this Agreement or any other Credit Document, the applicable Withholding Agent shall so withhold (pursuant to the information and documentation to be delivered pursuant to Section 5.4(d), 5.4(e) and 5.4(g)) and shall remit the amount withheld to the appropriate Taxing Authority. In addition, where an amount has been withheld in respect of a Non-Excluded Tax, the applicable Credit Party shall increase the amounts payable to the Administrative Agent or such Lender to the extent necessary to yield to the Administrative Agent or such Lender (after payment of all Non-Excluded Taxes or Other Taxes including those applicable to any amounts payable under this Section 5.4) interest or any such other amounts payable hereunder at the rates or in the amounts specified in such Credit Document. Whenever any Taxes are payable by any Credit Party, as promptly as possible thereafter the applicable Credit Party shall send to the Administrative Agent for its own account or for the account of such Lender, as the case may be, a certified copy of an original official receipt, if available (or other evidence acceptable to such Lender, acting reasonably) received by the applicable Credit Party showing payment thereof. [The Credit Parties, the Administrative Agent and the Lenders acknowledge and agree that, solely for purposes of determining the applicability of U.S. Federal withholding Taxes imposed by FATCA, from and after the Second Amendment Effective Date, the Revolving Credit Facility, the 2017 Initial Tranche A Term Loan Facility and the 2019 Extended Tranche A Term Loan Facility will not be treated as a "grandfathered obligation" within the meaning of Treasury Regulation 1.1471-2\(b\)\(2\)\(i\).](#)

(b) In addition, each Credit Party shall pay, or at the option of the Administrative Agent timely reimburse it for the payment for, any present or future stamp, documentary, filing, mortgage, recording, excise, property or intangible taxes (including any interest, additions to tax and penalties) that arise from any payment made by such Credit Party hereunder or under any other Credit Documents or from the execution, delivery or registration or recordation of, performance under, or otherwise with respect to, this Agreement or the other Credit Documents (hereinafter referred to as "Other Taxes").

fees ~~and (iv, (iv)~~ the amount available to the Borrower for Dividends under Section 10.6(h)(i) as at the end of such fiscal year or quarter period, as the case may be and (v) the amount of any Pro Forma Adjustment not previously set forth in a Pro Forma Adjustment Certificate or any change in the amount of a Pro Forma Adjustment set forth in any Pro Forma Adjustment Certificate previously provided and, in either case, in reasonable detail, the calculations and basis therefor. At the time of the delivery of the financial statements provided for in Section 9.1(a), beginning with the fiscal year ended December 31, 2012, a certificate of an Authorized Officer of the Borrower setting forth in reasonable detail the calculation of Excess Cash Flow, the Available Amount and the Available Equity Amount as at the end of the fiscal year to which such financial statements relate and the information required pursuant to Section 1 and Section 2 of the Perfection Certificate, or confirming that there has been no change in such information since the Closing Date or the date of the most recent certificate delivered pursuant to this Section 9.1(d), as the case may be.

(e) Notice of Default or Litigation. Promptly after an Authorized Officer of the Borrower or any of its Restricted Subsidiaries obtains actual knowledge thereof or should have obtained such knowledge thereof through customary due diligence, notice of (i) the occurrence of any event that constitutes a Default or an Event of Default, which notice shall specify the nature thereof, the period of existence thereof and what action the Borrower proposes to take with respect thereto, (ii) any litigation or governmental proceeding pending against the Borrower or any of its Restricted Subsidiaries that could reasonably be expected to result in a Material Adverse Effect and (iii) if the Borrower is no longer a public reporting company, any Material Adverse Effect.

(f) Environmental Matters. Promptly after obtaining knowledge of any one or more of the following environmental matters, unless such environmental matters could not, individually or when aggregated with all other such matters, be reasonably expected to result in a Material Adverse Effect, notice of:

(i) any pending or threatened Environmental Claim against Holdings, the Borrower or any of the Restricted Subsidiaries or any Real Property;

(ii) any condition or occurrence on any Real Property that (x) results in noncompliance by Holdings, the Borrower or any of the Restricted Subsidiaries with any applicable Environmental Law or (y) could reasonably be anticipated to form the basis of an Environmental Claim against Holdings, the Borrower or any of the Restricted Subsidiaries or any Real Property;

(iii) any condition or occurrence on any Real Property that could reasonably be anticipated to cause such Real Property to be subject to any restrictions on the ownership, occupancy, use or transferability of such Real Property under any Environmental Law; and

(iv) the taking of any removal or remedial action in response to the actual or alleged Release or presence of any Hazardous Material on any Real Property.

(ii) the proceeds of which shall be used to pay (or to make Dividends to allow any Parent Entity of the Borrower to pay) its operating expenses incurred in the ordinary course of business and other corporate overhead costs and expenses (including administrative, legal, accounting and similar expenses provided by third parties), which are reasonable and customary and incurred in the ordinary course of business, in an aggregate amount not to exceed \$3,000,000 in any fiscal year plus any actual, reasonable and customary indemnification claims made by directors or officers of any Parent Entity of the Borrower;

(iii) the proceeds of which shall be used to pay (or to make Dividends to allow any Parent Entity of the Borrower to pay) franchise taxes and other fees, taxes and expenses required to maintain any of the Borrower's Parent Entities' corporate existence;

(iv) the proceeds of which shall be used to pay (or to make Dividends to any Parent Entity thereof) to make Investments contemplated by Section 10.5(c) and Dividends contemplated by Section 10.6(b));

(v) the proceeds of which shall be used to pay (or to make Dividends to allow any Parent Entity of the Borrower to pay) fees and expenses (other than to Affiliates) related to any unsuccessful equity or debt offering, refinancing, issuance, incurrence, Disposition or acquisition or Investment transaction permitted by this Agreement;

(vi) the proceeds of which shall be used to pay customary salary, bonus and other benefits payable to officers, employees and consultants of any Parent Entity thereof to the extent such salaries, bonuses and other benefits are attributable to the ownership or operation of the Borrower and its Restricted Subsidiaries;

(vii) the proceeds of which shall be distributed in connection with the Transactions (including the Special Dividend, all or a portion of which may be paid after the Closing Date but in no event later than June 15, 2012);

(h) in addition to the foregoing Dividends, the Borrower may make additional Dividends, provided that any such Dividend shall not cause the aggregate amount of all such Dividends made pursuant to this Section 1.1(h) on or after the Amendment No. 1 Effective Date measured at the time such Dividend is paid to exceed, after giving effect to such Dividend, the sum of (i) so long as no Event of Default has occurred and is continuing or would result therefrom, the greater of (x) ~~\$250,000,000~~400,000,000 and (y) 6.75% of Consolidated Total Assets (measured as of the date such Dividend is paid based upon the Section 9.1 Financials most recently delivered on or prior to such date), plus (ii) so long as no Event of Default has occurred and is continuing or would result therefrom, an amount equal to the Available Amount at the time such Dividend is paid plus (iii) an amount equal to the Available Equity Amount at the time such Dividend is paid plus (iv) an amount equal to the Incremental Dividend Amount;

(i) the Borrower may make additional Dividends pursuant to this clause (i) if, after giving Pro Forma Effect to such Dividends, the Borrower would be in compliance with a Consolidated Total Debt to Consolidated EBITDA Ratio as of the most recently ended Test Period on or prior to date of the making of any such Dividends, calculated on a Pro Forma Basis, as if such Dividends had occurred on the first day of such Test Period, that is no greater than 2.0:1.0;

Notwithstanding anything to the contrary contained in this Section 13.1, Holdings, the Borrower, the Collateral Agent and the Administrative Agent may (in its or their respective sole discretion, or shall, to the extent required by any Credit Document), without the input or consent of any other Person, (i) effect amendments, supplements or waivers to any of the Security Documents, guarantees, intercreditor agreements or related documents executed by any Credit Party or any other Subsidiary in connection with this Agreement if such amendment, supplement or waiver is delivered in order (x) to comply with Applicable Law or advice of local counsel, (y) to cure ambiguities, omissions, mistakes or defects or (z) to cause such Security Documents, guarantees, intercreditor agreements or related documents to be consistent with this Agreement and the other Credit Documents, (ii) enter into any amendment or waiver of any Security Document, or enter into any new agreement or instrument, to effect the granting, perfection, protection, expansion or enhancement of any security interest in any Collateral or additional property to become Collateral for the benefit of the Secured Parties, or as required by Applicable Law to give effect to, or protect any security interest for the benefit of the Secured Parties, in any property or so that the security interests therein comply with applicable Applicable Law and (iii) effect changes to this Agreement that are necessary and appropriate to provide for the mechanics contemplated by the offering process described in Section 13.6(g)(i)(H) herein.

