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

FORM 10-K

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

For the fiscal year ended December 31, 2007

or

o **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 000-52609

LPL Investment Holdings Inc.
(Exact name of registrant as specified in its charter)

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

One Beacon Street, Floor 22, Boston, MA 02108
(Address of principal executive offices including zip code)

617-423-3644
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:
None

Securities registered pursuant to Section 12(g) of the Act:
Bonus Credits to Purchase Common Stock, par value $0.001 per share

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes o No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes o No ☒

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 o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

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 definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer o	Accelerated filer o	Non-accelerated filer ☒ (Do not check if a smaller reporting company)	Smaller reporting company o

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

The aggregate market value of the registrant's voting stock held by non-affiliates is zero. The registrant is a privately held corporation.

The number of shares of common stock, par value $0.001 per share, outstanding as of December 31, 2007 was 86,249,611.90.

DOCUMENTS INCORPORATED BY REFERENCE
None.

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Where You Can Find More Information

We are required to file annual, quarterly and current reports, proxy statements and other information required by the Securities Exchange Act of 1934, as amended, with the Securities and Exchange Commission, or 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.*

When we use the terms "LPLIH", "we", "us", "our", and the "firm" we mean LPL Investment Holdings Inc., a Delaware corporation, and its consolidated subsidiaries, taken as a whole, as well as any predecessor entities, unless the context otherwise indicates.

Special Note Regarding Forward-Looking Statements

This Annual Report on Form 10-K in Item 7—"Management's Discussion and Analysis of Financial Condition and Results of Operations" and in other sections includes forward-looking statements. In some cases, you can identify these statements by forward-looking words such as "may", "might", "will", "should", "expect", "plan", "anticipate", "believe", "estimate", "predict", "potential", "intend" or "continue", the negative of these terms and other comparable terminology. These forward-looking statements, which are subject to risks, uncertainties and assumptions about us, may include expectations as to our future financial performance, which in some cases may be based on our growth strategies and anticipated trends in our business. These statements are based on our current expectations and projections about future events. There are important factors that could cause our actual results, level of activity, performance or achievements to differ materially from the results, level of activity, performance or achievements expressed or implied by the forward-looking statements. In particular, you should consider the numerous risks outlined in Part I, Item 1A—"Risk Factors" on page 21.

Although we believe the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, level of activity, performance or achievements. Moreover, neither we nor any other person assumes responsibility for the accuracy or completeness of any of these forward-looking statements. You should not rely upon forward-looking statements as predictions of future events. We are under no duty to update any of these forward-looking statements after the date of this filing to conform our prior forward-looking statements to actual results or revised expectations.

PART I

ITEM 1. BUSINESS

Our Business

We are a leading provider of technology and infrastructure services to independent financial advisors ("IFAs") and to financial institutions who employ financial advisors ("Financial Institutions") (collectively, IFAs and financial advisors employed at or otherwise affiliated with Financial Institutions are defined as "FAs"). As of December 31, 2007, we provided our services to over 11,000 licensed FAs in over 5,400 branch offices. In addition, our subsidiary, LPL Financial Corporation ("LPL"), has been ranked as the largest independent broker-dealer in the United States for each of the past 12 years based on total revenues by an industry publication. We provide access to a broad array of financial products and services for our FAs to market to their clients, as well as extensive training and a comprehensive technology and service platform to enable our FAs to more efficiently operate their business. Our strategy is to build long-term relationships with our IFAs and Financial Institutions by offering innovative technologies, training and high-quality services that will enable them to grow their client base.

We believe that our substantial scale enables us to offer our IFAs and Financial Institutions industry leading products and services together with attractive economics. In addition, unlike traditional brokerage firms which combine product distribution and product manufacturing within a single company, we operate on an open architecture product platform with independent research on a vast number of investments and no proprietary investment products. Through our research department, FAs have access to independent research on mutual funds, separate accounts, annuities, alternative investments, fixed-income securities, asset allocation strategies, financial markets and the economy. As a consequence, we believe IFAs and Financial Institutions are able to recommend products selected on the basis of their clients' financial needs and objectives, without being influenced by potential product manufacturing bias.

The core of our strategy is to build technologies that enable our IFAs and Financial Institutions to more profitably manage the complexity of their business. We view our IFAs and Financial Institutions as partners and work with them to best understand their operating environment. This approach, developed over more than 20 years of servicing, is integral to our culture and to our initiatives.

We provide our IFAs with access to a platform of non-proprietary, high-quality products for their clients ("Independent Advisor Services"). Our IFAs exclusively use our platform for all the brokerage and fee-based advisory services they offer. These IFAs are licensed with us, but they are independent contractors who maintain their own office and general support staff. Our IFAs generally have many years of industry experience and generally join us from other brokerage institutions, including wirehouses, regional broker-dealers, banks, insurance companies, and other independent broker-dealers.

On June 20, 2007 we acquired from Pacific Life Insurance Company all of the outstanding membership interests of Pacific Select Group, LLC and its wholly owned subsidiaries: Mutual Service Corporation ("MSC"), Associated Financial Group, Inc. ("AFG") and Waterstone Financial Group, Inc. ("WFG") (collectively, the "Affiliated Broker-Dealers"). In connection with the acquisition, Pacific Select Group, LLC changed its name to LPL Independent Advisor Services Group LLC ("IASG").

We believe we are one of the nation's largest providers of independent, non-proprietary, third-party investment services to banks and credit unions ("Institution Services"). We have provided investment programs to banks, thrift institutions and credit unions since the early 1990s.

On January 2, 2007, we acquired UVEST Financial Services Group, Inc. ("UVEST"). Headquartered in Charlotte, North Carolina, UVEST offers investment and insurance programs to

community and regional banks and credit unions. We believe that the combination of UVEST's service, expertise and experienced management, together with our scale and broad array of products and services, allows us to offer the most comprehensive third-party, non-proprietary financial advisory services and programs to our financial institution clients.

On November 7, 2007, we acquired IFMG Securities, Inc., Independent Financial Marketing Group, Inc. and LSC Insurance Agency of Arizona, Inc. (collectively "IFMG") from Sun Life Financial (U.S.) Holdings, Inc. This acquisition further expands our reach in offering financial services through banks, savings and loan institutions, and credit unions nationwide.

We recently expanded our services by offering clearing, custody and other services specifically to large financial institutions, including insurance companies ("Custom Clearing Services"). Our Custom Clearing Services include full service broker-dealer functions for an organization. We provide a state-of-the-art, fully integrated, and compliant front-middle-and back office technology platform designed with the specific institution's clearing needs in mind. Our Custom Clearing Services boast high touch service, objective research, and best-in-class training to allow institutions to increase financial advisor productivity, lower development and operating costs, and complement risk management procedures.

Overview of Support Services

We offer support for our business through Broker-Dealer Support Services, Corporate Shared Services and Business Technology Services.

Broker-Dealer Support Services

The Broker-Dealer Support Services ("BDSS") group is responsible for providing integrated operations and services support to our business. The BDSS group combines our operations, service center, trading, commission, and transition services group into a single enterprise support team. The BDSS teams are organized specific to the needs of our business segments and have dedicated management and staff to support the operational and service functions of our segments.

Corporate Shared Services

The Corporate Shared Services group serves the entire organization, providing a set of functions and support that bring consistency across our diverse business. This group includes organizational strategy, finance, legal, human capital, product development, risk management, research and corporate marketing.

Business Technology Services

The Business Technology Services group ("BTS") provides expertise in technology development and support for our entire organization. BTS is organized into six core service teams: branch products systems, home office systems, quality assurance, technology strategy, data center, and business technology services governance. Together, these teams ensure that we are using leading technology processes and standards to grow our business and meet the changing needs of FAs.

The six teams work jointly to deliver the following services:

Independent Advisor Financial Platform Development & Support. Our web-based platform provides a broad base of financial planning and management functionality, from full access to all account data and streamlining operations, to extensive research information and sales and prospecting presentations.

Internal Business Applications Development & Support. We have numerous business applications which offer automation and information sharing to the LPL business partners in service center, operations, compliance, finance, research, corporate and product marketing, and branch development areas.

Project Administration & Management. While supporting the growth of LPL, BTS project planning and management offers firm-wide teamwork for executing and delivering projects on schedule and on budget.

Desktop Support & Telecommunications. BTS provides voice and conference services, work order support, and departmental relocation services to the entire organization.

Business Continuity/Disaster Recovery. BTS develops disaster-prevention and business contingency plans for the information systems that are a part of our mission-critical functions.

Technology & Process Standards. BTS maintains ongoing focus on process improvement and competitive market assessments to ensure best process practices and new technology standards and opportunities are incorporated into both the strategic planning and daily execution of the business.

A History of Creative Growth

Innovative Service

LPL has been offering innovative service, programs, and technology solutions to our IFAs and Financial Institutions for almost 20 years. In 1991, LPL launched Strategic Asset Management ("SAM"). This has been followed by other advisory platforms such as Manager Select, Optimum Market Portfolios and Personal Wealth Portfolios. As of December 31, 2007, the total assets in these programs exceeded $74.62 billion, making us the eighth largest (based on assets) provider of advisory services in the financial service industry as of that date.

In 2000, LPL became self-clearing. The primary benefits of moving to self-clearing were to speed up processing, improve service, reduce costs and otherwise provide business efficiencies. Self-clearing has also enabled us to create increasingly robust investment advisory programs. For example, control over trade execution and access to trade data in our self-clearing environment allowed us to develop our asset allocation models used across a wide range of investment programs. Our investment advisory platforms incorporate mutual funds and separate accounts managed by leading third-party asset managers, individual securities and alternative asset classes. The comprehensive and automated nature of the platforms have made it attractive for many of our IFAs and Financial Institutions to "outsource" investment management to us allowing the IFAs and Financial Institutions to dedicate a majority of their to time building relationships and helping clients meet their goals.

LPL's self-clearing capability also enables us to offer technology services to other financial service providers. Through our Custom Clearing Services we are able to tailor clearing services to the individual needs of financial service providers.

Technology Services

Throughout our history, we have believed that robust technology solutions are vital to our IFAs and Financial Institutions efficiency and productivity. To illustrate our belief, in 1997 LPL launched BranchNet, our proprietary branch-level processing and business management platform. BranchNet enables our IFAs and Financial Institutions to automate time consuming processes such as opening and managing accounts, executing transactions and rebalancing accounts. In addition to our basic BranchNet package, many of our IFAs and Financial Institutions subscribe to premium features such as performance reporting, financial planning and customized websites. We have continuously invested in

upgrading BranchNet. For example, in 2006 we added a new branch office document imaging capability. In 2007 we made several improvements to BranchNet including the addition of iDoc (which offers advisors imaging services for all business documents) and the OSJ Review Tool (which automates daily, weekly and monthly supervision and review tasks for branch managers and principals).

In addition to providing our IFAs and Financial Institutions with technology solutions, we have undertaken a long-term home office platform initiative to provide an innovative interface and work flow for our employees, including system transparency for all key business managers. We believe that creating a more flexible technological environment for our own employees will be a critical component in supporting our future growth.

Our Scaleable Platform

We have invested significantly in the development of our core operating and technology platforms and intend to continue to do so in the future. We believe that we are well-positioned to enjoy the benefits of platform scalability, which will allow us to add IFAs and Financial Institutions without significant incremental costs. For example, we added a significant number of IFAs through our acquisition of the Affiliated Broker-Dealers. As a result, our revenue and earnings growth is driven primarily by the growth in total advisors and growth in the revenue and profitability of their practices. To the extent our scale enables us to reduce costs and incrementally increase profitability, we are in a position to share some of those benefits with FAs.

Our scale has allowed us to expand our research capabilities. The wide array of expert commentary, research and recommendations our research group provides to our IFAs and Financial Institutions allows FAs to reduce time and resources dedicated to implementing asset allocation strategies and to research.

Our scale also allows us to invest substantial resources in training programs in order to assist our IFAs and Financial Institutions to enhance their profitability. We offer extensive, nationwide training on topics including platforms, technology, marketing and practice management, among others. We also provide a comprehensive online library of training modules.

Our Competitive Strengths

Leading Market Position

LPL has been ranked as the largest independent broker-dealer in the United States for the past twelve years as measured by total revenues by an industry publication. As of December 31, 2007, LPL, UVEST, IFMG Securities, Inc. and the Affiliated Broker-Dealers (collectively the "Broker-Dealer Entities") had approximately 11,000 FAs and approximately $183.4 billion in assets networked and under administration. Our scale has allowed us to invest substantial resources in our technology and service infrastructure, product platforms and compliance systems. As a result, we believe we offer a market leading value proposition that enables us to attract and retain experienced and productive FAs.

FA and Financial Institution Focused Culture

We believe that a key element of our success has been our unique corporate culture which focuses on improving the underlying businesses of our FAs and, in applicable circumstances, the Financial Institutions. While other brokerage firms also devote significant resources to their efforts in product manufacturing, investment banking or proprietary trading, our primary focus for over 20 years has been and continues to be our FAs and our Financial Institutions. As a result of this unconflicted focus on FAs and Financial Institutions, we believe our retention rates are among the highest in the industry.

We believe our Independent Advisor Services branch development staff is one of the most capable among all independent broker-dealers in the United States and recruits from a broader variety of

sources—including wirehouses, regional broker-dealers, banks, insurance companies, and other independent broker-dealers—than our competitors.

Attractive Value Proposition for IFAs

We believe the combination of our attractive payout structure with our market leading product and service platform enables our IFAs to earn more income per dollar of commissions and fees than IFAs with other firms. Like other independent broker-dealers, we pay a greater share of brokerage commissions and advisory fees to our IFAs than employee-based broker-dealers. While IFAs licensed through independent broker-dealers must pay for their own office expenses, we believe that for most IFAs, the higher payouts more than offset these incremental costs, enabling them to increase their take-home pay. In addition, unlike employees of wirehouses or regional broker-dealers, IFAs can build substantial equity value in their practices. We believe the combination of higher net payouts and the ability to build equity value make the independent model more attractive for many IFAs. Furthermore, among independent broker-dealers, we believe our comprehensive product and service platform enables our IFAs to operate their businesses at a lower cost. For example, BranchNet, our proprietary advisor software available for IFAs on our LPL clearing platform, enables our IFAs to automate time consuming processes such as opening and managing accounts, executing transactions, maintaining books and records and rebalancing accounts.

In addition to offering attractive economics to our IFAs, we believe we enable our IFAs to more effectively serve their clients. For example, our open architecture platform and research offering enable our IFAs to make unbiased, informed recommendations to their clients across a broad array of products and services. We also offer our IFAs the largest fee-based advisory platform among all independent broker-dealers (as measured by assets), an offering that addresses increasing client demand for fee-based advisory services.

Attractive Value Proposition for Financial Institutions

In addition to having access to many of the products, services and research that is available to the IFAs, we believe that we are able to provide additional value to Financial Institutions that have elected to use us as their service provider. We offer Financial Institutions the flexibility to either have their trades cleared through LPL or through a certain third-party clearing firm. We believe that we can offer Financial Institutions industry-leading training, marketing materials, compliance expertise, and platform program management. We also offer specific Financial Institution-only conferences throughout the year to provide our Financial Institutions with in-person training, recognition, and the opportunity to consult with their peers. We believe we were able to increase our expertise in this area through the acquisition of UVEST on January 2, 2007 and Independent Financial Marketing Group, Inc. on November 7, 2007. Both broker-dealers are focused exclusively on the financial institutions marketplace and have increased the number of financial institutions that LPL services to 850.

Diverse, Stable and Profitable Business

Diversified Revenue

As of December 31, 2007, no single IFA or branch office accounted for more than 1% of our revenues. In addition, we have a geographically diverse national presence with IFAs in all 50 states and the District of Columbia.

In addition, our Institution Services and Custom Clearing Services have created opportunities for us to garner significant revenue from servicing other broker-dealers under a wide range of business models. These opportunities exist along a spectrum that runs from providing complete investment programs to smaller financial institutions to providing some combination of front-end processing and back office technology to larger financial services firms.

Business Stability

Our recurring revenues include, among others, advisory fees charged to clients, asset-based fees, 12b-1 fees, fees related to our cash sweep programs, interest earned on margin accounts, and technology and service fees charged to our IFAs. We believe these revenue sources are more stable and less dependent on market conditions than transaction-related commissions. The proportion of our total revenue that is recurring has grown significantly, from approximately 46.0% for the year ended December 31, 2000 to 59.4% for the year ended December 31, 2007.

In addition, the stability of our business is further enhanced by our limited reliance on margin lending. For the year ended December 31, 2007, interest from margin lending represented only 1.0% of our total revenue.

Controllable and Scaleable Cost Structure

In contrast to a traditional employee-based model, our IFAs are independent contractors who bear their own office and related expenses. As a result, we manage a flexible and controllable cost structure in which 74.2% of our costs are production-related (commissions and advisory fees and brokerage, clearing and exchange costs) expenses (substantially all of which are variable) and 9.9% of the remaining costs are personnel related (compensation and benefits) as measured for the year ended December 31, 2007. As a result, we have been able to profitably manage our business through challenging market conditions in the past.

In addition, we have invested significantly in the development of our core operating and technology platforms and intend to continue to invest in and enhance our platforms in the future. We believe that we are well-positioned to enjoy the benefits of platform scalability, which will allow us to add IFAs and financial institutions without significant incremental costs.

Strong Growth Model

We have a long history of successfully growing our business. From the year ended December 31, 1997 through the year ended December 31, 2007, we grew our revenue at a compound annual growth rate ("CAGR") of 22.3%.

Sales Growth from Newly Recruited IFAs and Mature IFAs

We typically recruit experienced IFAs who were previously licensed with other broker-dealers and have established client bases of their own. As a result, newly recruited IFAs are initially focused on transitioning client assets from their prior firms to us. We expect newly recruited IFAs to return to the approximate production levels they achieved with their prior firms within three years of joining us. As a result, a significant portion of our near term revenue growth in a given year is driven by the size of the recruiting classes and the growth in mature practices. One way we measure the growth of our IFAs is through our definition of mature advisor growth ("MAG"). Mature advisors are those that have been with us for at least three years and who are still active at the end of the calendar year. MAG is a measure of this subset of IFAs' year-over-year change in total production. For the year ended December 31, 2007, MAG was approximately 21.9% over the previous year ended December 31, 2006.

We have also been able to increase the number of our IFAs through acquisitions, such as our acquisition of the Affiliated Broker-Dealers on June 20, 2007.

A substantial portion of our long-term growth is driven by our ability to recruit and retain new IFAs. We have made a strong organizational commitment to the recruitment process. On December 31, 2007, the number of IFAs licensed with us had grown to 11,089, a 58.3% increase over 2006. In addition, we have been successful at retaining our most productive IFAs.

Sales Growth from Institution Services

We provide our product and service platform to financial advisors associated with over 850 independent financial service providers nationwide, including within banks, thrift institutions and credit unions. We work with independent financial service providers under three basic platforms—one in which financial advisors are employed by Financial Institutions, one in which IFAs operate independent practices located on the premises of financial institutions, and one in which the financial advisors are employees of LPL and are located on the premises of financial institutions. We have dedicated compliance and legal resources to address the various sales practice and regulatory issues that are associated with operating non-deposit investment programs on-site at independent financial service providers. For the year ended December 31, 2007, approximately 15.4% of our commission and advisory revenue was generated from the IFAs associated with independent financial service providers.

On January 2, 2007, we acquired all of the outstanding capital stock of UVEST, which provides independent third-party brokerage services to financial institutions.

On November 7, 2007 we acquired IFMG from Sun Life Financial (U.S.) Holdings, Inc., which expands our reach in offering financial services through banks, savings and loan institutions, and credit unions nationwide.

The FA market remains large, fragmented and growing. We believe there is a large addressable pool of FAs from which we can recruit. We expect to capitalize on this market opportunity by leveraging our strong reputation and recruiting infrastructure to continue to grow our recruiting classes. Given the scale of our operations, we have historically been able to add new FAs at an attractive return on capital. We also believe that with the expertise gained through the UVEST and IFMG transactions we will be able to continue to recruit Financial Institutions.

Sales Growth from Custom Clearing Services

We believe that our Custom Clearing Services will provide us with an additional source of revenue. Through our Custom Clearing Services, we provide full service broker-dealer services to select institutions. For example, in 2006, we entered into agreements with a large, global insurance company pursuant to which we agreed to (1) provide brokerage, clearing and custody services on a fully disclosed basis; (2) offer our investment advisory programs and platforms; and (3) provide technology and additional processing and related services to its financial advisors and customers.

Experienced and Committed Management Team

Our senior management team has an average of approximately 10 years of experience with us and extensive experience in the industry. The management team and our IFAs currently own approximately 27% of our company on a fully diluted basis.

Our Business Strategies

Increase the Number of our IFAs and Financial Institutions Who Employ Financial Advisors

Recruiting and retaining IFAs and Financial Institutions is critical to achieving our growth objectives. We believe our recruiting staff is one of the most capable among independent broker-dealers, and that our geographically diverse, hands-on recruiting capabilities are unparalleled. We have built a strong reputation among IFAs and Financial Institutions in the United States, ensuring that FAs who contemplate a migration to the independent model strongly consider us. We continue to leverage our strong market position to identify, screen, and add experienced and productive FAs.

We continue to improve our attractive value proposition to IFAs and Financial Institutions to maintain our strong track record in retaining FAs.

In addition to our recruiting efforts, we also increase our IFAs through strategic acquisitions, such as our acquisition of the Affiliated Broker-Dealers.

Continue To Improve Our Service Infrastructure to Enable Our IFAs and Financial Institutions to Continue to Grow Their Businesses

We focus on further developing infrastructure and services to enable our IFAs and Financial Institutions to capitalize on market opportunities and deepen their existing client relationships. For instance, we have expanded our initial service capabilities to provide insurance and trust services. We believe our service offering is now among the broadest in the industry and should allow our IFAs and Financial Institutions to capture a greater share of their existing clients' business and attract new clients.

We believe that our technology and service platform, including BranchNet, our proprietary advisor software system, provides us with a significant competitive advantage because it enables our FAs to efficiently manage their practices. We continue to enhance the functionality of BranchNet and other related technologies. For example, we recently have started to offer our IFAs an integrated software application that will enable them to electronically image branch office records, thereby reducing record retention costs and improving access to records.

Leverage Scale and Market Leadership

As the size of our FA base continues to expand, we will seek to lower our FAs' and our costs. With our increasing scale, we have an enhanced ability to economically invest in technology and broaden our value added services more efficiently across our FA base. If successful, we expect to increase our profit margins, as well as those of our FAs.

We also expect our scale to create additional opportunities to provide our product and service platform to IFAs associated with selected institutions that maintain their own broker-dealer. As a result of our scale, we anticipate the opportunity to increase the number of FAs to whom we provide services, whether indirectly through institutions who employ them or directly through acquisitions.

Continue to Expand Institution Services

We believe we have opportunities for further revenue growth by leveraging both our clearing capability and BranchNet, our state-of-the-art proprietary business processing technology. We expect to offer services, including full service investment programs, front-end processing technology in addition to clearing services, and front-end processing as an add-on to incumbent clearing platforms, to financial service providers. We believe that our proprietary BranchNet processing technology and our automated investment platforms, that will automatically re-allocate assets across a wide range of best-in-class managers, are key components of our value proposition as we seek to develop this business.

Further Develop Custom Clearing Services as a Source of Revenue

We believe our Custom Clearing Services provide us opportunities to leverage our technology offerings, our robust risk management services and our regulatory oversight expertise. Customers using our Custom Clearing Services also have access to our advisory products and services.

In 2006, we began to offer large institutions in the insurance industry with customized access to our clearing services and proprietary processing and business management technology. We intend to offer these services to additional financial institutions.

Our IFAs

Our IFAs are either independent financial advisors or financial advisors associated with an independent financial service provider. Our IFAs who are not associated with an independent financial service provider exclusively use our platform for all the brokerage and fee-based advisory services they offer. These IFAs are licensed with us, but they are independent contractors who maintain their own branch office and general support staff. These IFAs generally have many years of industry experience and generally join us from other brokerage institutions, including wirehouses, regional broker-dealers, banks, insurance companies, and other independent broker-dealers. They focus primarily on clients in the growing mass affluent market, defined as households with income above $50,000 and investable assets between $100,000 and $1,000,000. We believe that traditional brokerage firms typically focus on higher net worth individuals, and, as a result, the mass affluent market is currently under-served. Therefore, we believe that the demand for the services of IFAs who target the mass affluent will continue to grow rapidly. We believe that our IFAs are well positioned to capitalize on this industry growth, particularly as the baby boomer generation approaches retirement and increasingly demands financial advice. Through our recruiting efforts and strategic acquisitions, we have grown the number of our IFAs at a CAGR of more than 20.3% over the past five years from approximately 4,000 IFAs at year-end 2002 to approximately 11,000 at year-end 2007.

We believe that our strong commitment to our IFAs is core to our success and our corporate culture is distinguished by its focus on improving the business of our IFAs. Our primary focus for over 20 years has been and continues to be our IFAs, which drives our innovative and customer-oriented approach. We believe our IFA retention rates are among the highest in the industry.

Recruiting and Training

Recruiting

We believe that our branch development staff is one of the most capable among all independent broker-dealers in the United States and recruits from a broader variety of sources than our competitors. We recruit FAs nationally through multiple channels, including wirehouses, regional broker-dealers, banks, insurance companies, and other independent broker-dealers.

The FA market remains large, fragmented and growing. We believe there is a large addressable pool of IFAs from which we can recruit. We seek to capitalize on this market opportunity by leveraging our strong reputation and recruiting infrastructure to continue to add experienced and productive FAs. Given the strength and scale of our operations, we have historically been able to add new FAs profitably.

We seek to recruit FAs who are business leaders with strong industry experience and a track record of regulatory compliance. We screen all potential FAs through background and credit checks as well as a detailed review of a FA's historical product sales, disciplinary records, employment history and outside business activities.

Finally, to further facilitate our recruiting efforts, our Transition Services Group provides assistance to our IFAs on establishing their independent practices and migrating their client accounts to our platform. Once an IFA has joined us, our Business Development Group helps that IFA run its business as efficiently as possible.

We also believe that we have one of the most capable recruiting forces focused on institutions. We recruit Financial Institutions nationally, and generally seek to recruit Financial Institutions that have an existing investment program (although we also provide services to several start-up programs). In addition to recruiting entire Financial Institution programs, we work with existing Financial Institution programs to help them locate and recruit qualified financial advisors to service their customers and enhance their programs. Once a Financial Institution has made a decision to move its investment

program to LPL, we have a dedicated Financial Institution program conversion staff to work with Financial Institution management and financial advisors to help convert a Financial Institution from its current broker/dealer to LPL.

Training

We invest substantial resources in our training programs in order to achieve the following goals:

- to enhance IFA performance and satisfaction;
- to help our IFAs use our technology and services more effectively;
- to enhance the competitiveness of our IFAs in the marketplace;
- to educate our IFAs about our product and service platforms; and
- to help our IFAs with regulatory compliance procedures.

Our IFAs can access our training programs in a variety of ways, including regional and national sales and training events, live web casts and online training modules. As an example, we annually host a national sales and education conference, the largest of its kind among independent broker-dealers. This conference offers our IFAs opportunities to expand their industry and product knowledge, earn continuing education credits, understand recent changes in compliance regulations, and participate in hands-on training for newly offered technologies.

In addition to the training that is offered to IFAs, we offer training to Financial Institution management and investment program managers to help them efficiently and effectively manage the financial advisors involved in their programs.

Products and Services

Independent Financial Advisor Products and Services

Our Independent Advisor Services provide our IFAs access to a platform of non-proprietary, high-quality products for their clients, including fixed and variable annuities, mutual funds and alternative investments, as well as full-service stock and bond trading. We also provide our IFAs with a fee-based advisory platform that enables them to build comprehensive customized portfolios of investments for their clients. Our Independent Advisor Services also include access to our insured cash account program ("ICA Program"), which is a bank deposit sweep program for eligible taxable accounts held at LPL. Unlike other brokerage firms which combine product distribution and product manufacturing within a single company, we operate on an open architecture product platform with no proprietary investment products. Our IFAs are able to recommend products selected on the basis of their clients' financial needs and objectives without being influenced by potential product manufacturing biases. To help our IFAs meet their clients' needs with suitable options, we have developed relationships with many industry leading providers of investment and insurance products.

Commission-Based Products

Commission-based products are those for which we and our IFAs receive an up-front commission and, for certain products, a trail commission. Our brokerage offerings include fixed and variable annuities, mutual funds, general securities, alternative investments and insurance.

- *Variable and Fixed Annuities.* We provide to our IFAs access to a wide variety of variable annuity products, including products that feature guaranteed levels of income, accumulation and death benefits. We also provide our IFAs with a broad suite of fixed annuity products, including immediate and deferred annuities.

- *Mutual Funds.* We provide to our IFAs access to a broad set of mutual fund products across a diverse range of investment styles.