### 13.2 Notices.

(a) Notices Generally. Except in the case of notices and other communications expressly permitted to be given by telephone (and except as provided in clause (b) below), all notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by telecopier as follows, and all notices and other communications expressly permitted hereunder to be given by telephone shall be made to the applicable telephone number, as follows:

(i) if to the Borrower, the Administrative Agent, the Letter of Credit Issuer or the Swingline Lender, to the address, telecopier number, electronic mail address or telephone number specified for such Person on Schedule 13.2 [or to such other address, telecopier number, electronic mail address or telephone number as shall be designated by such party in a notice to the other parties](#); and

(ii) if to any other Lender, to the address, telecopier number, electronic mail address or telephone number specified in its administrative questionnaire [or to such other address, telecopier number, electronic mail address or telephone number as shall be designated by such party in a notice to the other parties](#).

Notices and other communications sent by hand or overnight courier service, or mailed by certified or registered mail, shall be deemed to have been given when received; notices and other communications sent by telecopier shall be deemed to have been given when sent (except that, if not given during normal business hours for the recipient, shall be deemed to have been given at the opening of business on the next business day for the recipient). Notices and other communications delivered through electronic communications to the extent provided in subsection (b) below shall be effective as provided in such subsection (b).

Notwithstanding the foregoing or anything to the contrary set forth herein, any assignment of any Loans to a Purchasing Borrower Party or any Affiliated Lender shall also be subject to the requirements of Section 13.6(g).

(ii) Assignments shall be subject to the following additional conditions:

(A) except in the case of (i) an assignment to a Lender, an Affiliate of a Lender or an Approved Fund or (ii) an assignment of the entire remaining amount of the assigning Lender's Commitments or Loans, the amount of the Commitments or Loans of the assigning Lender subject to each such assignment (determined as of the date the Assignment and Acceptance with respect to such assignment is delivered to the Administrative Agent) shall not be less than, in the case of Revolving Credit Commitments or Revolving Credit Loans, Additional/Replacement Revolving Credit Commitments or Additional/Replacement Revolving Credit Loans, \$5,000,000 or, in the case of 2017 Initial Tranche A Term Loan Commitments, 2019 Extended Tranche A Term Loan Commitments, Initial Tranche B Term Loan Commitments, Incremental Term Loan Commitments or Term Loans, \$1,000,000, unless each of the Borrower and the Administrative Agent otherwise consents; provided that no such consent of the Borrower shall be required if an Event of Default under Section 11 has occurred and is continuing; and provided, further, that contemporaneous assignments to a single assignee made by affiliated Lenders or related Approved Funds or by a single assignor to related Approved Funds shall be aggregated for purposes of meeting the minimum assignment amount requirements stated above;

(B) subject to the terms of Section 13.7(c), the parties to each assignment shall execute and deliver to the Administrative Agent an Assignment and Acceptance;

(C) the parties to each assignment shall ~~execute~~execute and deliver to the Administrative Agent an Assignment and Acceptance together with a processing fee of \$3,500 (it being understood that such processing fee shall not apply to any assignment by any of the Joint Lead Arrangers, the Joint Bookrunners or any of their respective affiliates hereunder); provided that (x) a single processing fee of \$3,500 will be payable for multiple assignments by Lenders permitted hereunder that comprise one transaction and are implemented substantially concurrently with one another and (y) the Administrative Agent may, in its sole discretion, elect to waive or reduce such processing fee in the case of any assignment, including assignments effected pursuant to the provisions of Section 13.7;

(D) the assignee, if it shall not be a Lender, shall deliver to the Administrative Agent any tax form required by Section 5.4 and an administrative questionnaire in a form approved by the Administrative Agent in which the assignee designates one or more credit contacts to whom all syndicate-level information (which may contain material non-public information about the Credit Parties and their Related Parties or their respective securities) will be made available and who may receive such

information in accordance with the assignee's compliance procedures and Applicable Laws, including Federal and state securities laws; and

(E) each partial assignment shall be made as an assignment of a proportionate part of all the assigning Lender's rights and obligations under this Agreement with respect to the Loan or the Commitment assigned, except that this clause (E) shall not prohibit any Lender from assigning all or a portion of its rights and obligations among separate tranches of Loans (if any) on a non-pro rata basis.

Notwithstanding the foregoing or anything to the contrary set forth herein (i) any assignment of any Loans or Commitments to an Affiliated Lender shall also be subject to the requirements set forth in Section 13.6(g) and (ii) no natural person may be an assignee or Participant with respect to any Loans or Commitments.

(iii) Subject to acceptance and recording thereof pursuant to Section 13.6(b)(vi), from and after the effective date specified in each Assignment and Acceptance, the assignee thereunder shall be a party hereto and, to the extent of the interest assigned by such Assignment and Acceptance, have the rights and obligations of a Lender under this Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Acceptance, be released from its obligations under this Agreement (and, in the case of an Assignment and Acceptance covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto but shall continue to be entitled to the benefits and subject to the requirements of Sections 2.10, 2.11, 5.4 and 13.5). Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this Section 13.6 shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with Section 13.6(d).

(iv) By executing and delivering an Assignment and Acceptance, the assigning Lender thereunder and the assignee thereunder shall be deemed to confirm to and agree with each other and the other parties hereto as follows: (A) such assigning Lender warrants that it is the legal and beneficial owner of the interest being assigned thereby free and clear of any adverse claim and that its 2017 Initial Tranche A Term Loan Commitment, 2019 Extended Tranche A Term Loan Commitment, Initial Tranche AB Term Loan Commitment, Incremental Term Loan Commitment, Revolving Credit Commitment and Additional/Replacement Revolving Credit Commitment, and the outstanding balances of its Loans, in each case without giving effect to assignments thereof which have not become effective, are as set forth in such Assignment and Acceptance, (B) except as set forth in (A) above, such assigning Lender makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with this Agreement, or the execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement, any other Credit Document or any other instrument or document furnished pursuant hereto, or the financial condition of Holdings, the Borrower or any Subsidiary or the performance or observance by Holdings, the Borrower or any Subsidiary of any of its obligations under this Agreement, any other Credit Document or any other instrument or document furnished pursuant hereto; (C) such assignee represents and warrants that it is legally authorized to enter into such Assignment and Acceptance; (D) such assignee confirms that it has received a copy of this Agreement, together with copies of the most recent financial statements referred to

**Annex I-C**

**Agency Replacement Amendments to the Amended Credit Agreement**

[See attached]



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**CREDIT AGREEMENT**

Dated as of March 29, 2012

among

**LPL INVESTMENT HOLDINGS INC.,**  
as Holdings,

**LPL HOLDINGS, INC.,**  
as Borrower,

**The Several Lenders**  
**from Time to Time Parties Hereto,**

**JPMORGAN CHASE BANK ~~OF AMERICA~~, N.A.**

as Administrative Agent, Collateral Agent, Letter of Credit Issuer and Swingline Lender

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**MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED AND GOLDMAN  
SACHS BANK USA**  
as Joint Lead Arrangers,

**MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED, GOLDMAN  
SACHS BANK USA, J.P. MORGAN SECURITIES LLC, MORGAN STANLEY SENIOR  
FUNDING, INC. AND SUNTRUST ROBINSON HUMPHREY, INC.**  
as Joint Bookrunners,

**GOLDMAN SACHS BANK USA, J.P. MORGAN SECURITIES LLC AND MORGAN  
STANLEY SENIOR FUNDING, INC.**  
as Syndication Agents and

**SUNTRUST BANK**  
as Documentation Agent

**CREDIT AGREEMENT**, dated as of March 29, 2012, among **LPL INVESTMENT HOLDINGS INC.**, a Delaware corporation (“Holdings”; as hereinafter further defined), **LPL HOLDINGS, INC.**, a Massachusetts corporation (the “Borrower”), the banks, financial institutions and other investors from time to time parties hereto as lenders (each a “Lender” and, collectively, the “Lenders”; each as hereinafter further defined), and **JPMORGAN CHASE BANK-OF-AMERICA, N.A.**, as Administrative Agent, Collateral Agent, a Letter of Credit Issuer and Swingline Lender.