- *General Securities.* We provide to our IFAs transaction execution services to their clients for securities such as equities, options and fixed income securities.

- *Alternative Investments.* We provide to our IFAs access to non-traded REITs, managed futures, fund of hedge funds, limited partnerships, 1031s, private equity, oil and gas, equipment leasing and exchange funds.

Fee-Based Advisory Platform

In addition to commission-based products, we provide a fee-based advisory platform. In our fee-based advisory platform, we and our IFAs receive an annual fee based on a percentage of client assets under management. We believe that increasing industry demand for fee-based services, as well as our IFAs' commitment to building the fee-based portion of their business, has enabled us to rapidly grow this business. We believe that the migration towards our fee-based advisory platform encourages higher value-added interactions between our IFAs and their clients.

We have multiple programs for our IFAs and their clients to choose from, including:

- *Strategic Asset Management (SAM).* Introduced in 1991, Strategic Asset Management is a fee-based investment program that allows the creation of comprehensive, customized client portfolios managed individually by our IFAs. The SAM platform provides access to no-load/load-waived mutual funds, stocks, bonds, conservative option strategies, UITs and a no-load, multi-manager variable annuity. Our research department provides model portfolio allocations, mutual fund and fixed income recommendations and access to third-party equity research to assist the IFA using the SAM platform. The SAM assets under management were $55.21 billion as of December 31, 2007.

- *Manager Select.* Introduced in 1996, Manager Select is a fee-based separately managed account program that provides high net-worth clients the ability to access leading institutional money managers. Separate accounts provide for benefits such as the direct ownership of securities, portfolio customization, improved tax efficiency and cost transparency. Our research department provides money manager oversight and recommendations, as well as asset allocation guidelines for clients with a range of investment objectives. The Manager Select assets under management were $4.36 billion as of December 31, 2007.

- *Optimum Market Portfolios (OMP).* Introduced in 2003, the Optimum Market Portfolios program utilizes the Optimum family of mutual funds which are sub-advised by leading money managers. Our research department has created a range of asset allocation models with the flexibility to meet the financial goals of a large range of clients. We provide automated portfolio rebalancing to our IFAs and their clients for all OMP accounts. The OMP assets were $2.37 billion as of December 31, 2007.

- *Personal Wealth Portfolios (PWP).* Introduced in July 2005, the Personal Wealth Portfolios program is a research-driven open architecture program that combines multiple investment styles using mutual funds and institutional separate account money managers in a single account. Our research department provides manager monitoring and oversight and asset allocation models. We also provide rebalancing, tax management capabilities and enhanced reporting. The program was expanded in November 2007 to provide additional asset classes, models, and managers which will enable advisors to offer a more competitive and diversified mix of investments to their affluent clients. The PWP assets under management were $1.17 billion as of December 31, 2007.

ICA Program

Our ICA Program is a bank deposit sweep program for eligible taxable accounts held with us. Under the ICA Program, available cash balances (from securities transactions, dividend and interest payments, and other activities) in eligible accounts are automatically deposited into interest bearing Federal Deposit Insurance Corporation ("FDIC") insured deposit accounts at one or more banks or other depository institutions. The deposit accounts at each bank are eligible for insurance by the FDIC for up to $100,000 in principal and accrued interest per depositor (and up to $250,000 for an individual retirement account and certain other retirement accounts). Our ICA Program offers available banks into which funds are deposited for up to $1 million for individual accounts ($2 million for joint accounts) with FDIC insurance coverage of these amounts.

Other Products and Services

We have selectively expanded our services to include insurance services and trust services to enable our IFAs to provide a comprehensive array of products and services to address their clients' needs. We have expanded these services both organically and through select acquisitions, as described below.

Financial data and commentary on recent financial results for all of our reporting segments is provided in Note 19 to our consolidated financial statements.

Trust Services

PTC Holdings Inc. ("PTC Holdings") and its wholly owned subsidiary, The Private Trust Company, N.A., ("PTC"), a non-depository national banking association, enable our IFAs to assist their clients with management of intergenerational wealth transfers. In addition, PTC also provides retirement account custodial services. Our IFAs and their clients work directly with PTC and their staff who have backgrounds in law, accounting, banking, investment management, tax and business.

Mortgage Services

Prior to December 31, 2007, our subsidiary, Innovex Mortgage Inc. ("Innovex") provided comprehensive mortgage services for the residential properties of our IFAs' clients. Innovex enabled our IFAs to build relationships by offering their clients mortgage solutions by originating, underwriting and funding a variety of mortgage and home equity loan products to suit the needs of the borrowers. Through Innovex, we provided mortgage brokerage and lending services in 46 states and the District of Columbia. Innovex originated residential mortgage loans internally through a warehouse line of credit facility or externally as a broker for other banks.

On December 31, 2007 we ceased the operations of Innovex.

Insurance Services

Linsco/Private Ledger Insurance Services, Inc. (formerly known as W.S. Griffith Associates, Inc.) is a brokerage general agency which provides access to a broad range of life, disability and long-term care products, advance case design, point of sale service and product support. Linsco/Private Ledger Insurance Services, Inc. works closely with leading insurance carriers to enable our IFAs to meet a broad range of their clients' insurance needs.

Affiliated Advisory Services

Our subsidiary, Independent Advisors Group, Inc. ("IAG"), offers a private labeled investment advisory platform for customers of FAs working for other financial service providers.

Our Value Proposition to IFAs

Through strategic investments in our technology platform, we have automated most of our IFAs' operational functions, allowing them to transact and monitor their business more efficiently and lowering the cost of execution for both us and our IFAs. Our IFAs use our resources daily for their practices. Our systems enable our IFAs to seamlessly interface with our back office, thereby efficiently providing them with the necessary tools with which to serve their clients. We also provide our IFAs with independent research on investment products and asset allocation models. We provide a strong compliance infrastructure and licensing assistance to our IFAs. We believe our proprietary technology and service platform provides us with a significant competitive advantage.

Software

The foundation of our IFA software is BranchNet, a proprietary platform in which we have made significant investments over the past 15 years. BranchNet provides our IFAs with tools to manage and grow their practices. For example, it enables our IFAs to automate time consuming processes such as opening and managing accounts, executing transactions and rebalancing accounts. In addition to our basic BranchNet package, many of our IFAs subscribe to premium features such as performance reporting, financial planning, and customized websites. We intend to continue our development of the BranchNet platform and other related technologies that will increase our IFAs' efficiency and related profitability. We recently started to offer our IFAs an integrated software application that will enable them to electronically image branch office records, thereby reducing record retention costs and improving access to records. Recent developments in 2007 include, among others, the release of online order entry for variable annuity transaction processing.

Clearing Services

Our brokerage and trading platforms provide comprehensive transaction processing and account administration for mutual funds, equities, fixed income securities, options and other securities. LPL launched its self-clearing platform in 2000, utilizing Thomson's Beta Systems for our books and records system, which addresses all important facets of securities transaction processing, including order routing, trading support, execution and clearing, position keeping, regulatory and tax compliance and reporting, and investment accounting and recordkeeping.

LPL's decision to become a self-clearing broker-dealer has allowed us to manage our cost structure, and service levels more effectively. LPL's self-clearing platform has enabled us to have better control of data and to facilitate platform development, allowing us to further enhance the quality of services we provide to our IFAs. In addition, we believe self-clearing provides LPL's IFAs with efficient and reliable trade processing and financial reporting, enabling them to focus their efforts on serving their clients. We also provide certain FAs access to our third-party clearing platform.

Service Center

Our San Diego and Charlotte based service centers field inbound questions from our FAs, providing them with a single, centralized source to obtain assistance with their clients' brokerage, advisory and retirement accounts. Our experienced staff receives ongoing training that enables them to provide consistent and accurate information. Unlike many FAs licensed at brokerage firms that outsource clearing services, our FAs can access a single point of contact to resolve questions for their clients. As a result, our staff resolves approximately 92% of inbound queries on the first contact.

Research

We provide IFAs with independent research on mutual funds, separate accounts, annuities, alternative investments, fixed income securities, asset allocation strategies, financial markets and the

economy. They develop asset allocation models for our fee-based advisory programs and provide in-depth analysis on a vast number of investments. We believe these research resources are critical to our success and provide us with a notable competitive advantage. Our research department has developed recommended lists of mutual funds, separate accounts and variable annuity sub-accounts. The research process combines quantitative and qualitative screening factors, without considering in any way any financial arrangements or business relationships between us and product manufacturers. The entire suite of published research analysis, commentary recommendations, third-party research data and analytical tools is available real time to IFAs.

Compliance and Registration

The primary function of our compliance departments are to develop policies and procedures designed to ensure that we, our employees, and our IFAs conduct business in a manner that complies with the rules and regulations of the U.S. Securities and Exchange Commission ("SEC"), the states, the Financial Industry Regulatory Authority ("FINRA"), the Commodities Futures Trading Commission ("CFTC") and other self-regulatory organizations of which we are a member.

Account Protection

Our Securities Investor Protection Corporation ("SIPC") membership provides account protection up to a maximum of $500,000 per client account, of which $100,000 may be in cash. Additionally, through Lloyds of London, our accounts have additional securities coverage subject to a $750 million aggregate firm limit. The account protection applies when a SIPC firm fails financially and is unable to meet obligations to securities clients, but it does not protect against losses from the rise and fall in the market value of investments.

Disaster Recovery

We have developed a comprehensive business continuity plan that covers business disruptions of varying severity and scope. The plan addresses the potential loss of a geographic area, building, staff, data, systems and/or our telecommunications. Specifically, we have our primary data center in Charlotte, North Carolina and our back-up data center in San Diego, California. We subject our business continuity plan to review and testing on an ongoing basis and update it as necessary. Under our business continuity plan, we expect to continue to be able to do business and resume operations with minimal service impacts. However, under certain scenarios, the time that it would take for us to recover and to resume operations may significantly increase depending on the extent of the disruption and the number of personnel affected.

Competition

We compete with a variety of financial institutions to attract and retain experienced and productive FAs and financial institutions who employ them. These financial institutions include clearing and processing firms, broker-dealers, asset managers insurance companies, and banks. We believe our primary competitors include Merrill Lynch & Co., Inc., Charles Schwab & Co., Inc., Wachovia Securities, Inc., SEI Investments Development, Inc., National Financial Services, LLC, Pershing, LLC, Primevest Financial Services, Inc. and Raymond James Financial, Inc., among others. We believe that our strong value proposition for our IFAs and financial institutions that employ financial advisors allows us to differentiate ourselves versus competitors.

Our IFAs compete for clients and administered assets with brokerage firms, banks, insurance companies, asset management and investment advisory firms. In addition, they also compete with a number of firms offering on-line financial services and discount brokerage services, usually with lower levels of service and fees, to individual clients. Factors affecting our IFAs' competitiveness include

pricing levels, the breadth and quality of the products and advisory programs they offer, as well as the strength and continuity of their client relationships. In addition, the proper functioning of the service platform we provide to our IFAs, such as software, processing, compliance and registration, is critical to our IFAs' ability to compete effectively.

Employees

As of December 31, 2007, we had 2,621 employees. None of our employees are subject to collective bargaining agreements governing their employment with us. Our continued growth is dependent, in part, on our ability to recruit and retain skilled technical sales and professional personnel. We believe that our relationships with our employees are excellent.

Regulation

Our businesses, as well as the financial services industry, are generally subject to extensive regulation. As a matter of public policy, securities regulatory bodies are charged with safeguarding the integrity of the securities and other financial markets and with protecting the interests of customers participating in those markets, not with protecting the interests of our stockholders or creditors. The SEC is the federal agency responsible for the administration of the federal securities laws, while the CFTC is the federal agency responsible for the administration of the federal commodities laws. The exchanges, FINRA and the National Futures Association ("NFA"), are self-regulatory bodies composed of members, such as LPL, that have agreed to abide by the respective bodies' rules and regulations. Each of these regulatory bodies may examine the activities of, and may expel, fine and otherwise discipline, member firms and their registered representatives. The laws, rules and regulations comprising this framework of regulation and the interpretation and enforcement of existing laws, rules and regulations are constantly changing. The effect of any such changes cannot be predicted and may impact the manner of operation and profitability of our company.

Broker-Dealer Regulation

LPL is a registered broker-dealer with the SEC, a member of FINRA, a member of various self-regulatory organizations, a member of the Boston Stock Exchange ("BSE"), a participant of various clearing organizations including The Depository Trust Company ("DTC"), the National Securities Clearing Corporation ("NSCC") and Options Clearing Corporation, and conducts business as a broker-dealer in all 50 states and the District of Columbia.

Each of the Broker-Dealer Entities is registered as a broker-dealer with the SEC and is a member of FINRA. Similar to LPL, UVEST, IFMG Securities, Inc. and the Affiliated Broker-Dealers conduct business on a national basis; however each acts as an introducing firm, using a third-party firm for securities clearing and custody functions.

Broker-dealers are subject to regulations covering all aspects of the securities business, including sales and trading practices, public offerings, publication of research reports, use and safekeeping of customers' funds and securities, capital structure, record-keeping and the conduct of directors, managers, officers and employees. Broker-dealers are also regulated by securities administrators in those states where they do business. Compliance with many of the regulations applicable to us involves a number of risks because regulations are subject to varying interpretations. Regulators make periodic examinations and review annual, monthly and other reports on our operations, track record and financial condition. Violations of regulations governing a broker-dealer's actions could result in censure, fine, the issuance of cease-and-desist orders, the suspension or expulsion from the securities industry of such broker-dealer or its officers or employees, or other similar consequences. The rules of the MSRB, which are enforced by FINRA, apply to the municipal securities activities of the Broker-Dealer Entities.

The broker-dealer business activities that each of the Broker-Dealer Entities may conduct are limited by their membership agreements with FINRA, their primary self-regulator. The membership agreement may be amended by application to include additional business activities. This application process is time-consuming and may not be successful. As a result, we may be prevented from entering new potentially profitable businesses in a timely manner, or at all. In addition, as a member of FINRA, each of the Broker-Dealer Entities is subject to certain regulations regarding changes in control of our ownership. FINRA Rule 1017 generally provides, among other things, that FINRA approval must be obtained in connection with any transaction resulting in a change in our equity ownership that results in one person or entity directly or indirectly owning or controlling 25% or more of our equity capital, and would include a change in control of our parent company. As a result of these regulations, our future efforts to sell shares or raise additional capital may be delayed or prohibited by FINRA.

Our margin lending is regulated by the Federal Reserve Board's restrictions on lending in connection with customer purchases and short sales of securities, and FINRA rules also require such subsidiaries to impose maintenance requirements on the value of securities contained in margin accounts. In many cases, our margin policies are more stringent than these rules.

Investment Adviser Regulation

As investment advisers registered with the SEC, the Broker-Dealer Entities, IAG and Associated Planners Investment Advisory, Inc. are subject to the requirements of the Investment Advisers Act of 1940 and the SEC's regulations thereunder, as well as to examination by the SEC's staff. Such requirements relate to, among other things, fiduciary duties to clients, performance fees, maintaining an effective compliance program, solicitation arrangements, conflicts of interest, advertising, limitations on agency cross and principal transactions between an advisor and advisory clients, recordkeeping and reporting requirements, disclosure requirements and general anti-fraud provisions. In addition, the Broker-Dealer Entities, IAG, and Associated Planners Investment Advisory, Inc. are subject to the Employee Retirement Income Security Act of 1974, as amended, or ERISA, and to regulations promulgated thereunder, insofar as they are a "fiduciary" under ERISA with respect to benefit plan clients. ERISA and applicable provisions of the Internal Revenue Code of 1986, as amended (the "Code"), impose certain duties on persons who are fiduciaries under ERISA, prohibit certain transactions involving ERISA plan clients and provide monetary penalties for violations of these prohibitions. The failure to comply with these requirements could have a material adverse effect on our business.

Commodities and Futures Regulation

LPL is licensed as a futures commission merchant ("FCM") and commodity pool operator with the CFTC and is a member of the NFA. Although licensed as a FCM and a commodity pool operator, LPL's futures activities are limited to conducting business as a guaranteed introducing broker. LPL is regulated by the CFTC and NFA, of which it is a member. Violations of the rules of the CFTC and the NFA could result in remedial actions including fines, registration terminations or revocations of exchange memberships. As a guaranteed introducing broker, LPL clears commodities and futures products through ADM Investor Services International Limited ("ADM"), and all commodities accounts and related client positions are held by ADM.

Trust Regulation

Our subsidiary, PTC, is a non-depository national banking association. PTC was chartered in 1994 and was acquired by us in February of 2003. As a limited purpose national bank, PTC is regulated and regularly examined by the Office of the Comptroller of the Currency ("OCC"). PTC files reports with the OCC within 30 days after the conclusion of each calendar quarter. Because the powers of PTC are limited to providing fiduciary services and investment advice, it does not have the power or authority to

accept deposits or make loans. For this reason, trust assets under PTC's management are not insured by the Federal Deposit Insurance Corporation.

As PTC is not a "bank" as defined under the Bank Holding Company Act of 1956, neither its parent, PTC Holdings nor the Company is regulated by the Board of Governors of the Federal Reserve System as a bank holding company.

Because PTC is a national bank regulated by the OCC, many common corporate activities require approval of or are subject to regulations promulgated by the OCC. These include aspects of day to day operations which are subject to such OCC regulations and policies and procedures adopted by PTC, prior approval of any material change in the business plan of PTC, including direct or indirect changes in control of its parent, the opening of additional full service fiduciary offices (as opposed to representative trust office that only require a post-notice filing), any merger or acquisition directly by PTC, as opposed to us, maintenance of capital standards and numerous other items. In connection with the Acquisition (as defined in Note 1 to our consolidated financial statements), the OCC required PTC to enter into an operating agreement that required us to provide the OCC with quarterly financial reporting and to seek prior OCC approval to any modification of PTC's business plan and imposed certain restrictions on the ability of PTC to pay dividends. PTC was previously party to an operating agreement with the OCC during the period from 2003 until 2004, and based on our experience, we do not expect that the terms of the new operating agreement will materially and adversely affect our operations. Under the new operating agreement, the OCC conditioned its approval of the Acquisition on an agreement by PTC to maintain certain levels of capital. Currently, PTC has agreed to maintain its capital level at not less than $10 million of Tier I capital, which the board of directors of PTC deems adequate for the current operation of its business. PTC also agreed to maintain liquid assets equal to the greater of $8 million or its projected operating expenses for the next twenty-four months (plus any additional expenses during that time period). We also agreed to establish a letter of credit in favor of PTC in an amount equal to $10 million.

The declaration of dividends by PTC is limited. Generally, a national bank may declare a dividend, without approval of the OCC, if the total of the dividends declared by such institution in a calendar year does not exceed the total of its net profits for that year less any dividends paid in that year combined with its retained profits for the preceding two years.

PTC operates in a highly competitive industry. It competes with national and state banks, savings and loan associations, securities dealers, insurance companies, investment companies, and personal financial planners as well as other financial institutions.

Mortgage Brokerage Regulation

Our subsidiary, Innovex, provided mortgage brokerage and/or lending services in 46 states (excluded states are Nevada, New York, New Jersey and Virginia). Innovex was acquired by us in 2004 and has been approved as a Title II non-supervised mortgagee by the U.S. Department of Housing and Urban Development ("HUD"), maintaining mortgage brokerage or mortgage lending licenses or similar authorizations in those states in which its business requires it to do so. Violations by Innovex of any state or federal regulations, including while Innovex was under control of its prior owners, could result in fines, payment of restitution, revocations of its licenses or other authorizations, and in some circumstances, impairment of the enforceability of its loans or the validity of its liens.

As of December 31, 2007, we ceased the operations of Innovex.

Regulatory Capital

The SEC, FINRA, CFTC and the NFA have stringent rules and regulations with respect to the maintenance of specific levels of net capital by regulated entities. Generally, a broker-dealer's capital is

net worth plus qualified subordinated debt less deductions for certain types of assets. The Net Capital Rule under the Exchange Act requires that at least a minimum part of a broker-dealer's assets be maintained in a relatively liquid form. As a guaranteed introducing broker for commodities and futures that is also a registered broker-dealer, CFTC rules require us to comply with higher net capital requirements of The Net Capital Rule under the Exchange Act. If applicable net capital rules are changed or expanded, or if there is an unusually large charge against our net capital, our operations requiring the intensive use of capital would be limited. A large operating loss or charge against our net capital could adversely affect our ability to expand or even maintain these current levels of business, which could have a material adverse effect on our business and financial condition.

The SEC, FINRA and CFTC impose rules that require notification when net capital falls below certain predefined criteria. These rules also dictate the ratio of debt to equity in the regulatory capital composition of a broker-dealer, and constrain the ability of a broker-dealer to expand its business under certain circumstances. If a broker-dealer fails to maintain the required net capital, it may be subject to suspension or revocation of registration by the applicable regulatory agency, and suspension or expulsion by these regulators ultimately could lead to the broker-dealer's liquidation. Additionally, the net capital rule and certain FINRA rules impose requirements that may have the effect of prohibiting a broker-dealer from distributing or withdrawing capital, and that require prior notice to the SEC and FINRA for certain capital withdrawals. All of our subsidiaries that are subject to net capital rules have been, and currently are, in compliance with those rules and have net capital in excess of the minimum requirements.

Anti-Money Laundering

The USA PATRIOT Act of 2001 (the "PATRIOT Act") contains anti-money laundering and financial transparency laws and mandates the implementation of various new regulations applicable to broker-dealers, FCMs and other financial services companies, including standards for verifying customer identification at account opening and obligations to monitor customer transactions and detect and report suspicious activities to the U.S. government. Financial institutions subject to the PATRIOT Act generally must have anti-money laundering procedures in place, implement specialized employee training programs, designate an anti-money laundering compliance officer and are audited periodically by an independent party to test the effectiveness of compliance. We have established policies, procedures and systems designed to comply with these regulations.

Privacy

We use information about our clients to provide personalized services. Regulatory activity in the areas of privacy and data protection continues to grow worldwide and is generally being driven by the growth of technology and related concerns about the rapid and widespread dissemination and use of information. We must comply with these information-related regulations, to the extent applicable, among others. Such regulations may constrain our ability to market our services to our current clients and to access additional clients. In addition, we must ensure that we properly safeguard our client information.

The 1999 Gramm-Leach-Bliley Act ("GLBA") requires disclosure of a financial institution's privacy policies and practices and affords customers (as defined in the GLBA) the right to "opt out" of an institution's transmission of information to unaffiliated third parties (with certain exceptions). GLBA also requires financial institutions to safeguard customer information. We will continue our efforts to safeguard the data entrusted to us in accordance with applicable law and our internal data protection policies, including taking steps to reduce the potential for identity theft, while seeking to collect and use data to properly achieve our business objectives and to best serve our clients. Our Broker-Dealer Entities are further subject to state privacy and data security laws, which if more strict than the federal standard under GLBA will apply in addition to the GLBA standard.

The Fair Credit Reporting Act of 1970 ("FCRA"), as amended, regulates our obtaining and disclosing consumer reports periodically obtained regarding our IFAs. The 2003 Fair and Accurate Credit Transactions Act ("FACT Act") significantly amended the FCRA, including making permanent and adding to the preemption of state laws regarding certain activities involving consumer reports. The extent to which the FCRA preempts state law is currently the subject of litigation. In addition, the FACT Act amended the FCRA by adding new provisions designed to prevent or reduce the incidence of identify theft and to improve the accuracy of consumer report information. The FACT Act also requires any company that receives consumer "eligibility" information from an affiliate to permit the consumer to opt out of having that information used to market the company's products to the consumer, subject to certain exceptions. This provision has not yet taken effect, as the rules implementing it have not been finalized.

Regulatory Actions

In November 2005, prior to the Company's acquisition of IASG, MSC received a "Wells" notice from FINRA's Department of Enforcement. The staff alleged that MSC had failed to maintain adequate supervisory procedures regarding certain variable annuity transactions, and failed to maintain accurate books and records related thereto. On July 23, 2007, the staff filed a complaint against MSC and certain of its employees in connection with this matter.

Other Matters

We filed a Certificate of Correction with the Delaware Secretary of State on March 31, 2008, in order to correct the references to par value in our Certificate of Incorporation from $0.01 to $0.001. This Certificate of Correction is filed as an exhibit to this Annual Report on Form 10-K.

ITEM 1A. RISK FACTORS

We depend on our ability to attract and retain experienced and productive IFAs and Financial Institutions.

Our ability to attract and retain experienced and productive IFAs and Financial Institutions has contributed significantly to our growth and success, and our strategic plan is premised upon continued growth in the number of our IFAs. If we fail to attract new IFAs and Financial Institutions or to retain and motivate our current IFAs and Financial Institutions, our business, results of operations or financial condition may suffer.

We devote considerable efforts to recruiting experienced and productive FAs. The market for experienced and productive FAs is highly competitive. In attracting FAs, we compete directly with a variety of financial institutions such as wirehouses, regional broker-dealers, banks, insurance companies and other independent broker-dealers. There can be no assurance that we will be successful in our efforts to recruit the FAs needed to achieve our growth objectives.

We also devote considerable resources to encouraging our IFAs and Financial Institutions to remain with us. Our contracts with our IFAs are mutually terminable upon 30 days' notice. As a result, IFAs licensed with us may in the future leave us at any time to pursue other opportunities. Although our level of payout is designed to discourage attrition, there can be no assurance that we will be successful in retaining such IFAs, the loss of whom, and the loss of whose clients, will also result in a loss of income to us.

Further, as competition for experienced and productive FAs increases, there may be competitive pressure to increase the share of commissions and advisory fees we pay to our IFAs and Financial Institutions. Any such increase could have a material adverse effect on our business, results of operations, cash flows or financial condition.

We depend on FAs' ability to grow their businesses.

Our financial results are influenced by the growth of our FAs' and related Financial Institutions' businesses. The growth of their businesses has been affected by a variety of factors that are both external and internal to the financial advisory industry, including general economic conditions. If FAs are not able to grow their businesses, our business, results of operations, cash flows or financial condition may suffer.

The performance of our business is correlated with the economy and financial markets, and a slowdown or downturn in the economy or financial markets could adversely affect our business, results of operations, cash flows or financial condition.

Our financial results are influenced by the willingness or ability of clients to maintain or increase their investment activities in the financial products offered by us. As a result, general economic and market factors can affect our commission and fee revenue. For example, a decrease in stock prices can:

- reduce new investments by both new and existing clients in financial products that are linked to the stock market, such as variable life insurance, variable annuities, mutual funds and managed accounts;
- reduce trading activity, thereby affecting our brokerage commissions;
- reduce the value of assets under management, thereby reducing asset-based fee income; and
- motivate clients to withdraw funds from their accounts, reducing assets under management, advisory fee revenue, and asset-based fee income.

In addition, a decline in interest rates could have an adverse effect upon our ICA Program and our business in general. General economic and market factors may also slow the rate of growth, or lead to a decrease in the size, of the mass affluent market.

Because clients can withdraw their assets on short notice, poor performance of the investment products and services may have a material adverse effect on our business, results of operations, cash flows or financial condition.

Clients can reduce the aggregate amount of assets under management or shift their funds to other types of accounts with different rate structures for any of a number of reasons, including investment performance and personal client liquidity needs. Poor performance of the investment products and services that we offer relative to the performance of other products available in the market or the performance of other investment management firms tends to result in the loss of accounts. The decrease in revenue that could result from such an event could have a material adverse effect on our business, results of operations, cash flows or financial condition.

Our business is competitive and, if we are unable to compete effectively, our business, results of operations, cash flows or financial condition may be adversely affected.

We compete directly with a variety of financial institutions to attract and retain experienced and productive FAs. These financial institutions include wirehouses, regional broker-dealers, banks, insurance companies, and other independent broker-dealers. Recent consolidation in the financial services industry has created stronger competitors, some of whom have greater financial resources. This may allow our competitors to respond more quickly to new technologies and changes in market demand, to devote greater resources to developing and promoting their services, and to make more attractive offers to potential FAs. In addition, the passage of the Gramm-Leach-Bliley Act in 1999 reduced barriers to large institutions providing a wide range of financial services products and services. See "Business—Competition" for a listing of some of our more prominent competitors.

We may experience pricing pressures in the future as some of our competitors seek to obtain increased market share by reducing fees. Some competitors may offer services to clients at lower prices than we are offering, which may force us to reduce our prices or to lose market share and revenue. If we are not able to compete successfully in the future, our business, results of operations, cash flows or financial condition could be adversely affected.

Our business is highly regulated and the failure to comply with applicable regulations could result in penalties, temporary or permanent prohibitions on our activities and reputational harm, any of which could have a material adverse effect on our business, results of operations, cash flows or financial condition.