**RECITALS:**

**WHEREAS**, capitalized terms used in these Recitals and the preamble to this Agreement shall have the respective meanings set forth for such terms in Section 1.1 hereof;

**WHEREAS**, Holdings, the Borrower, the lending institutions party thereto (the “Original Lenders”), Morgan Stanley Senior Funding, Inc., as administrative agent, and Morgan Stanley & Co., as collateral agent, are parties to that certain Third Amended and Restated Credit Agreement, dated as of May 24, 2010 (as heretofore amended, supplemented or otherwise modified from time to time, the “Original Credit Agreement”), pursuant to which the Original Lenders extended or committed to extend certain credit facilities to the Borrower;

**WHEREAS**, the Borrower has requested that, immediately upon the satisfaction in full of the applicable conditions precedent set forth in Section 6 below, the Lenders and Letter of Credit Issuers extend a total of \$1,600,000,000 of credit to the Borrower in the form of (i) \$735,000,000 in aggregate principal amount of tranche A term loans to be borrowed on the Closing Date (the “2017 Initial Tranche A Term Loan Facility” (referred to as the “Initial Tranche A Term Loan Facility” prior to the Amendment No. 2 Effective Date (as defined below)), (ii) \$615,000,000 in aggregate principal amount of tranche B term loans to be borrowed on the Closing Date (the “Initial Tranche B Term Loan Facility”) and (iii) \$250,000,000 in aggregate principal amount of Revolving Credit Commitments, which amount was increased to \$400,000,000 as of the Amendment No. 2 Effective Date (the “Revolving Credit Facility”);

**WHEREAS**, the Borrower intends to use the proceeds of the Initial Term Loans (as defined below) to repay existing indebtedness under the Original Credit Agreement in an aggregate principal amount of approximately \$1,337,777,559.51, at which time all existing commitments, security interests and guarantees in respect of the Original Credit Agreement and the related documents and obligations thereunder will be terminated, released and discharged in full (other than contingent obligations, which by their terms survive such termination) (the “Refinancing”);

**WHEREAS**, the Borrower intends to pay a special dividend to Holdings from available cash on hand in an amount up to \$230,000,000 (the “Special Dividend”) to fund a one-time special dividend by Holdings to its common stockholders, which was announced by Holdings on March 6, 2012;

**WHEREAS**, in connection with the foregoing and as an inducement for the Lenders and the Letter of Credit Issuers to extend the credit contemplated hereunder, the Borrower has agreed to secure all of its Obligations by granting to the Collateral Agent, for the benefit of the

Consolidated EBITDA of such Pro Forma Entity (determined as if references to the Borrower and the Restricted Subsidiaries in the definition of the term “Consolidated EBITDA” were references to such Pro Forma Entity and its subsidiaries that will become Restricted Subsidiaries), all as determined on a consolidated basis for such Pro Forma Entity in accordance with GAAP.

“Acquired Entity or Business” shall have the meaning provided in the definition of the term “Consolidated EBITDA”.

“Additional Lender” shall have the meaning provided in Section 2.14(d).

“acquired Person” shall have the meaning provided in Section 10.1(k).

“Additional/Replacement Revolving Credit Commitment” shall have the meaning provided in Section 2.14(a).

“Additional/Replacement Revolving Credit Facility” shall mean each Class of Additional/Replacement Revolving Credit Commitments made pursuant to Section 2.14(a).

“Additional/Replacement Revolving Credit Lender” shall mean, at any time, any Lender that has an Additional/Replacement Revolving Credit Commitment.

“Additional/Replacement Revolving Credit Loans” shall mean any loan made to the Borrower under a Class of Additional/Replacement Revolving Credit Commitments.

“Adjusted Total Additional/Replacement Revolving Credit Commitment” shall mean, at any time, with respect to any Class of Additional/Replacement Revolving Credit Commitments, the Total Additional/Replacement Revolving Credit Commitment for such Class less the aggregate Additional/Replacement Revolving Credit Commitments of all Defaulting Lenders in such Class.

“Adjusted Total Extended Revolving Credit Commitment” shall mean, at any time, with respect to any Class of Extended Revolving Credit Commitments, the Total Extended Revolving Credit Commitment for such Class less the aggregate Extended Revolving Credit Commitments of all Defaulting Lenders in such Class.

“Adjusted Total Revolving Credit Commitment” shall mean, at any time, the Total Revolving Credit Commitment less the aggregate Revolving Credit Commitments of all Defaulting Lenders.

“Administrative Agent” shall mean ~~Bank of America~~JPMorgan or any successor to ~~Bank of America~~JPMorgan appointed in accordance with the provisions of Section 12.8, together with its Affiliates, as the administrative agent for the Lenders under this Agreement and the other Credit Documents.

“Administrative Agent's Office” shall mean the address and, as appropriate, account of the Administrative Agent set forth on Schedule 13.2 or such other address or account

“Affiliate” shall mean, with respect to any Person, another Person that directly or indirectly, through one or more intermediaries, Controls or is Controlled by or is under common Control with the Person specified. The term “Control” shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise. The terms “Controlling” and “Controlled” have meanings correlative thereto.

“Affiliated Lender” shall mean a Non-Debt Fund Affiliate or a Debt Fund Affiliate.

“Affiliated Lender Assignment and Acceptance” shall have the meaning provided in Section 13.6(g)(C).

“Affiliated Lender Register” shall have the meaning provided in Section 13.6(j).

“Agency Effective Date” shall mean the “Agency Replacement Effective Date” (as defined in Amendment No. 2).

“Agency Fee Letter” shall mean that certain Agency Fee Letter, dated as of ~~March 16, 2012~~, the Second Amendment Effective Date, between the Borrower and the Administrative Agent.

“Agent Parties” shall have the meaning provided in Section 13.2.

“Agents” shall mean each of (i) the Administrative Agent and (ii) the Collateral Agent.

“Aggregate Debit Items” shall have the meaning set forth in SEC Rule 15c3-1(a)(1)(ii) and items 10-14 of Exhibit A to SEC Rule 15c3-3.

“Agreement” shall mean this Credit Agreement.

“Amendment No. 1” shall mean the First Amendment and Incremental Assumption Agreement to this Agreement, dated as of May 13, 2013.

“Amendment No. 1 Effective Date” shall mean the “Amendment Effective Date” (as defined in Amendment No. 1).

“Amendment No. 2” shall mean the Second Amendment, Extension and Incremental Assumption Agreement to this Agreement, dated as of October 1, 2014.

“Amendment No. 2 Effective Date” shall mean the “Second Amendment Effective Date” (as defined in Amendment No. 2).

“Amendment No. 2 Financial Statement Delivery Date” shall mean the date on which Section 9.1 Financials are delivered to the Administrative Agent under Section 9.1(a) for the fiscal year of the Borrower ending December 31, 2014.

“Anti-Terrorism Laws” shall have the meaning provided in Section 8.19.

“Closing Date Indebtedness” shall mean Indebtedness described on Schedule 10.1.

“Code” shall mean the Internal Revenue Code of 1986, as amended from time to time. Section references to the Code are to the Code, as in effect on the Closing Date, and any subsequent provisions of the Code, amendatory thereof, supplemental thereto or substituted therefor.

“Collateral” shall have the meaning provided for such term or a similar term in each of the Security Documents; provided that with respect to any Mortgages, “Collateral” shall mean “Mortgaged Property” as defined therein.

“Collateral Agent” shall mean ~~Bank of America~~JPMorgan or any successor appointed in accordance with the provisions of Section 12.8, together with its Affiliates, as the collateral agent for the Secured Parties.

“Commitment” shall mean, with respect to each Lender (to the extent applicable), such Lender's Revolving Credit Commitment, 2017 Initial Tranche A Term Loan Commitment, 2019 Extended Tranche A Term Loan Commitment, Initial Tranche B Term Loan Commitment, Incremental Term Loan Commitment, Extended Revolving Credit Commitment,

Additional/Replacement Revolving Credit Commitment or any combination thereof (as the context requires) and (b) with respect to the Swingline Lender or swingline lender under any Extended Revolving Credit Commitments or Additional/Replacement Revolving Credit Commitment, its Swingline Commitment or swingline commitment, as applicable.

“Commitment Fee” shall have the meaning provided in Section 4.1(a).

“Commitment Fee Rate” shall mean a rate equal to (a) initially, 0.50% per annum, (b) following the Amendment No. 2 Financial Statement Delivery Date, the rate per annum determined in accordance with the grid set forth below. Any increase or decrease in the Commitment Fee Rate resulting from a change in the Consolidated Total Debt to Consolidated EBITDA Ratio shall become effective as of the first Business Day immediately following the date Section 9.1 Financials are delivered to the Administrative Agent pursuant to Sections 9.1(a) and 9.1(b):

<b>Consolidated Total Debt to Consolidated EBITDA Ratio</b>	<b>Applicable Revolving Commitment Fee Percentage</b>
> 2.50:1.00	0.50%
< 2.50:1.00 but >1.25:1.00	0.375%
<1.25:1.00	0.25%

“Commodity Exchange Act” shall mean the Commodity Exchange Act (7 U.S.C. § 1 *et seq.*), as amended from time to time, and any successor statute.

“Confidential Information” shall have the meaning provided in Section 13.16.

- (a) (a) for any Interest Period with respect to a Eurodollar Loan, the rate per annum equal to (i) the ~~British Bankers Association LIBOR Rate (“BBA London interbank offered rate as administered by ICE Benchmark Administration or such other rate per annum as is widely recognized as the successor thereto if the ICE Benchmark Administration is no longer making a London interbank offered rate available (“LIBOR”), as published by Reuters (Bloomberg or such other commercially available source providing quotations of BBA LIBOR as may be designated information service that publishes such rate from time to time as selected by the Administrative Agent from time to time)~~in its reasonable discretion, in each case, at approximately 11:00 a.m., London time, two London Banking Days prior to the commencement of such Interest Period, for Dollar deposits (for delivery on the first day of such Interest Period) with a term equivalent to such Interest Period ~~or~~, (ii) if ~~such rate~~LIBOR is not available at such time for any reason, then the “Eurodollar Rate” for such Interest Period shall be the rate per annum determined by the Administrative Agent to be the rate at which deposits in Dollars for delivery on the first day of such Interest Period in same day funds in the approximate amount of the Eurodollar Loan being made, continued or converted by ~~Bank of America~~the Administrative Agent and with a term equivalent to such Interest Period would be offered by ~~Bank of America~~the Administrative Agent’s London Branch to major banks in the London interbank eurodollar market at their

request at approximately 11:00 a.m. (London time) two London Banking Days prior to the commencement of such Interest Period; ~~and~~, or (iii) if for any reason sub-clauses (i) and (ii) of this clause (a) are not available, as reasonably determined by the Administrative Agent, then the “Eurodollar Rate” for such Interest Period (an “Impacted Interest Period”) shall be the Interpolated Rate; and

- (b) ~~(b)~~ for any interest calculation with respect to an ABR Loan on any date, the rate per annum equal to
- (i) ~~BBA LIBOR, as published by Reuters (or such other commercially available source providing quotations of BBA LIBOR as may be designated by the Administrative Agent from time to time)~~ LIBOR at approximately 11:00 a.m., London time, determined two London Banking Days prior to such date for Dollar deposits being delivered in the London interbank market for a term of one month commencing that day or
  - (ii) if such ~~published rate is not if such rate~~ LIBOR is not available at such time for any reason, the rate per annum determined by the Administrative Agent to be the rate at which deposits in Dollars for delivery on the date of determination in same-day funds in the approximate amount of the ABR Loan being made or maintained and with a term equal to one month would be offered by ~~Bank of America~~ the Administrative Agent’s London Branch to major banks in the London interbank eurodollar loan market at their request at the date and time of determination; ~~;~~ or (iii) if for any reason sub-clauses (i) and (ii) of this



clause (b) are not available, as reasonably determined by the Administrative Agent, then the “Eurodollar Rate” for such purpose shall be the Interpolated Rate for Dollars, with an Interest Period of one month;

provided that in the event the Eurodollar Rate for any Eurodollar Borrowing of Initial Tranche B Term Loans prior to the Incremental Term Loan Effective Date or 2013 Incremental Tranche B Term Loans on and after the Incremental Term Loan Effective Date, determined in accordance with clause (a) above would be less than 0.75%, then the Eurodollar Rate for the applicable Eurodollar Borrowing of Initial Tranche B Term Loans or 2013 Incremental Tranche B Term Loans shall instead be 0.75%.

“Event of Default” shall have the meaning provided in Section 11.

“Excess Cash Flow” shall mean, for any period, an amount equal to the excess of

(a) the sum, without duplication, of:

(i) Consolidated Net Income for such period;

(ii) an amount equal to the amount of all Non-Cash Charges to the extent deducted in arriving at such Consolidated Net Income;

(iii) decreases in Net Working Capital (except as a result of the reclassification of items from short-term to long-term or vice versa), decreases in long-term accounts receivable and increases in the long-term portion of deferred revenue for such period (other than any such decreases or increases, as applicable, arising from acquisitions or Dispositions outside the ordinary course of property by the Borrower or any of its Restricted Subsidiaries completed during such period or the application of purchase accounting);

(iv) an amount equal to the aggregate net non-cash loss on the Disposition of assets, business units or property by the Borrower and the Restricted Subsidiaries during such period (other than Dispositions in the ordinary course of business) to the extent deducted in arriving at such Consolidated Net Income;

(v) cash payments received in respect of Hedging Agreements during such period to the extent not included in arriving at such Consolidated Net Income; and

(vi) income tax expense to the extent deducted in arriving at such Consolidated Net Income; minus

(b) the sum, without duplication, of:

(i) an amount equal to the amount of all non-cash credits included in

arriving at such Consolidated Net Income and cash charges included in clauses (a) through (h) of the definition of the term “Consolidated Net Income”;



“Extension Request” shall mean Term Loan Extension Requests and Revolving Credit Extension Requests.

“Extension Series” shall mean all Extended Term Loans or Extended Revolving Credit Commitments (as applicable) that are established pursuant to the same Extension Agreement (or any subsequent Extension Agreement to the extent such Extension Agreement expressly provides that the Extended Term Loans or Extended Revolving Credit Commitments, as applicable, provided for therein are intended to be a part of any previously established Extension Series) and that provide for the same interest margins, extension fees, if any, and amortization schedule.

“Fair Market Value” shall mean, with respect to any asset or group of assets on any date of determination, the value of the consideration obtainable in a sale of such asset at such date of determination assuming a sale by a willing seller to a willing purchaser dealing at arm’s length and arranged in an orderly manner over a reasonable period of time having regard to the nature and characteristics of such asset, as reasonably determined by the Borrower.

“Fair Value” shall mean the amount at which the assets (both tangible and intangible), in their entirety, of a Person and its Subsidiaries taken as a whole would change hands between a willing buyer and a willing seller, within a commercially reasonable period of time, each having reasonable knowledge of the relevant facts, with neither being under any compulsion to act.

“FATCA” shall mean Sections 1471 through 1474 of the Code, as of the Closing Date (and any amended or successor version that is substantively comparable and not materially more onerous to comply with), and any current or future regulations or official interpretations thereof.