Our business is subject to extensive United States regulation and supervision, including regarding securities and investment advisory services. The Broker-Dealer Entities are registered as broker-dealers and investment advisers with the SEC, are members of FINRA, do business as broker-dealers and investment advisers in all 50 states and the District of Columbia, and are members of various self-regulatory organizations. IAG and Associated Planners Advisory, Inc. are registered as investment advisers with the SEC, are members of FINRA, do business as investment advisers in all 50 states and the District of Columbia, and are members of various self-regulatory organizations. LPL is a member of the NSCC and the DTC. LPL is also registered as a FCM and a commodity pool operator with the CFTC.

The SEC, FINRA, CFTC, various securities and futures exchanges and other U.S. governmental or regulatory authorities continuously review legislative and regulatory initiatives and may adopt new or revised laws and regulations. There can also be no assurance that existing regulations will not change or that federal, state or foreign agencies will not attempt to further regulate our business. These legislative

and regulatory initiatives may affect the way in which we conduct our business and may make our business less profitable. Recently, federal, state and other regulatory authorities have focused on, and continue to devote substantial attention to, the mutual fund and variable annuity industries. It is difficult at this time to predict whether changes resulting from new laws and regulations will affect these industries or our business and, if so, to what degree. For example, there have recently been suggestions from regulatory agencies and other industry participants that mutual fund fees paid under Rule 12b-1 of the Investment Company Act of 1940, as amended, in exchange for distributing certain mutual funds should be reconsidered and potentially reduced or eliminated. Similarly, there have been recent suggestions from regulatory agencies that fees derived from marketing arrangements between product manufacturers and distributors should be reduced or restructured. In addition, changes in legislation and regulatory law may reduce the amount of commission or compensation permitted to be derived from investment products offered by independent broker-dealers. An industry-wide reduction or restructuring of Rule 12b-1 fees, amounts we receive under marketing arrangements or amounts permitted to be received from investment products could have a material adverse effect on our business, results of operations, cash flows or financial condition.

Our ability to conduct business in the jurisdictions in which we currently operate depends on our compliance with the laws, rules and regulations promulgated by federal regulatory bodies and the regulatory authorities in each of these jurisdictions. Our ability to comply with all applicable laws, rules and regulations is largely dependent on our establishment and maintenance of compliance, audit and reporting systems and procedures, as well as our ability to attract and retain qualified compliance, audit and risk management personnel. While we have adopted policies and procedures reasonably designed to comply with all applicable laws, rules and regulations, these systems and procedures may not be fully effective, and there can be no assurance that regulators or third parties will not raise material issues with respect to our past or future compliance with applicable regulations. We face the risk of intervention by regulatory authorities, including extensive examination and surveillance activity and adoption of costly or restrictive new regulations. In the case of actual or alleged non-compliance with regulations, we could be subject to investigations and administrative proceedings that may result in substantial penalties. Any failure to comply with applicable laws and rules could adversely affect our business, results of operations, cash flows or financial condition.

We also are subject to various laws, regulations, and rules setting forth requirements regarding privacy and data protection. If our policies, procedures and systems are found to not comply with these requirements, we could be subject to regulatory actions or litigation that could have a material adverse effect on our business, results of operations, cash flows or financial condition.

Recently, class action complaints have been filed against other broker-dealers alleging various causes of action arising out of their bank deposit sweep programs with their affiliated banks. In these complaints, allegations were, among others, that the disclosures by the broker and dealers were false and misleading and that the firms concealed material information from customers. Although we believe our ICA Program differs from the named broker-dealers' programs, there has been significant scrutiny under these programs. If we are not able to offer our ICA Program, it could have a material adverse effect on our business, results of operations, cash flows or financial condition.

We are subject to various regulatory capital requirements, which, if not complied with, could result in the restriction of the ongoing conduct, growth, or even liquidation of parts of our business.

The SEC, FINRA and CFTC have extensive rules and regulations with respect to capital requirements. The net capital rule under the Exchange Act requires that at least a minimum part of a broker-dealer's assets be maintained in a relatively liquid form. For example, as a guaranteed introducing broker for commodities and futures that is also a registered broker-dealer, CFTC rules require us to comply with higher net capital requirements of the net capital rule. Our ability to withdraw capital from LPL could be restricted, which in turn could limit our ability to fund operations,

repay debt and redeem or purchase shares of our outstanding stock. A large operating loss or charge against net capital could adversely affect our ability to expand or even maintain our present levels of business.

Our business is subject to risks related to litigation and arbitration actions.

From time to time, we are subject to legal proceedings arising out of our business operations, including lawsuits, arbitration claims, regulatory and or governmental subpoenas, investigations and actions, and other claims. Many of our legal claims are client initiated and involve the purchase or sale of investment securities. In our investment advisory programs, we have fiduciary obligations that require us and our IFAs to act in the best interests of our IFAs' clients. We may face liabilities for actual or claimed breaches of these fiduciary duties. The outcome of these actions cannot be predicted, and although we believe we have adequate insurance coverage for these matters (see "—Our errors and omissions insurance coverage may be inadequate or expensive"), no assurance can be given that such legal proceedings would not have a material adverse effect on our business, results of operations, cash flows or financial condition.

Our errors and omissions insurance coverage may be inadequate or expensive.

We are subject to claims in the ordinary course of business resulting from alleged and actual errors and omissions in effecting securities transactions, rendering investment advice and making insurance sales. These activities may involve substantial amounts of money. Since errors and omissions claims against us may allege our liability for all or part of the amounts in question, claimants may seek large damage awards. These claims can involve significant defense costs. Errors and omissions could include, for example, failure, whether negligently or intentionally, to effect securities transactions on behalf of our IFAs or their clients, failure to disclose material information relating to the investment, breach of fiduciary duty and unsuitable investment recommendations. It is not always possible to prevent or detect activities giving rise to claims, and the precautions we take may not be effective in all cases.

We have mandatory errors and omissions insurance coverage to protect us and our IFAs against the risk of liability resulting from alleged and actual errors and omissions. Recently, premium and deductible costs associated with this insurance have increased, coverage terms have become more restrictive and the number of insurers in this market has decreased. In 2006, LPL increased its deductible from $45,000 per claim to $250,000 per claim. This means that we bear increased economic risk for any claims. While we endeavor to purchase coverage that is appropriate to our assessment of our risk, we are unable to predict with certainty the frequency, nature or magnitude of claims for direct or consequential damages. Our business, results of operations, cash flows or financial condition may be negatively affected if in the future our insurance proves to be inadequate or unavailable. In addition, errors and omissions claims may harm our reputation or divert management resources away from operating our business.

Misconduct and errors by our employees and our IFAs could harm our business, results of operations, cash flows or financial condition.

Misconduct and errors by our employees and our IFAs could result in violations of law by us, regulatory sanctions and/or serious reputational or financial harm. Misconduct and errors could include:

- errors in executing securities transactions;
- hiding unauthorized or unsuccessful activities resulting in unknown and unmanaged risks or losses;
- improperly using or disclosing confidential information;
- recommending securities that are not suitable;

- engaging in fraudulent or otherwise improper activity;
- engaging in unauthorized or excessive trading; or
- otherwise not complying with laws or our control procedures.

We cannot always deter misconduct and errors by our employees and our FAs, and the precautions we take to prevent and detect this activity may not be effective in all cases. Prevention and detection among our FAs, who are not employees of LPL and tend to be located in small, decentralized offices, present additional challenges. There cannot be any assurance that misconduct and errors by our employees and FAs will not lead to a material adverse effect on our business, results of operations, cash flows or financial condition.

The securities settlement process exposes us to risks that may impact our liquidity and profitability.

LPL provides clearing services and trade processing for our IFAs and their clients and certain financial institutions. Broker-dealers that clear their own trades are subject to substantially more regulatory requirements than brokers that outsource these functions to third-party providers. Errors in performing clearing functions, including clerical, technological and other errors related to the handling of funds and securities held by us on behalf of clients, could lead to censures, fines or other sanctions imposed by applicable regulatory authorities as well as losses and liability in related lawsuits and proceedings brought by our IFAs' clients and others. Any unsettled securities transactions or wrongly executed transactions may expose our IFAs and us to adverse movements in the prices of such securities.

Our business could be materially adversely affected as a result of the risks associated with acquisitions and investments.

As part of our business strategy, we seek to acquire businesses that offer complementary products, services or technologies. These acquisitions are accompanied by the risks commonly encountered in an acquisition of a business, which may include, among other things:

- the effect of the acquisition on our financial and strategic position and reputation;
- the failure of an acquired business to further our strategies;
- the failure of the acquisition to result in expected benefits, which may include benefits relating to enhanced revenues, technology, human resources, costs savings, operating efficiencies and other synergies;
- the difficulty and cost of integrating the acquired business, including costs and delays in implementing common systems and procedures and costs and delays caused by communication difficulties or geographic distances between the two companies' sites;
- the assumption of liabilities of the acquired business, including litigation-related liability;
- the potential impairment of acquired assets;
- the lack of experience in new markets, products or technologies or the initial dependence on unfamiliar supply or distribution partners;
- the diversion of our management's attention from other business concerns;
- the impairment of relationships with customers or suppliers of the acquired business or our customers or suppliers;
- the potential loss of key employees of the acquired company; and
- the potential incompatibility of business cultures.

These factors could have a material adverse effect on our business, results of operations, cash flows or financial condition. To the extent that we issue shares of our common stock or other rights to purchase our common stock in connection with any future acquisition, existing shareholders may experience dilution and our earnings per share may decrease. In 2007, we completed a number of strategic acquisitions. We are currently integrating the operations of those acquired entities with ours. We cannot assure that we will be able to successfully integrate these operations, and even if we do so, we may be unable to realize the benefits we expect to obtain as a result of that integration, including projected cost reductions, in a given period or no a definitive basis.

In addition to the risks commonly encountered in the acquisition of a business as described above, we may also experience risks relating to the challenges and costs of closing a transaction. Further, the risks described above may be exacerbated as a result of managing multiple acquisitions at the same time. We also may invest in businesses that offer complementary products, services or technologies. These investments would be accompanied by risks similar to those encountered in an acquisition of a business.

Our risk management policies and procedures may not be fully effective in mitigating our risk exposure in all market environments or against all types or risks.

We have adopted policies and procedures to identify, monitor and manage our risks, including, among other things, establishing our Enterprise Risk Management Group with an internal audit function. These policies and procedures, however, may not be fully effective. Some of our risk evaluation methods depend upon information provided by others and public information regarding markets, clients or other matters that are otherwise accessible by us. In some cases, however, that information may not be accurate, complete or up-to-date. Also, because our IFAs work in small, decentralized offices, additional risk management challenges may exist. If our policies and procedures are not fully effective or we are not always successful capturing all risks to which we are or may be exposed, our business could be materially adversely affected.

If the counterparties to the derivative instruments we use to hedge our business risks default, we may be exposed to risks we had sought to mitigate, which could adversely affect our results of operations, cash flows or financial condition.

We use a variety of derivative instruments to hedge several business risks. If our counterparties fail to honor their obligations under the derivative instruments, our hedges of the related risk will be ineffective. That failure could have an adverse effect on our financial condition and results of operations, cash flows that could be material.

Our networks may be vulnerable to security risks.

The secure transmission of confidential information over public networks is a critical element of our operations. Our application service provider systems maintain and process confidential data on behalf of FAs and their clients, some of which is critical to FAs' business operations. For example, our brokerage systems maintain account and trading information for clients. If our application service provider systems are disrupted or fail for any reason, or if our systems or facilities are infiltrated or damaged by unauthorized persons, clients could experience data loss, financial loss, harm to reputation and significant business interruption. If such a disruption or failure occurs, we may be exposed to unexpected liability, clients may withdraw their assets, our reputation may be tarnished, and there could be a material adverse effect on our business, results of operations, cash flows or financial condition.

Our networks may be vulnerable to unauthorized access, computer viruses and other security problems in the future. Persons who circumvent security measures could wrongfully use our confidential information or our clients' confidential information or cause interruptions or malfunctions in our

operations. We may be required to expend significant additional resources to protect against the threat of security breaches or to alleviate problems caused by any breaches. We may not be able to implement security measures that will protect against all security risks.

Failure to maintain technological capabilities, flaws in existing technology, difficulties in upgrading our technology platform, or the introduction of a competitive platform could have a material adverse effect on our business, results of operations, cash flows or financial condition.

We believe that our technology platform, particularly our BranchNet system, is one of our competitive strengths. Our future success will depend in part on our ability to anticipate and adapt to technological advancements required to meet the changing demands of our FAs. In particular, the emergence of new industry standards and practices could render our existing systems obsolete or uncompetitive. Any upgrades or expansions may require significant expenditures of funds and may also increase the probability that we will suffer system degradations, outages and failures. There cannot be any assurance that we will have sufficient funds to adequately update and expand our networks, nor can there be any assurance that any upgrade or expansion attempts will be successful and accepted by our current and prospective IFAs and Financial Institutions. Our failure to adequately update and expand our systems and networks could have a material adverse effect on our business, results of operations, cash flows or financial condition. In addition, system degradations, outages or failures could have a material adverse effect on our business, results of operations, cash flows or financial condition.

We believe our extensive prior investments in our proprietary technology platform and the scale advantage these investments have created enable us to add new IFAs without significant incremental costs. If a reasonably priced, competitive system became available to broker-dealers generally, and to smaller broker-dealers particularly, our scale advantage could be adversely affected. Our BranchNet system was developed over a period of more than ten years and at significant cost. There can be no assurance, however, that a competitive system cannot be developed that would provide broker-dealers with the ability to offer a competitive platform at an economical price.

Disruption of our disaster recovery plans and procedures in the event of a catastrophe could adversely affect our business, results of operations, cash flows or financial condition.

We have made a significant investment in our infrastructure, and our operations are dependent on our ability to protect the continuity of our infrastructure against damage from catastrophe or natural disaster, breach of security, loss of power, telecommunications failure or other natural or man-made events. A catastrophic event could have a direct negative impact on us by adversely affecting our employees or facilities, or an indirect impact on us by adversely affecting our IFAs, clients, financial institutions who employ FAs, the financial markets or the overall economy. While we have implemented business continuity and disaster recovery plans, it is impossible to fully anticipate and protect against all potential catastrophes. If our business continuity and disaster recovery plans and procedures were disrupted or unsuccessful in the event of a catastrophe, we could experience a material adverse interruption of our operations.

Our ability to provide financial services to our IFAs, financial institutions who employ FAs and clients, and to create and maintain comprehensive tracking and reporting of client accounts depends on our capacity to store, retrieve and process data, manage significant databases and expand and periodically upgrade our information processing capabilities. Interruption or loss of our information processing capabilities could have a material adverse effect on our business, results of operations, cash flows or financial condition.

We do not currently maintain interruption insurance.