“FCPA” shall mean Foreign Corrupt Practices Act of 1977, as amended,

“Federal Funds Effective Rate” shall mean, for any day, the rate per annum equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers on such day, as published by the Federal Reserve Bank of New York on the Business Day next succeeding such day; provided that (a) if such day is not a Business Day, the Federal Funds Effective Rate for such day shall be such rate on such transactions on the next preceding Business Day as so published on the next succeeding Business Day, and (b) if no such rate is so published on such next succeeding Business Day, the Federal Funds Effective Rate for such day shall be the average rate (rounded upward, if necessary, to a whole multiple of 1/100 of 1%) charged to ~~Bank of America~~ the Administrative Agent on such day on such transactions as determined by the Administrative Agent.

“Fees” shall mean all amounts payable pursuant to, or referred to in, Section 4.1.

“Final Refused Proceeds” shall have the meaning provided in Section 5.2(c)(ii).

“Financial Performance Covenants” shall mean the covenants of the Borrower set forth in Sections 10.9 and 10.10.

“HUD-Regulated Subsidiary Required Cash” shall mean, as of any date of determination, the greater of (a) \$100,000 and (b) the difference of (i) all cash and cash equivalents on the balance sheet of the HUD-Regulated Subsidiary as of such date and (ii) the Adjusted Net Worth (as referenced in 12 CFR Section 202.5(n)) of the HUD-Regulated Subsidiary as of such date above \$500,000.

“Identified Contingent Liabilities” shall mean the maximum estimated amount of liabilities reasonably likely to result from pending litigation, asserted claims and assessments, guaranties, uninsured risks and other contingent liabilities of a Person and its Subsidiaries taken as a whole after giving effect to the Transactions (including the execution and delivery of this Agreement, the making of the Loans and the use of proceeds of such Loans on the Closing Date) (including all fees and expenses related thereto but exclusive of such contingent liabilities to the extent reflected in Stated Liabilities), as identified and explained in terms of their nature and estimated magnitude by an Authorized Officer of such Person.

“Immaterial Subsidiary” shall mean, at any date of determination, any Restricted Subsidiary of the Borrower (a) whose total assets (when combined with the assets of such Restricted Subsidiary's Subsidiaries, after eliminating intercompany obligations) at the last day of the most recent Test Period ended on or prior to such determination date were less than 5% of the aggregate of total assets of the Borrower and its Domestic Subsidiaries that are Restricted Subsidiaries at such date and (b) whose gross revenues (when combined with the revenues of such Restricted Subsidiary's Subsidiaries, after eliminating intercompany obligations) for such Test Period were less than 5% of the consolidated gross revenues of the Borrower and its Domestic Subsidiaries that are Restricted Subsidiaries for such period, in each case determined in accordance with GAAP.

“Impacted Interest Period” shall have the meaning provided in the definition of “Eurodollar Rate”

“Incremental Agreement” shall have the meaning set forth in Section 2.14(e). “Incremental Commitments” shall have the meaning provided in Section 2.14(a).

“Incremental Dividend Amount” shall mean an amount equal to the aggregate principal amount of the 2013 Incremental Tranche B Term Loans, minus the aggregate amount of the 2013 Tranche A Term Loan Repayment (as defined in Amendment No. 1) and the 2013 Tranche B Term Loan Repayment (as defined in Amendment No. 1).

“Incremental Facilities” shall have the meaning provided in Section 2.14(a).

“Incremental Facility Closing Date” shall have the meaning provided in Section 2.14(e).

“Incremental Limit” shall have the meaning provided in Section 2.14(b).

“Incremental Revolving Credit Commitment Increase” shall have the meaning provided in Section 2.14(a).

“Initial Tranche B Term Loan Commitment” shall mean, (a) in the case of each Lender that is a Lender on the Closing Date, the amount, if any, set forth opposite such Lender’s name on Schedule 1.1(a) as such Lender’s “Initial Tranche B Term Loan Commitment” and (b) in the case of any Lender that becomes a Lender after the Closing Date, the amount specified as such Lender’s “Initial Tranche B Term Loan Commitment” in the Assignment and Acceptance pursuant to which such Lender assumed a portion of the Total Initial Tranche B Term Loan Commitment, in each case as the same may be changed from time to time pursuant to the terms hereof. The aggregate amount of the Initial Tranche B Term Loan Commitments as of the Closing Date is \$615,000,000.

“Initial Tranche B Term Loan Facility” shall have the meaning provided in the recitals to this Agreement.

“Initial Tranche B Term Loan Maturity Date” shall mean March 29, 2019; provided that if such date is not a Business Day, the “Initial Tranche B Term Loan Maturity Date” will be the Business Day immediately following such date.

“Initial Tranche B Term Loan Repayment Amount” shall have the meaning provided in Section 2.5(d).

“Initial Tranche B Term Loan Repayment Date” shall have the meaning provided in Section 2.5(d).

“Intellectual Property” shall have the meaning provided for such term or a similar term in the Security Agreement.

“Intercompany Note” shall mean the Amended and Restated Intercompany Subordinated Note, dated as of the Amendment No. 1 Effective Date, substantially in the form of Exhibit N, executed by Holdings, the Borrower and each other Subsidiary of the Borrower party thereto.

“Interest Period” shall mean, with respect to any Eurodollar Loans, the interest period applicable thereto, as determined pursuant to Section 2.9.

“Interpolated Rate” means, at any time, for any Interest Period, the rate per annum (rounded to the same number of decimal places as the relevant LIBOR) determined by the Administrative Agent (which determination shall be conclusive and binding absent manifest error) to be equal to the rate that results from interpolating on a linear basis between: (a) the applicable LIBOR (for the longest period for which the applicable LIBOR is available for the applicable currency) that is shorter than the Impacted Interest Period and (b) the applicable LIBOR for the shortest period (for which such LIBOR is available for the applicable currency) that exceeds the Impacted Interest Period, in each case, as at such time for such Interest Period. When determining the rate for a period which is less than the shortest period for which the relevant LIBOR is available, the applicable LIBOR for purposes of clause (a) above shall be deemed to be the overnight screen rate where “overnight screen rate” means, in relation to any currency, the overnight rate for such currency determined by the Administrative Agent from such service as the Administrative Agent may select.

“Introducing Broker-Dealer Minimum Capital” shall mean for those Subsidiaries of the Borrower that are broker-dealers exempt from the provisions of SEC Rule 15c3-3, as of any date of determination, the greater of (a) 120% of such Subsidiaries’ consolidated minimum dollar Net Capital required (as defined in SEC Rule 15c3-1), and (b) the consolidated Aggregate Indebtedness (as defined in SEC Rule 15c3-1) of such Subsidiaries, divided by ten.

“Investment” shall have the meaning provided in Section 10.5.

“Investors” shall mean the Sponsors, the Management Investors and certain other investors arranged by and/or designated by the Sponsors and identified to the Administrative Agent prior to the Closing Date.

“ISP” shall mean, with respect to any Letter of Credit, the “International Standby Practices 1998” published by the Institute of International Banking Law & Practice (or such later version thereof as may be in effect at the time of issuance).

“Issuer Documents” shall mean with respect to any Letter of Credit, any Letter of Credit Request, and any other document, agreement and instrument entered into by the Letter of Credit Issuer and the Borrower (or any Restricted Subsidiary) or in favor of the Letter of Credit Issuer and relating to such Letter of Credit.

“JPMorgan” shall mean [JPMorgan Chase Bank, N.A.](#)

“Joint Bookrunners” shall mean the Persons listed on the cover page of this Agreement as such in their capacities as Joint Bookrunners under this Agreement.

“Joint Lead Arrangers” shall mean the Persons listed on the cover page of this Agreement as such in their capacities as Joint Lead Arrangers under this Agreement.

“Junior Priority Lien Intercreditor Agreement” shall mean an intercreditor agreement substantially in the form of Exhibit I-2 among the Administrative Agent and/or the Collateral Agent and one or more representatives for the holders of one or more classes of Indebtedness permitted by this Agreement and that is intended (and/or required) to be secured on a junior lien basis to the Liens securing the Obligations, with such modifications thereto as the Administrative Agent and Borrower may reasonably agree.

“Latest Maturity Date” shall mean, with respect to any Indebtedness or Capital Stock, the latest Maturity Date applicable to any Credit Facility that is outstanding hereunder as determined on the date such Indebtedness is issued or incurred or such Capital Stock is issued.

“Lender” shall mean (a) the Persons listed on Schedule 1.1(a), (b) any other Person that shall become a party hereto as a “lender” pursuant to Section 13.6 and (c) each Person that becomes a party hereto as a “lender” pursuant to the terms of Section 2.14, in each case other than a Person who ceases to be a “Lender.”

“Letter of Credit” shall have the meaning provided in Section 3.1(a).

“Letter of Credit Borrowing” shall mean an extension of credit resulting from a drawing under any Letter of Credit which has not been reimbursed on the date when made or refinanced as a Borrowing.

“Letter of Credit Commitment” shall mean \$125,000,000, as the same may be reduced from time to time pursuant to Section 4.2.

“Letter of Credit Exposure” shall mean, with respect to any Lender, at any time, the sum of (a) the amount of any Unpaid Drawings in respect of which such Lender has made (or is required to have made) Revolving Credit Loans pursuant to Section 3.4 at such time and (b) such Lender’s Revolving Credit Commitment Percentage of the Letter of Credit Obligations at such time (excluding the portion thereof consisting of Unpaid Drawings in respect of which the Lenders have made (or are required to have made) Revolving Credit Loans pursuant to Section 3.4).

“Letter of Credit Fee” shall have the meaning provided in Section 4.1(c).

“Letter of Credit Issuer” shall mean (a) Bank of America, (b) JPMorgan, (c) with respect to the Existing Letters of Credit, the applicable issuing bank under the Existing Letter of Credit or an Affiliate thereof, and (ed) any one or more Persons who shall become a Letter of Credit Issuer pursuant to Section 3.6. Any Letter of Credit Issuer may, in its discretion, arrange for one or more Letters of Credit to be issued by Affiliates of the Letter of Credit Issuer, and in each such case the term “Letter of Credit Issuer” shall include any such Affiliate with respect to Letters of Credit issued by such Affiliate. In the event that there is more than one Letter of Credit Issuer at any time, references herein and in the other Credit Documents to the Letter of Credit Issuer shall be deemed to refer to the Letter of Credit Issuer in respect of the applicable Letter of Credit or to all Letter of Credit Issuers, as the context requires.

“Letter of Credit Maturity Date” shall mean the date that is ~~three~~five Business Days prior to the Revolving Credit Maturity Date.

“Letter of Credit Obligations” shall mean, as at any date of determination, the aggregate amount available to be drawn under all outstanding Letters of Credit plus the aggregate of all Unpaid Drawings, including all Letter of Credit Borrowings. For purposes of computing the amount available to be drawn under any Letter of Credit, the amount of such Letter of Credit shall be determined in accordance with Section 1.8. For all purposes of this Agreement, if on any date of determination a Letter of Credit has expired by its terms, but any amount may still be drawn thereunder by reason of the operation of Rule 3.14 of the ISP, such Letter of Credit shall be deemed to be “outstanding” in the amount so remaining available to be drawn.

“Letter of Credit Participant” shall have the meaning provided in Section 3.3(a).

“Letter of Credit Participation” shall have the meaning provided in Section 3.3(a).

“Letter of Credit Request” shall have the meaning provided in Section 3.2(b).

“LIBOR” shall have the meaning provided in the definition of “Eurodollar Rate”.

“Lien” shall mean any mortgage, pledge, security interest, hypothecation, assignment, lien (statutory or other) or similar encumbrance, and any easement, right-of-way, license, restriction (including zoning restrictions), defect, exception or irregularity in title or similar charge or encumbrance (including any agreement to give any of the foregoing, any conditional sale or other title retention agreement or any lease in the nature thereof); provided that in no event shall an operating lease be deemed to be a Lien.

“Loan” shall mean any Revolving Credit Loan, Additional/Replacement Revolving Credit Loan, Extended Revolving Credit Loan, Swingline Loan (including any swingline loan pursuant to an Extended Revolving Credit Facility or an Additional/Replacement Revolving Credit Facility) or Term Loan made by any Lender hereunder.

“London Banking Day” shall mean any day on which dealings in Dollar deposits are conducted by and among banks in the London interbank eurodollar market.

“Management Investors” shall mean the officers, directors and employees of Holdings, the Borrower and the Subsidiaries who become investors in Holdings or any of its Parent Entities or in the Borrower.

“Mandatory Borrowing” shall have the meaning provided in Section 2.1(f).

“Margin Lines of Credit” shall mean any lines of credit established and used by the Borrower and its Subsidiaries consistent with ordinary course practice and to fund or support Margin Loans of customers of the Borrower and its Subsidiaries and any replacement lines established on substantially similar terms and conditions.

“Margin Loans” as defined in Regulation T.

“Master Agreement” shall have the meaning provided in the definition of the term “Hedging Agreement.”

“Material Adverse Effect” shall mean a circumstance or condition that materially and adversely affects (a) the business, assets, operations, properties or financial condition of the Borrower and the Restricted Subsidiaries taken as a whole, (b) the ability of the Credit Parties (taken as a whole) to perform their payment obligations under the Credit Documents or (c) the rights and remedies of the Administrative Agent, the Collateral Agent or the Lenders under the Credit Documents.

“Maturity Date” shall mean the 2017 Initial Tranche A Term Loan Maturity Date, the 2019 Extended Tranche A Term Loan Maturity Date, the Initial Tranche B Term Loan Maturity Date, any Incremental Term Loan Maturity Date, the Revolving Credit Maturity Date, any maturity date related to any Class of Extended Revolving Credit Commitments, any maturity date related to any Class of Additional/Replacement Revolving Credit Commitments, any maturity date related to any Class of Extended Term Loans, or the Swingline Maturity Date, as applicable.

“Swap Obligation” has the meaning specified in the definition of “Excluded Swap Obligation.”

“Swap Termination Value” shall mean, in respect of any one or more Hedging Agreements, after taking into account the effect of any legally enforceable netting agreement relating to such Hedging Agreements, (a) for any date on or after the date such Hedging Agreements have been closed out and termination value(s) determined in accordance therewith, such termination value(s), and (b) for any date prior to the date referenced in clause (a), the amount(s) determined as the mark-to-market value(s) for such Hedging Agreements, as determined based upon one or more mid-market or other readily available quotations provided by any recognized dealer in such Hedging Agreements (which may include a Lender or any Affiliate of a Lender).

“Swingline Commitment” shall mean \$125,000,000.

“Swingline Exposure” shall mean, with respect to any Lender, at any time, such Lender’s Revolving Credit Commitment Percentage of the Swingline Loans outstanding at such time.

“Swingline Lender” shall mean each of Bank of America ~~in its capacity as lender~~ and JPMorgan in their respective capacities as lenders of Swingline Loans hereunder, and/or such other financial ~~institution who, after the Closing Date,~~ institutions who shall agree to act in the capacity of a lender of Swingline Loans hereunder, ~~from time to time~~.

“Swingline Loan” shall have the meaning provided in Section 2.1(c).

“Swingline Maturity Date” shall mean, with respect to any Swingline Loan, the date that is five Business Days prior to the Revolving Credit Maturity Date.

“Syndication Agents” shall mean the Persons identified on the cover page of this Agreement as such, in their respective capacities as syndication agent under this Agreement.

“Taxes” shall have the meaning provided in Section 5.4(a).

“Term Loan” shall mean a 2017 Initial Tranche A Term Loan, a 2019 Extended Tranche A Term Loan, an Initial Tranche B Term Loan, an Incremental Term Loan or any Extended Term Loans, as applicable.

“Term Loan Extension Request” shall have the meaning provided in Section 2.15(a).

“Term Loan Facility” shall mean any of the 2017 Initial Tranche A Term Loan Facility, the 2019 Extended Tranche A Term Loan Facility, the Initial Tranche B Term Loan Facility, any Incremental Term Loan Facility and any Extended Term Loan Facility.

“Test Period” shall mean, for any determination under this Agreement, the most recent period of four consecutive fiscal quarters of the Borrower ended on or prior to such date of determination (taken as one accounting period) in respect of which Section 9.1 Financials shall

(e) Borrowings of Revolving Credit Loans to reimburse Unpaid Drawings under Letters of Credit shall be made upon the terms set forth in Section 3.3 or Section 3.4(a).