Our future success depends on our ability to recruit and retain qualified employees.

Our success and future growth depends upon our ability to attract and retain qualified employees. There is significant competition for qualified employees in the broker-dealer industry. We may not be able to retain our existing employees or fill new positions or vacancies created by expansion or turnover. The loss or unavailability of these individuals could have a material adverse effect on our business, results of operations, cash flows or financial condition.

We depend on key senior management personnel.

Our success depends upon the continued services of our key senior management personnel, including our executive officers and senior managers. The loss of one or more of our key senior management personnel, and the failure to recruit a suitable replacement or replacements, could have a material adverse effect on our business, results of operations, cash flows or financial condition.

A loss of our marketing relationships with a variety of leading manufacturers of investment products could harm our business, results of operations, cash flows or financial condition.

We operate on an open architecture product platform with no proprietary investment products. To help our IFAs meet their clients' needs with suitable options, we have relationships with many industry leading providers of investment and insurance products. We have sponsorship agreements with some manufacturers of fixed and variable annuities and mutual funds that, subject to the survival of certain terms and conditions, may be terminated upon 30 days' notice. If we lose our relationships with one or more of these manufacturers, our business, results of operations, cash flows or financial condition may be materially and adversely affected.

A change in our clearing service bureau relationships could adversely affect our business, results of operations, cash flows or financial condition.

LPL has used Thomson's Beta Systems as its clearing service bureau since 2000 to support its self-clearing services. In October 2007, we entered into an agreement with Pershing, LLC by which Pershing, LLC serves as the clearing broker for the Affiliated Broker-Dealers and UVEST. If we had to change the clearing service bureaus we use, we would experience a disruption to our business. Although we believe we have the resources to make such a transition with minimal disruption, we cannot predict the costs and time for a conversion to a new system. There cannot be any assurance that the disruption caused by a change in our clearing service bureau relationship would not have a material adverse affect on our business, results of operations, cash flows or financial condition.

Changes in U.S. federal income tax law could make some of the products distributed by our IFAs less attractive to clients.

Some of the products distributed by our IFAs enjoy favorable treatment under current U.S. federal income tax law. Changes in U.S. federal income tax law could make some of these products less attractive to clients and could have a material adverse affect on our business, results of operations, cash flows or financial condition.

Failure to comply with ERISA regulations could result in penalties against us.

We are subject to the Employee Retirement Income Security Act of 1974, or ERISA, and to regulations promulgated thereunder, insofar as we act as a "fiduciary" under ERISA with respect to benefit plan clients. ERISA and applicable provisions of the Internal Revenue Code impose duties on persons who are fiduciaries under ERISA, prohibit specified transactions involving ERISA plan clients and provide monetary penalties for violations of these prohibitions. Our failure to comply with these requirements could result in significant penalties against us that could have a material adverse effect on

our business, results of operations, cash flows or financial condition (or, in a worst case, severely limit the extent to which we could act as fiduciaries for any plans under ERISA).

Our substantial indebtedness could adversely affect our financial health and may limit our ability to use debt to fund future capital needs.

We have a significant amount of indebtedness. At December 31, 2007, we had total indebtedness of $1.45 billion.

Our substantial indebtedness could have important consequences to you. For example, it could:

- increase our vulnerability to general adverse economic and industry conditions;
- require us to dedicate a substantial portion of our cash flow from operations to payments on our indebtedness, thereby reducing the availability of our cash flow to fund working capital, capital expenditures, and other general corporate purposes;
- limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;
- place us at a competitive disadvantage compared to our competitors that have less debt; and
- limit our ability to borrow additional funds.

Furthermore, if an event of default were to occur with respect to our credit agreement or other indebtedness, our creditors could, among other things, accelerate the maturity of our indebtedness.

Our ability to make scheduled payments on or to refinance indebtedness obligations depends on our financial condition and operating performance, which are subject to prevailing economic and competitive conditions and to certain financial, business and other factors beyond our control.

We may not be able to maintain a level of cash flows from operating activities sufficient to permit us to pay the principal, premium, if any, and interest on our indebtedness. If our cash flows and capital resources are insufficient to fund our debt service obligations, we could face substantial liquidity problems and could be forced to sell assets, seek additional capital or seek to restructure or refinance our indebtedness. These alternative measures may not be successful or feasible. Our credit agreement restricts our ability to sell assets. Even if we could consummate those sales, the proceeds that we realize from them may not be adequate to meet any debt service obligations then due.

In addition, as a result of reduced operating performance or weaker than expected financial condition, rating agencies may downgrade our senior subordinated notes, which would adversely affect the value of our common shares.

We will be able to incur additional indebtedness or other obligations in the future, which would exacerbate the risks discussed above.

Our senior secured credit agreement permits us to incur additional indebtedness. Although the amended and restated credit agreement contains restrictions on the incurrence of additional indebtedness, these restrictions are subject to a number of significant qualifications and exceptions, and the indebtedness incurred in compliance with these restrictions could be substantial. Also, these restrictions do not prevent us from incurring obligations that do not constitute "indebtedness" as defined in the amended and restated credit agreement. To the extent new debt or other obligations are added to our currently anticipated debt levels, the substantial indebtedness risks described above would increase. We may not be able to generate sufficient cash to service all of our indebtedness and may be forced to take other actions to satisfy our obligations under such indebtedness, which may not be successful.

Restrictions under certain of our indebtednesses may prevent us from taking actions that we believe would be in the best interest of our business.

Certain of our indebtedness contain customary restrictions on our activities, including covenants that restrict us from:

- incurring additional indebtedness or issuing disqualified stock or preferred stock;
- paying dividends on, redeeming or repurchasing our capital stock;
- making investments or acquisitions;
- creating liens;
- selling assets;
- restricting dividends or other payments to us;
- guaranteeing indebtedness;
- engaging in transactions with affiliates; and
- consolidating, merging or transferring all or substantially all of our assets.

We are also required to meet specified financial ratios. These restrictions may prevent us from taking actions that we believe would be in the best interest of our business. Our ability to comply with these restrictive covenants will depend on our future performance, which may be affected by events beyond our control. If we violate any of these covenants and are unable to obtain waivers, we would be in default under the applicable agreements and payment of the indebtedness could be accelerated. The acceleration of our indebtedness under one agreement may permit acceleration of indebtedness under other agreements that contain cross—default or cross—acceleration provisions. If our indebtedness is accelerated, we may not be able to repay that indebtedness or borrow sufficient funds to refinance it. Even if we are able to obtain new financing, it may not be on commercially reasonable terms or on terms that are acceptable to us. If our indebtedness is in default for any reason, our business, results of operations, cash flows and financial condition could be materially and adversely affected. In addition, complying with these covenants may also cause us to take actions that are not favorable to holders of the common stock and may make it more difficult for us to successfully execute our business strategy and compete against companies who are not subject to such restrictions.

The Majority Holders control us and may have conflicts of interest with us.

Investment funds affiliated with TPG Partners IV, LP and Hellman & Friedman Capital Partners, LP (collectively, the "Majority Holders") own approximately 59.3% of our capital stock, on a fully-diluted basis. Although our executive team has the contractual ability to terminate their employment agreements and receive certain payments if the Majority Holders enter into a transaction our executive team does not approve, the Majority Holders have significant influence over corporate transactions.

Additionally, the Majority Holders are in the business of making investments in companies and may from time to time acquire and hold interests in businesses that compete directly or indirectly with us. One or more of the Majority Holders may also pursue acquisition opportunities that may be complementary to our business and, as a result. those acquisition opportunities may not be available to us. So long as investment funds associated with or designated by the Majority Holders continue to own a significant amount of the outstanding shares of our common stock, even if such amount is less than 50%, the Majority Holders will continue to be able to strongly influence or effectively control our decisions.

Our performance is affected by many factors, some of which are beyond our control.

Our business operations, performance, and financial condition could be negatively affected by any of the following:

- our dependency on our ability to attract and retain experienced and productive FAs;
- our ability to successfully integrate acquisitions;
- the economy and financial markets, including changes to interest rates;
- the performance of the investment products and services our IFAs and our financial institutions recommend or distribute;
- the competitive nature of our business;
- the regulated nature of our business;
- the failure to comply with regulatory capital requirements;
- the failure to maintain adequate errors and omissions insurance coverage;
- the misconduct and errors by our employees and our FAs;
- our potential financial exposure resulting from errors in the securities settlement process;
- the failure of our risk management policies and procedures to fully mitigate our risk exposure in all market environments or against all types of risks;
- the vulnerability of our networks to security risks;
- the failure to maintain technological capabilities, the difficulties in upgrading our technology platform or the introduction of a competitive platform;
- the disruption of our disaster recovery plans and procedures in the event of a catastrophe;
- our ability to recruit and retain qualified employees;
- our dependency on key senior management personnel;
- the loss of any or all of our marketing relationships with manufacturers of investment products;
- our ability to execute on our business strategy; and
- our reliance on our clearing service bureau.

Provisions of our senior secured credit agreement could discourage an acquisition of us by a third party.

Certain provisions of our credit agreement could make it more difficult or more expensive for a third party to acquire us. Upon the occurrence of certain transactions constituting a change of control, all indebtedness under our credit agreement may be accelerated and become due.

Anti-takeover provisions of our certificate of incorporation and bylaws may reduce the likelihood of any potential change of control or unsolicited acquisition proposal that we might consider favorable.

Provisions of our certificate of incorporation and bylaws could deter, delay or prevent a third-party from acquiring us, even if doing so would benefit our stockholders. These provisions include:

- staggered board of directors;
- the absence of cumulative voting in the election of directors;
- limitations on who may call special meetings of stockholders; and
- advance notice requirements for stockholder proposals.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our corporate headquarters are located in Boston, Massachusetts where we lease approximately 57,000 square feet of space under a lease agreement that expires on June 30, 2012, and in San Diego, California where we lease approximately 399,000 square feet of space under lease agreements that expire starting on August 31, 2010. We lease a total of approximately 242,000 square feet in Charlotte, North Carolina under lease agreements expiring in November 2016.

Our subsidiary PTC Holdings, Inc., located in Cleveland, Ohio, leases approximately 6,000 square feet of space under a lease agreement that expires on March 31, 2009.

Our subsidiary UVEST Financial Services Group, Inc., located in Charlotte, North Carolina, leases approximately 42,000 square feet of space under a lease agreement that expires on December 31, 2013.

Our subsidiary, MSC, leases approximately 37,700 square feet of space in West Palm Beach, Florida under a lease agreement that expires February 27, 2018. MSC also leases 5,100 square feet of space in Scottsdale, Arizona under a lease agreement that expires September 6, 2011. MSC leases 1,600 square feet in Newport Beach, California under a lease agreement that expires January 31, 2009. Our subsidiary WFG leases approximately 16,700 square feet of space in Itasca, Illinois under a lease agreement that expires June 30, 2016. Our subsidiary AFG leases approximately 24,000 square feet of space in El Segundo, California under a lease agreement that expires January 31, 2012.

Our subsidiary, Independent Financial Marketing Group, Inc., leases approximately 41,000 square feet of space in Purchase, New York under a lease agreement that expires December 31, 2013.

We own approximately 4.5 acres of land in San Diego. We believe that our existing properties are adequate for the current operating requirements of our business and that additional space will be available as needed.

ITEM 3. LEGAL PROCEEDINGS

We are presently and regularly involved in legal proceedings in the ordinary course of our business, including lawsuits, arbitration claims, regulatory and/or governmental subpoenas, investigations and actions, and other claims. Many of our legal proceedings are consumer initiated and involve the purchase or sale of investment securities.

In November 2005, prior to the Company's acquisition of IASG, MSC received a "Wells" notice from FINRA's Department of Enforcement. The staff alleged that MSC had failed to maintain adequate supervisory procedures regarding certain variable annuity transactions, and failed to maintain accurate books and records related thereto. On July 23, 2007, the staff filed a complaint against MSC and certain of its employees in connection with this matter.

We believe that none of our current legal proceedings will have a material adverse impact on our business, results of operations, cash flows or financial condition.

We cannot predict at this time the effect that any future legal proceeding will have on our business. Given the current regulatory environment and our business operations throughout the country, it is likely that we will become subject to further legal proceedings. Our ultimate liability, if any, in connection with any future such matters is uncertain and is subject to contingencies not yet known.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Other than actions related to the ten-for-one stock split described in Note 24 to our consolidated financial statements, there were no matters submitted to our security holders during the fourth quarter of the fiscal year ended December 31, 2007.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

There is no established trading market for our common equity.

Holders

As of December 31, 2007, we have 65 holders of our common stock. As of December 31, 2007, we have outstanding bonus credits in respect of 7,474,320 shares of our common stock to 1,072 registered representatives.

Dividends

No dividends have been paid during the past two fiscal years nor do we plan on paying dividends in the future.

For a description of restrictions on our ability to pay dividends on the common equity, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Indebtedness."

Equity Compensation Plan Information

The table below sets forth as of December 31, 2007 information on compensation plans under which our equity securities are authorized for issuance:

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans
	(a)	(b)	(c)
Equity compensation plans approved by security holders	21,748,080	$ 2.46	627,100
Equity compensation plans not approved by security holders	—	—	—
Total	21,748,080	$ 2.46	627,100

As of December 31, 2007, we issued and had outstanding bonus credits to acquire 7,474,320 shares of our common stock. The bonus credits have no exercise price, and the plan relating to the bonus credits has not been approved by security holders. The intent of the plan is to aid us in attracting, motivating and retaining service providers of outstanding ability by offering such service providers an opportunity to receive grants of stock-based awards, thereby increasing their personal interest in our growth and success.

Our Board of Directors (the "Board") has to date approved the issuance of not more than 7,716,930 shares of our common stock pursuant to the bonus credits in compensatory circumstances only. The Board has authority to issue additional bonus credits under the plan up to the limit of our

authorized capital. Each bonus credit represents the right to receive one share of our common stock only upon the occurrence of a liquidity event, as described in the plan. The terms of the bonus credits do not allow the holder to choose if or when to become holders of our common stock (i.e. the bonus credits are not "exercisable"), and the common stock is automatically deliverable by us upon the occurrence of the liquidity event.

Recent Sales of Unregistered Securities (Split Adjusted)

The following information relates to all securities issued or sold by us during the fiscal year ended December 31, 2007, excluding those already filed in previous Form 10-Q Reports and not registered under the Securities Act of 1933, as amended (the "Securities Act"). Each of the transactions described below was conducted in reliance upon the available exemptions from the registration requirements of the Securities Act, including those contained in Section 4(2), on the basis that such transactions did not involve a public offering. There were no underwriters employed in connection with any of the transactions set forth in this Item 5.

- On January 2, 2007, we issued and sold to certain employees of UVEST an aggregate of 603,660 shares of common stock based on a stock valuation of $15.84 per share, and an aggregate of 65,820 shares of common stock based on a stock valuation of $18.90 per share. These shares were issued and sold in connection with the UVEST acquisition in reliance upon the available exemptions from registration requirements of Section 4(2) of the Securities Act.

- In December 2007, we issued options to members of our management team to purchase up to an aggregate total of 30,000 shares of our common stock, at an exercise price per share of $27.40, pursuant to our 2005 Incentive Stock Option Plan. In December 2007, we also issued options to members of our management team to purchase up to an aggregate total of 211,500 shares of our common stock, at an exercise price per share of $27.40, pursuant to our 2005 Non-Qualified Stock Option Plan. No consideration was paid to the registrant by any recipient of any of the foregoing options for the grant of stock. The transactions were conducted in reliance upon the available exemptions from the registration requirements of the Securities Act, including those contained in Section 4(2).

ITEM 6. SELECTED FINANCIAL DATA

The following table sets forth our selected historical financial information for the past five fiscal years. The selected historical financial information presented below should be read in conjunction with the information included under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our historical consolidated financial statements and related notes included elsewhere in this Annual Report on Form 10-K.

Our selected historical financial data may not be comparable from period to period and may not be indicative of future results. Additionally, historical dividends per share are presented as declared by the predecessor company under its capital structure at that time. Common shares of our predecessor company are not equal to common shares under our current capital structure and are not necessarily indicative of amounts that would have been received per common share of current ownership.

Unless otherwise indicated, this Annual Report on Form 10-K reflects and assumes a ten-for-one stock split that was effected on January 1, 2008.

	For the Year Ended December 31,				
			Predecessor		
	2007(1)	2006	2005	2004	2003
	(in thousands)				
Consolidated statements of income data:					
Revenue:					
Commissions	$ 1,470,285	$ 890,489	$ 744,939	$ 640,128	$ 521,940
Advisory	738,938	521,058	399,363	301,090	209,536
Asset-based fees	260,935	147,364	107,726	89,561	68,631
Transaction and other fees	184,604	134,496	125,844	104,168	87,850
Interest income	36,708	28,402	17,719	12,829	10,822
Other	26,135	18,127	11,705	9,609	10,289
Total revenues	2,717,605	1,739,936	1,407,296	1,157,385	909,068
Expenses:					
Production expenses	1,935,472	1,231,105	999,301	821,688	643,396
Compensation and benefits	257,200	137,401	142,372	127,997	98,306
General and administrative	199,895	120,891	116,943	92,725	75,482
Depreciation and amortization	78,748	65,348	17,854	15,798	12,014
Other	14,609	4,921	12,712	29,826	35,446
Total non-interest expenses	2,485,924	1,559,666	1,289,182	1,088,034	864,644
Interest expense from operations	1,031	301	976	1,447	1,464
Interest expense from senior credit facilities and subordinated notes	122,817	125,103	1,388	—	—
Total expenses	2,609,772	1,685,070	1,291,546	1,089,481	866,108
Income from continuing operations before provision for income taxes	107,833	54,866	115,750	67,904	42,960
Provision for income taxes	46,764	21,224	46,461	32,552	26,598
Income from continuing operations	61,069	33,642	69,289	35,352	16,362
Loss from discontinued operations	—	—	(26,200)	—	—
Net income	$ 61,069	$ 33,642	$ 43,089	$ 35,352	$ 16,362
Cash dividends per common share	n/a	—	n/a	n/a	n/a
Cash dividends per common share—Class A & C (Predecessor)	n/a	n/a	$ 6.36	$ 7.10	—
Cash dividends per common share—Class B (Predecessor)	n/a	n/a	$ 1.47	$ 1.84	—

	As of December 31,					
			Predecessor			
	2007(1)	2006	2005	2004	2003	2002
	(in thousands, except otherwise indicated)					
Consolidated statements of financial condition data:						
Cash and equivalents	$ 188,003	$ 245,163	$ 134,592	$ 113,439	$ 147,515	$ 129,782
Receivables	668,448	468,170	377,932	302,584	240,481	217,374
Fixed assets, net	156,797	121,594	134,764	63,035	70,268	61,986
Total assets	3,287,349	2,797,544	2,638,486	606,145	556,446	465,170
Bank loans payable	65,000	—	—	25,049	30,855	29,236
Notes payable	1,386,071	1,344,375	1,345,000	—	—	—
Drafts payable	127,144	104,344	88,230	86,080	65,911	69,185
Payable to customers	406,677	294,574	195,106	149,882	143,899	105,013
Total liabilities	2,540,183	2,170,627	2,050,062	408,894	353,321	278,778
Total shareholders' equity	747,166	626,917	588,424	197,251	203,125	186,392

	As of and For the Year Ended December 31,					
			Predecessor			
	2007	2006	2005	2004	2003	2002
	(in thousands, except otherwise indicated)					
Other financial and operating data:						
Gross margin(2)	$ 782,133	$ 508,831	$ 407,995	$ 335,697	$ 265,672	$ 231,350
Number of advisors (#)	11,089	7,006	6,481	5,843	5,036	4,369
Capital Expenditures	71,294	$ 23,038	$ 19,424	$ 14,336	$ 20,362	$ 35,654

(1) Financial results as of and for the year ended December 31, 2007 include the acquisitions of UVEST (acquired on January 2, 2007), IASG and its broker-dealer affiliates (acquired on June 20, 2007), and IFMG and its affiliates (acquired on November 7, 2007). Consequently, the results of operations for 2007 may not be directly comparable to prior years. See Note 3 in the accompanying footnotes to the consolidated financial statements for additional pro forma disclosure regarding these 2007 acquisitions.

(2) Gross margin is calculated as total revenues less commissions and advisory fees, and brokerage, clearing and exchange expenses.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward Looking Statements

This section and other parts of this Form 10-K contain forward-looking statements that involve risks and uncertainties. Forward-looking statements can also be identified by words such as "anticipates," "expects," "believes," "plans," "predicts," and similar terms. Forward-looking statements are not guarantees of future performance and the Company's actual results may differ significantly from the results discussed in the forward-looking statements. Factors that might cause such differences include, but are not limited to, those discussed in the subsection entitled "Risk Factors" in Part 1, Item 1A of this report. The following discussion should be read in conjunction with the consolidated financial statements and accompanying notes thereto included in Item 8 of this Form 10-K.

Our Business

We are a leading provider of technology and infrastructure services to IFAs and to Financial Institutions. We provide access to a broad array of financial products and services for our FAs to market to their customers, as well as a comprehensive technology and service platform to enable our FAs to more efficiently operate their practices. Our strategy is to build long-term relationships with our

Financial Institutions and FAs by offering innovative technologies and high-quality services that will enable them to nurture and grow their customer base.

Our revenues are primarily derived from commissions and fees from products and advisory services offered by our FAs to their customers, a substantial portion of which we pay to Financial Institutions and our FAs. Furthermore, we also receive fees from product manufacturers as well as various administrative fees from Financial Institutions, our FAs, and their customers for the use of our proprietary technology and service platform.

We currently offer our wide range of services through five complementary business segments: Independent Advisor Services (referred to in prior years as "Independent Financial Advisors"), Institution Services (new for 2007), Trust Services, Insurance Services, and Affiliated Advisory Services. On December 31, 2007, we ceased the operations of our sixth business segment, Mortgage Services. Together, our business segments offer our FAs access to a brokerage platform of non-proprietary, best-of-breed products for their customers, including fixed and variable annuities, mutual funds, life insurance, alternative investments, and mortgages (prior to December 31, 2007), as well as full-service stock and bond trading.

Our Independent Advisor Services segment and Institution Services segment both offer our FAs access to a brokerage platform of non-proprietary, best-of-breed products for their customers, including fixed and variable annuities, mutual funds, and alternative investments, as well as full-service stock and bond trading. These segments also provide FAs with a fee-based advisory platform that enables them to build comprehensive, customized portfolios of investments for their customers. In addition, these segments provide FAs with a comprehensive array of infrastructure support and services, including trade processing and clearing, automated portfolio rebalancing, proprietary advisor software (BranchNet), independent research, a customer centric service center, training programs, and compliance support. Our Trust Services segment enables our FAs to assist their customers with management of intergenerational wealth transfers. The Mortgage Services segment, which ceased operations on December 31, 2007, provided comprehensive mortgage services for the residential properties of our FAs' customers. Our Insurance Services segment provides our FAs with access to a broad range of life, disability and long-term care products provided by multiple carriers. Finally, our Affiliated Advisory Services segment offers a private-labeled investment advisory platform for customers of financial advisors working for other financial institutions.

For reporting purposes, under accounting principles generally accepted in the United States of America ("GAAP"), we have aggregated the results of our Independent Advisor Services segment and Institutional Services segment into one reportable segment presented as "Advisor Services". This segment includes the collective results of our primary operating subsidiary, LPL and the following subsidiaries acquired during 2007: UVEST, IASG and its broker-dealer subsidiaries, and IFMG and its affiliates. All of our other segments do not, individually or in the aggregate, meet the reporting requirements under Statement of Financial Accounting Standards ("SFAS") No. 131, *Disclosures about Segments of an Enterprise and Related Information* ("SFAS 131"), and consequently have been presented as "Other".

Our business model, together with our scale, allows us to gain significant recurring revenue. For the years ended December 31, 2007, 2006, and 2005, our recurring revenues were 59.4%, 61.5%, and 58.8%, respectively, of overall revenue. This recurring revenue comes from advisory fees charged to customers, asset-based fees, 12b-1 fees, fees related to our cash sweep programs, interest earned on margin accounts, and technology and service fees charged to our FAs.

EBITDA

EBITDA is defined as net income plus interest expense, income tax expense, depreciation and amortization. EBITDA is a non-GAAP measure as defined by Regulation G under the Securities Act

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. Additionally, EBITDA is not intended to be a measure of free cash flow available for our discretionary use as it does not consider certain cash requirements such as interest payments, tax payments and debt service requirements. We use EBITDA as a supplemental measure of our consolidated operating performance. We believe that EBITDA helps facilitate operating performance comparisons from period to period by backing out potential differences caused by variations in use of our debt, tax positions (such as the impact on periods for effective tax rates), depreciation of fixed assets and amortization expense of intangible assets recognized through purchase accounting in accordance with SFAS No. 141, *Business Combinations*. Because not all companies use identical calculations, these presentations of EBITDA may not be comparable to other similarly titled measures of other companies. EBITDA should be considered in addition to, rather than as a substitute for, pre-tax income, net income and cash flows from operating activities.

Set forth below is a computation of EBITDA for the years ended December 31, 2007, 2006, and 2005 and a reconciliation of EBITDA to net income, the most closely analogous GAAP measure:

	Year Ended December 31,		
			Predecessor
	2007	2006	2005
		(in thousands)	
Net income	$ 61,069	$ 33,642	$ 43,089
Interest expense	123,848	125,404	2,364
Income tax expense	46,764	21,224	46,461
Depreciation and amortization	78,748	65,348	17,854
EBITDA	$ 310,429	$ 245,618	$ 109,768

Factors That May Affect Future Operating Results

The following factors may affect our financial performance:

Recruitment and Development of Financial Advisors

Our revenues are impacted by our ability to grow our existing FAs' businesses and to continue to grow the number of our licensed FAs and Financial Institutions.

- *Mature advisor growth.* Growth from mature FAs represents the growth in commission and advisory revenues of FAs who have been licensed with us for three or more years. We have been successful at retaining our most productive FAs.

- *Sales growth from newly recruited FAs.* We typically recruit experienced FAs who were previously licensed with other broker-dealers and have established customer bases of their own. As a result, newly recruited FAs are initially focused on transitioning customer assets from their prior firms to us. We expect newly recruited FAs to return to the approximate production levels they achieved with their prior firms within three years of joining us. As a result, a portion of our near-term revenue growth in a given year is driven by the size of the recruiting classes of the prior two years. For example, the recruiting classes of 2005 and 2006 contributed to revenue growth in 2007.

Recurring Revenue

One of our core strategic objectives is to earn a significant portion of our revenues from recurring sources. Our recurring revenues include advisory fees charged to customers, 12b-1 fees, asset-based

fees, fees related to our cash sweep programs, interest earned on margin accounts and technology and service fees charged to our FAs. We believe these revenue sources are more stable and less dependent on market conditions than transaction-related commissions.

Our business model, together with our scale, allows us to support significant levels of recurring revenue. The proportion of our total revenue that is recurring has decreased slightly from approximately 61.5% for the year ended December 31, 2006 to approximately 59.4% for the year ended December 31, 2007. The decrease in recurring revenue is primarily attributable to significant increases in revenues related to our 2007 acquisitions of UVEST, which accounted for a $201.55 million increase in total revenues, IASG, which accounted for a $190.86 million increase in total revenues, and IFMG which accounted for $20.35 million increase in total revenues (collectively the acquisitions of UVEST, IASG and IFMG are referred to herein as our "2007 acquisitions"). Excluding our 2007 acquisitions, the proportion of our total revenue that is recurring increased to 62.8%.

In addition, the stability of our business is further enhanced by our limited reliance on margin lending. Our interest from margin lending represented only 1.0%, 1.3%, and 1.0% of our total revenues for the years ended December 31, 2007, 2006, and 2005, respectively. Furthermore, we have experienced no losses from write-offs of margin loans over the past five years.

The table below shows the recurring revenue components of our significant revenue categories for the periods indicated below:

	% of Total Revenue Year Ended December 31,		
			Predecessor
	2007	2006	2005
Advisory fee revenue	27.2%	30.0%	28.4%
12b-1 fee revenue	11.1%	10.7%	10.4%
Asset-based fee revenue	9.6%	8.5%	7.7%
Variable and group trail and life insurance renewal revenue	5.2%	5.2%	4.8%
Fee revenue	4.6%	5.4%	5.9%
Margin interest and other revenue	1.7%	1.7%	1.6%
Total recurring revenue	59.4%	61.5%	58.8%

Scale of Operations

As the size of our financial advisor base continues to expand, we will seek to further consolidate our buying power and lower our costs. With our increasing scale, we have an enhanced ability to economically invest in technology and broaden our value added services more efficiently across our financial advisor base. If successful, we expect to increase our profit margins, as well as those of our FAs.