(f) Without in any way limiting the obligation of the Borrower to confirm in writing any notice it may give hereunder by telephone, the Administrative Agent may act prior to receipt of written confirmation without liability upon the basis of such telephonic notice believed by the Administrative Agent in good faith to be from an Authorized Officer of the Borrower. In each such case, the Borrower hereby waives the right to dispute the Administrative Agent's record of the terms of any such telephonic notice.

(g) If the Borrower fails to specify a Type of Loan in a Notice of Borrowing then the applicable Term Loans or Revolving Credit Loans shall be made as Eurodollar Loans with an Interest Period of one (1) month. If the Borrower requests a Borrowing of Eurodollar Loans in any such Notice of Borrowing, but fails to specify an Interest Period, it will be deemed to have specified an Interest Period of one (1) month.

2.4 Disbursement of Funds. (a) No later than 2:00 p.m. (New York City time) on the date specified in each Notice of Borrowing (including Mandatory Borrowings and Borrowings to reimburse Unpaid Drawings under Letters of Credit), each Lender will make available its pro rata portion, if any, of each Borrowing requested to be made on such date in the manner provided below; provided that on the Closing Date (or with respect to any Incremental Facilities, on the relevant Incremental Facility Closing Date), such funds may be made available at such earlier time as may be agreed among the relevant Lenders, the Borrower and the Administrative Agent for the purpose of consummating the Transactions; provided, further, that all Swingline Loans shall be made available to the Borrower in the full amount thereof by the Swingline Lender no later than ~~34:3000~~ p.m. (New York City time) on the date requested.

(b) Each Lender shall make available all amounts it is to fund to the Borrower under any Borrowing for its applicable Commitments in immediately available funds to the Administrative Agent at the Administrative Agent's Office and the Administrative Agent will (except in the case of Mandatory Borrowings and Borrowings to repay Unpaid Drawings under Letters of Credit) make available to the Borrower, by depositing to an account designated by the Borrower to the Administrative Agent in writing, the aggregate of the amounts so made available in Dollars. Unless the Administrative Agent shall have been notified by any Lender prior to the date of any such Borrowing that such Lender does not intend to make available to the Administrative Agent its portion of the Borrowing or Borrowings to be made on such date, the Administrative Agent may assume that such Lender has made such amount available to the Administrative Agent on such date of Borrowing, and the Administrative Agent, in reliance upon such assumption, may (in its sole discretion and without any obligation to do so) make available to the Borrower a corresponding amount. If such corresponding amount is not in fact made available to the Administrative Agent by such Lender and the Administrative Agent has made available same to the Borrower, the Administrative Agent shall be entitled to recover such corresponding amount from such Lender. If such Lender does not pay such corresponding amount forthwith upon the Administrative Agent's demand therefor, the Administrative Agent shall promptly notify the Borrower and the Borrower shall immediately pay such corresponding amount to the Administrative Agent. The Administrative Agent shall also be entitled to recover from such Lender or the Borrower, as the case may be, interest on such corresponding amount in



such difference may be used for the purposes of determining any baskets (other than any previously contributed Cure Amounts), with respect to the covenants contained in the Credit Documents, the Available Amount or the Available Equity Amount and (ii) less than the Necessary Cure Amount, then not later than the applicable Cure Deadline, the Borrower must receive the cash proceeds from the issuance of Capital Stock or a cash capital contribution to Holdings, which cash proceeds received by Borrower shall be equal to the shortfall between such Expected Cure Amount and such Necessary Cure Amount.

## SECTION 12. The Administrative Agent and the Collateral Agent

### 12.1 Appointment. (a) Each of the Lenders and the Letter of Credit

Issuers hereby irrevocably appoints ~~Bank of America, N.A.~~ JPMorgan to act on its behalf as the Administrative Agent hereunder and under the other Credit Documents and authorizes the Administrative Agent to take such actions on its behalf and to exercise such powers as are delegated to the Administrative Agent by the terms hereof or thereof, together with such actions and powers as are reasonably incidental thereto. It is understood and agreed that the use of the term “agent” herein or in any other Credit Documents (or any other similar term) with reference to the Administrative Agent is not intended to connote any fiduciary or other implied (or express) obligations arising under agency doctrine of any applicable Law. Instead such term is used as a matter of market custom, and is intended to create or reflect only an administrative relationship between contracting parties.

### (b) The Administrative Agent shall also act as the “Collateral Agent”

under the Credit Documents, and each of the Lenders (including in its capacities as a potential Hedge Bank and a potential Cash Management Bank) and the Letter of Credit Issuer hereby irrevocably appoints and authorizes the Administrative Agent to act as the agent of such Lender and the Letter of Credit Issuer for purposes of acquiring, holding and enforcing any and all Liens on Collateral granted under the Security Documents to secure any of the Obligations, together with such powers and discretion as are reasonably incidental thereto. In this connection, the Administrative Agent, as “Collateral Agent”, and any co-agents, sub-agents and attorneys-in-fact appointed by the Administrative Agent pursuant to Section 12.2 for purposes of holding or enforcing any Lien on the Collateral (or any portion thereof) granted under the Security Documents, or for exercising any rights and remedies thereunder at the direction of the Administrative Agent), shall be entitled to the benefits of all provisions of this Section 12 and Section 13 (including Section 13.5(a), as though such co-agents, sub-agents and attorneys-in-fact were the “Collateral Agent” under the Credit Documents) as if set forth in full herein with respect thereto.

### 12.2 Delegation of Duties. The Administrative Agent and the Collateral Agent may perform any and all of

its duties and exercise its rights and powers hereunder or under any other Credit Document by or through any one or more sub-agents appointed by the Administrative Agent or the Collateral Agent, as applicable. The Administrative Agent, the Collateral Agent and any such sub-agent may perform any and all of its duties and exercise their respective rights and powers by or through their respective Related Parties. The exculpatory provisions of this Section 12 shall apply to any such sub-agent and to the Related Parties of the Administrative Agent, the Collateral Agent and any such sub-agent, and shall apply to their respective activities in connection with the syndication of the credit facilities provided for herein

them while the retiring Administrative Agent or Collateral Agent, as applicable, was acting as Administrative Agent or Collateral Agent, as applicable.

Any resignation or replacement by ~~Bank of America~~JPMorgan as Administrative Agent pursuant to this Section shall also constitute its resignation or replacement as Letter of Credit Issuer and Swingline Lender. If ~~Bank of America~~JPMorgan resigns or is replaced as a Letter of Credit Issuer, it shall retain all the rights, powers, privileges and duties of the Letter of Credit Issuer hereunder with respect to all Letters of Credit outstanding as of the effective date of its resignation or replacement as Letter of Credit Issuer and all Letter of Credit Obligations with respect thereto, including the right to require the Lenders to make Revolving Credit Loans or fund risk participations in Unpaid Drawings pursuant to Section 3.3. If ~~Bank of America~~JPMorgan resigns as Swingline Lender, it shall retain all the rights of the Swingline Lender provided for hereunder with respect to Swingline Loans made by it and outstanding as of the effective date of such resignation, including the right to require the Lenders to make Revolving Credit Loans or fund risk participations in outstanding Swingline Loans pursuant to Section 2.1(f). Upon the appointment by the Borrower of a successor Letter of Credit Issuer or Swingline Lender hereunder (which successor shall in all cases be a Lender other than a Defaulting Lender), (a) such successor shall succeed to and become vested with all of the rights, powers, privileges and duties of the retiring Letter of Credit Issuer or Swingline Lender, as applicable, (b) the retiring Letter of Credit Issuer and Swingline Lender shall be discharged from all of their respective duties and obligations hereunder or under the other Credit Documents, and (c) the successor Letter of Credit Issuer shall issue letters of credit in substitution for the Letters of Credit, if any, outstanding at the time of such succession or make other arrangements satisfactory to ~~Bank of America~~JPMorgan to effectively assume the obligations of ~~Bank of America~~JPMorgan with respect to such Letters of Credit.

12.9 Withholding Tax. To the extent required by any applicable law, the Administrative Agent may withhold from any interest payment to any Lender an amount equivalent to any applicable withholding tax, except taxes imposed as a result of a current or former connection unrelated to this Agreement between the Administrative Agent and any jurisdiction outside of the United States imposing such tax. If the Internal Revenue Service or any authority of the United States or other jurisdiction asserts a claim that the Administrative Agent did not properly withhold tax from amounts paid to or for the account of any Lender (because the appropriate form was not delivered, was not properly executed, or because such Lender failed to notify the Administrative Agent of a change in circumstances which rendered the exemption from, or reduction of, withholding tax ineffective, or for any other reason), such Lender shall indemnify the Administrative Agent fully for all amounts paid, directly or indirectly, by the Administrative Agent as tax or otherwise, including penalties and interest, together with all expenses incurred, including legal expenses, allocated staff costs and any out of pocket expenses.

12.10 Rights as a Lender. The Person serving as the Administrative Agent hereunder shall have the same rights and powers in its capacity as a Lender as any other Lender and may exercise the same as though it were not the Administrative Agent and the term "Lender" or "Lenders" shall, unless otherwise expressly indicated or unless the context otherwise requires, include the Person serving as the Administrative Agent hereunder in its individual capacity. Such Person and its Affiliates may accept deposits from, lend money to,

Addresses for Notices

To the Administrative Agent:

JPMorgan Chase Bank, N A  
Loan and Agency Services Group  
500 Stanton Christiana Road, Ops 2, Floor 3 Newark, DE 19713-2107  
Attention: Pranay Tyagi  
Tel: (302) 634-8799  
Fax: (302) 634-8459  
Email: pranay.tyagi@jpmorgan.com

With a copy to:  
Evelyn Crisci  
Tel: (212) 270-9854  
Email: evelyn.x.crisci@jpmorgan.com 383 Madison Avenue, Floor 23  
New York, NY 10179

## FIRST AMENDMENT TO STOCKHOLDERS' AGREEMENT

This FIRST AMENDMENT TO STOCKHOLDERS' AGREEMENT (this "Amendment") is made and entered into as of September 24, 2014, by and between LPL Financial Holdings Inc., a Delaware corporation (f/k/a LPL Investment Holdings Inc., "LPL"), and TPG Partners IV, L.P., a Delaware limited partnership ("TPG"). Capitalized terms used in this Amendment and not otherwise defined herein shall have the respective meanings assigned to such terms in that certain Stockholders' Agreement, dated as of November 23, 2010, by and among the Company, TPG and the other parties thereto (the "Stockholders Agreement").

### Recitals

WHEREAS, the Company, TPG and the other parties thereto entered into the Stockholders Agreement in order to provide for certain governance rights and to set forth the respective rights and obligations of the stockholders following LPL's initial public offering; and

WHEREAS, the parties hereto desire to amend the Stockholders Agreement on the terms set forth herein.

### Agreement

NOW, THEREFORE, in consideration of the premises and of the respective covenants and agreements contained herein and in the Stockholders Agreement, the parties hereto, intending to be legally bound, hereby agree as follows:

1. Section 2.2(b) of the Stockholders Agreement shall be deleted in its entirety and be of no further force and effect.
2. Section 2.2(c) of the Stockholders Agreement shall be deleted in its entirety and be of no further force and effect.
3. Section 2.4 of the Stockholders Agreement shall be deleted in its entirety and replaced with the following:

Section 2.4. *Amendment of Bylaws and Certificate of Incorporation.*

(a) The Company agrees that, without the written consent of the Sponsors, it will not directly or indirectly (including through any merger or consolidation) (i) for so long as any Sponsor has the right to nominate a Director in accordance with Section 2.2, or in the case of the TPG Sponsor, owns more than 10% of the Shares Beneficially Owned by it as of November 23, 2010, amend Article X of its Amended and Restated Certificate of Incorporation; (ii) for so long as any Sponsor has the right to nominate a Director in accordance with Section 2.2, or in the case of the TPG Sponsor, owns more than 10% of the Shares Beneficially Owned by it as of November 23, 2010, amend the provisions of the bylaws of LPL (the "Bylaws") relating to advance nomination of directors in any manner directly or indirectly adverse to the H&F Sponsors or the TPG Sponsor or that would require advance notice to their Director nominees; (iii) for so long as the Sponsors Beneficially Own a majority of the outstanding Shares, amend Section 2.3, Section 2.4, Section 2.5 or Section 2.7 of the Bylaws and (iv) adopt any provision of the Bylaws or the Amended

and Restated Certificate of Incorporation of LPL that is inconsistent with this Agreement or any of the foregoing provisions of the Bylaws or the Amended and Restated Certificate of Incorporation of LPL.

4. Section 2.5(a) of the Stockholders Agreement shall be deleted in its entirety and replaced with the following:

(a) Information Rights. For so long as any Sponsor has the right to nominate at least one director pursuant to Section 2.2, or in the case of the TPG Sponsor, owns more than 10% of the Shares Beneficially Owned by it as of November 23, 2010, such Sponsor will, subject to Section 5.4 hereof, have the right to obtain any reports, documents, information or other materials distributed of LPL and its Subsidiaries which a member of the LPL Board has received or has the right to receive from LPL.

5. Section 6.12(b) of the Stockholders Agreement shall be deleted in its entirety and replaced with the following:

(b) This Agreement shall terminate upon the later of the time that no Sponsor has the right to nominate at least one director pursuant to Section 2.2, or in the case of the TPG Sponsor, owns more than 10% of the Shares Beneficially Owned by it as of November 23, 2010, the termination with respect to all Stockholders of Article IV pursuant to Section 4.14(a) and the expiration of the Shelf Period; provided, however, that Section 4.10, Section 4.11 and Section 4.13 shall survive as specified in Section 4.14(b) and Section 6.7 shall survive termination of this Agreement.

6. Except as otherwise provided herein, all terms, provisions, covenants, representations, warranties and conditions in the Stockholders Agreement shall remain unchanged and in full force and effect.

7. The corporate laws of the State of Delaware will govern all questions concerning the relative rights of the parties hereunder to the extent such laws are applicable.

8. From and after the date hereof, any reference to the Stockholders Agreement shall be deemed to be a reference to the Stockholders Agreement as amended hereby.

9. This Amendment may be executed in any number of separate counterparts each of which when so executed shall be deemed to be an original and all of which together shall constitute one and the same instrument. Counterpart signature pages to this Amendment may be delivered by facsimile or electronic delivery (*i.e.*, by email of a PDF signature page) and each such counterpart signature page will constitute an original for all purposes.

*[Signature Pages Follow]*

**IN WITNESS WHEREOF**, the parties have duly executed this Amendment as of the day and year first above written.

**LPL FINANCIAL HOLDINGS  
INC.**

By: /s/ David P. Bergers \_\_\_\_\_

David P. Bergers

General Counsel

*[Signature Page to First Amendment to Stockholders Agreement]*

**TPG PARTNERS IV, L.P.**

By: TPG GenPar IV, L.P.,  
its general partner

By: TPG GenPar IV Advisors, LLC,  
its general partner

By: /s/ Ronald Cami

---

Name: Ronald Cami

Title: Vice President

*[Signature Page to First Amendment to Stockholders Agreement]*

## CERTIFICATION OF THE PRINCIPAL EXECUTIVE OFFICER

I, Mark S. Casady, 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: October 30, 2014

/s/ Mark S. Casady

Mark S. Casady  
Chief Executive Officer  
(principal executive officer)



## CERTIFICATION OF THE PRINCIPAL FINANCIAL 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: October 30, 2014

/s/ Dan H. Arnold

Dan H. Arnold  
Chief Financial Officer  
(principal financial officer)

**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 September 30, 2014 as filed with the Securities and Exchange Commission ("SEC") on the date hereof (the "Report"), I, Mark S. Casady, 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: October 30, 2014

*/s/ Mark S. Casady* \_\_\_\_\_

Mark S. Casady  
*Chief Executive Officer*

**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 September 30, 2014 as filed with the Securities and Exchange Commission ("SEC") on the date hereof (the "Report"), I, Dan H. Arnold, 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: October 30, 2014

*/s/ Dan H. Arnold*

\_\_\_\_\_  
Dan H. Arnold  
*Chief Financial Officer*