General Economic and Market Factors

Our financial results are influenced by the willingness or ability of our FAs' customers to maintain or increase their investment activities in the financial products offered by our FAs. As a result, general economic and market factors can affect our commission and fee revenue. The performance of our business is correlated with the economy and financial markets, and a slowdown or downturn in the economy or financial markets could adversely affect our business, results of operations, cash flows or financial condition.

Significant Events and Acquisitions

We have made and will continue to consider acquisitions to supplement our organic growth. We intend to strengthen our position in the industry through additional strategic acquisitions and we believe that these acquisitions will enhance our ability to increase the number of FAs as well as broaden our portfolio of products and services. Future acquisitions may be funded through the issuance of debt, existing cash, equity securities or a combination thereof.

Significant Events in 2007 (Split Adjusted)

On January 2, 2007, we acquired all of the outstanding stock of UVEST, which provides independent non-proprietary third-party brokerage services to financial institutions, for approximately $78.04 million in cash and the issuance of 603,660 shares of common stock at a fair value of $18.90 per share.

On February 8, 2007, Moody's rating service announced that it raised our corporate family rating to 'B1' with a positive outlook, from 'B2' stable. As a result of the upgrade, we received a step-down of 0.25% in the applicable interest rate margin for the senior secured term loan facility of our senior secured credit facilities, reducing the applicable interest rate margin for Eurodollar rate borrowings under such facility from 2.75% to 2.50%.

On May 9, 2007 and August 9, 2007, we entered into agreements with multiple institutions, resulting in the transfer of institutional relationships to our broker-dealer subsidiaries. As consideration for these relationships, we paid $3.44 million in cash and issued 43,860 shares of common stock valued at $25.50 per share.

On May 11, 2007, we acquired for $5.00 million, an approximate 22.6% ownership interest in a privately held technology company that provides middleware solutions and straight-through processing for the life insurance and annuities industry. This investment provides us with a strategic ownership interest in one of our vendors that provides technology for variable annuity order entry and monitoring.

On June 18, 2007, we amended and replaced our Tranche C Notes with Tranche D Notes. The Tranche D Notes (in the amount of $842.39 million) provided us with an additional $50.00 million for our acquisition of IASG. At the same time, we were also able to reduce our applicable interest rate margin from 250 basis points to 200 basis points. The Tranche D Notes are due to mature on June 28, 2013. We will provide for quarterly amortization payments of 0.25% in an aggregate amount annually. Additional principal payments will be required if we achieve certain levels of annual cash earnings adjusted for changes in net working capital.

On June 20, 2007, we acquired all the outstanding membership interests of IASG, strengthening our position as a leading independent broker-dealer in the United States. Total purchase consideration was $120.48 million ($63.34 million in cash and the issuance of 2,645,500 shares of common stock with an estimated fair value of $21.60 per share), a portion of which was financed with borrowings against our senior secured credit facilities.

On November 7, 2007, we acquired all of the outstanding capital stock of IFMG, further expanding our reach in offering financial services to banks, savings and loan institutions, and credit unions nationwide. Purchase consideration paid at closing was $25.69 million, and was financed with borrowings against our revolving credit facility. In addition to the initial purchase price, the acquisition provides for post-closing payments over the next two and a half years totalling approximately $5.00 million, based primarily on the successful recruitment and retention of certain customer relationships. These post-closing payments will be recorded as additional consideration when made.

Critical Accounting Policies

Our discussion and analysis of our operating results as presented in the following tables are based on our consolidated financial statements, which have been prepared in conformity with GAAP. Note 2 to our consolidated financial statements as of and for the year ended December 31, 2007 contains our critical accounting policies, many of which make use of estimates and assumptions. We believe that of our critical accounting policies, the following are noteworthy because they are based on estimates and assumptions that require complex, subjective judgments that can materially impact reported results. Changes in these estimates or assumptions could materially impact our financial condition and results of operation.

Commission Revenues and Expenses

We record commissions received from mutual funds, annuity, insurance, equity, fixed income, direct investment, option and commodity transactions on a trade-date basis. Commissions also include mutual fund and variable annuity trails, which are recognized as a percentage of assets under management over the period for which services are performed. Due to the significant volume of mutual fund and variable annuity purchases and sales transacted by FAs directly with product manufacturers, management must estimate a portion of its upfront commission and trail revenues for each accounting period for which the proceeds have not yet been received. These estimates are based primarily on the volume of transactions in previous periods as well as cash receipts in the current period. Because we record commissions payable based upon standard payout ratios for each product as it accrues for commission revenue, any adjustment between actual and estimated commission revenue will be offset in part by the corresponding adjustment to commission expense.

Legal Reserves

We record reserves for legal proceedings in accounts payable and accrued liabilities in our consolidated statements of financial condition. The determination of these reserve amounts requires significant judgment on the part of management. Management considers many factors including, but not limited to, the amount of the claim, the amount of the loss in the customer's account, the basis and validity of the claim, the possibility of wrongdoing on the part of an FA, likely insurance coverage, previous results in similar cases, and legal precedents and case law. Each legal proceeding is reviewed with counsel in each accounting period and the reserve is adjusted as deemed appropriate by management. Any change in the reserve amount is recorded as professional services in our consolidated statements of income.

Valuation of Goodwill and Other Intangibles

Goodwill represents the cost of acquired companies in excess of the fair value of net tangible assets at acquisition date. Value was assigned to our goodwill in conjunction with certain acquisitions. In accordance with SFAS No. 142, *Goodwill and Other Intangible Assets* ("SFAS 142"), goodwill is not amortized, but tested annually for impairment (in December), or more frequently if certain events having a material impact occur.

Intangible assets, which consist of relationships with FAs and product sponsors, are amortized on a straight-line basis over their estimated useful lives. We evaluate the remaining useful lives of intangible assets each reporting period to determine whether events and circumstances warrant a revision to the remaining period of amortization. Intangible assets are also tested for potential impairment whenever events or changes in circumstances suggest that an asset's or asset group's carrying value may not be fully recoverable in accordance with SFAS No. 144, *Accounting for the Impairment of Disposal of Long-Lived Assets*. An impairment loss, calculated as the difference between the estimated fair value

and the carrying value of an asset or asset group, is recognized if the estimated fair value is less than the corresponding carrying value.

We are highly dependent on our FAs and product sponsors, and, as a result, expenditures are regularly made to market our trademarks and trade names to them. Our primary trademarks and trade names were determined to have an indefinite life. An impairment loss is recognized if the value, estimated using approach and other market factors if applicable, is less than the corresponding carrying value and will be tested for potential impairment annually or whenever events or changes in circumstances suggest that the carrying value of such asset may not be fully recoverable in accordance with SFAS 142. Other trademarks and trade names of acquired subsidiaries (representing $2.76 million) were determined to have finite lives and are being amortized over their expected useful lives of 18 months to five years.

Income Taxes

In preparing the financial statements, we estimate the income tax expense based on the various jurisdictions where we conduct business. We must then assess the likelihood that the deferred tax assets will be realized. A valuation allowance is established to the extent that it is more likely than not that such deferred tax assets will not be realized. When we establish a valuation allowance or modify the existing allowance in a certain reporting period, we generally record a corresponding increase or decrease to tax expense in the consolidated statements of income. Management makes significant judgments in determining the provision for income taxes, the deferred tax assets and liabilities and any valuation allowances recorded against the deferred tax asset. Changes in the estimate of these taxes occur periodically due to changes in the tax rates, changes in the business operations, implementation of tax planning strategies, resolution with taxing authorities of issues where we have previously taken certain tax positions and newly enacted statutory, judicial and regulatory guidance. These changes, when they occur, affect accrued taxes and can be material to our operating results for any particular reporting period.

Additionally, we account for uncertain tax positions in accordance with Financial Accounting Standards Board ("FASB") Interpretation No. 48, *Accounting for Uncertainty in Income Taxes—an interpretation of FASB Statement No. 109* ("FIN 48"). The application of income tax law is inherently complex. Laws and regulations in this area are voluminous and are often ambiguous. We are required to make many subjective assumptions and judgments regarding our income tax exposures. Interpretations of and guidance surrounding income tax laws and regulations change over time. As such, changes in our subjective assumptions and judgments can materially affect amounts recognized in our consolidated financial statements.

Valuation and Accounting for Financial Derivatives

We periodically use financial derivative instruments, such as interest rate swaps, to protect us against changing market prices or interest rates and the related impact to our assets, liabilities, or cash flows. We also evaluate our contracts and commitments for terms that qualify as embedded derivatives. All derivatives are reported at their corresponding fair value in our consolidated statements of financial condition.

Financial derivative instruments expected to be highly effective hedges against changes in cash flows are designated as such upon entering into the agreement. At each reporting date, we reassess the effectiveness of the hedge to determine whether or not it can continue to use hedge accounting. Under hedge accounting, we record the increase or decrease in fair value of the derivative, net of tax impact, as other comprehensive income or losses. If the hedge is not determined to be a perfect hedge, yet still considered highly effective, we will calculate the ineffective portion and record the related change in its fair value as additional interest income or expense in the consolidated statements of income. Amounts

accumulated in other comprehensive income are generally reclassified into earnings in the same period or periods during which the hedged forecasted transaction affects earnings.

Share-Based Compensation

On January 1, 2006, we adopted SFAS No. 123R (Revised), *Share Based Payments* ("SFAS 123R"). SFAS 123R requires the recognition of the fair value of share-based compensation in net income. We recognize share-based compensation expense over the requisite service period of the individual grants, which generally equals the vesting period. Prior to January 1, 2006, we accounted for employee equity awards using Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees*, ("APB 25") and related interpretations in accounting for share-based compensation. We adopted the provisions of SFAS 123R using the prospective transition method, whereby we will continue to account for nonvested equity awards to employees outstanding at December 31, 2005 using APB 25, and apply SFAS 123R to all awards granted or modified after that date.

Under SFAS 123R, we calculate compensation expense for stock options based on their estimated fair value. As there are no observable market prices for identical or similar instruments, we estimate fair value using a Black-Scholes valuation model.

Operating Results for the Year Ended December 31, 2007 compared with the Year Ended December 31, 2006

	Year Ended December 31,			
	2007	2006	$ Change	% Change
	(in thousands)			
Revenues				
Commissions	$ 1,470,285	$ 890,489	$ 579,796	65.1%
Advisory fees	738,938	521,058	217,880	41.8%
Asset-based fees	260,935	147,364	113,571	77.1%
Transaction and other fees	184,604	134,496	50,108	37.3%
Other	62,843	46,529	16,314	35.1%
Total revenues	**2,717,605**	**1,739,936**	**977,669**	**56.2%**
Expenses				
Production	1,935,472	1,231,105	704,367	57.2%
Compensation and benefits	257,200	137,401	119,799	87.2%
General and administrative	199,895	120,891	79,004	65.4%
Depreciation and amortization	78,748	65,348	13,400	20.5%
Other	14,609	4,921	9,688	196.9%
Total non-interest expenses	**2,485,924**	**1,559,666**	**926,258**	**59.4%**
Interest expense from operations	1,031	301	730	242.5%
Interest expense from senior credit facilities and subordinated notes	122,817	125,103	(2,286)	(1.8)%
Total expenses	**2,609,772**	**1,685,070**	**924,702**	**54.9%**
Income before provision for income taxes	**107,833**	**54,866**	**52,967**	**96.5%**
Provision for income taxes	**46,764**	**21,224**	**25,540**	**120.3%**
Net income	**$ 61,069**	**$ 33,642**	**$ 27,427**	**81.5%**

Our income before provision for income taxes for the year ended December 31, 2007 was $107.83 million, up 96.5% from $54.87 million for the year ended December 31, 2006. The increase was primarily attributable to an increase in total revenues. Total revenues increased $977.67 million or

56.2% during the year ended December 31, 2007. Excluding our 2007 acquisitions, the increase in revenue was driven by a 15.2% net increase in the number of overall FAs. Our 2007 acquisitions resulted in increased revenues of $412.75 million, or 42.2% for the year ended December 31, 2007.

The following table sets forth our commission revenue by product category included in our consolidated statements of income for the periods indicated (in millions):

	Years Ended December 31,			
	2007	% Total	2006	% Total
Annuities	$ 648.09	44.1%	$ 383.99	43.1%
Mutual funds	498.88	33.9%	309.18	34.7%
Alternative investments	113.18	7.7%	59.22	6.7%
Equities	82.22	5.6%	61.01	6.9%
Insurance	77.62	5.3%	47.30	5.3%
Fixed income	48.55	3.3%	28.66	3.2%
Other	1.75	0.1%	1.13	0.1%
Total commission revenue	**$ 1,470.29**	**100.0%**	**$ 890.49**	**100.0%**

Revenues

Summary. In addition to the explanations provided below, in each case, the increase in revenue was mainly driven by an increase in our overall FA base (excluding our 2007 acquisitions), which increased 15.2%, from 7,006 as of December 31, 2006 to 8,069 as of December 31, 2007.

- *Commission revenue.* Commission based revenues represent the gross commissions generated by our FAs, primarily from commissions earned on the sale of various products such as fixed and variable annuities, mutual funds, general securities, alternative investments and insurance. We also earn trailing commission type revenues (such as 12(b)-1 fees) on mutual funds and variable annuities held by customers of our FAs. Trail commissions are recurring in nature and are earned based on the current market value of previously purchased investments.

  Commission revenue increased $579.80 million, or 65.1%, to $1.47 billion for the year ended December 31, 2007, compared with $890.49 million for the year ended December 31, 2006. The 2007 acquisitions comprise $325.13 million or 56.1% of the increase. The remaining increase is primarily attributable to increased commissions on the sale of annuities and mutual funds. Commission revenues from the sale of annuities and mutual funds (excluding our 2007 acquisitions) grew $180.05 million, or 26.0%, during the year ended December 31, 2007, as compared to the year ended December 31, 2006. Additionally, this increase is also driven by a $38.19 million increase in commissions relating to higher REIT sales.

- *Advisory fees.* Advisory fee revenues represent fees charged by us and our FAs, to customers based on the value of assets under management.

  Advisory fees increased $217.88 million, or 41.8%, to $738.94 million for the year ended December 31, 2007, compared with $521.06 million for the year ended December 31, 2006. The 2007 acquisitions comprise $49.77 million, or 22.8% of the increase. The remaining increase was primarily due to higher asset balances in advisory programs, partially due to a trend among our FAs to provide a higher percentage of fee-based advisory services to their customers. Consequently, this trend is driving an increase in recurring revenues (excluding our 2007 acquisitions) as a percentage of total revenue.

- *Asset-based fees.* Asset-based fees are comprised of the following:

  Fees from cash sweep vehicles. Pursuant to contractual arrangements, uninvested cash balances in customer accounts are swept into either third-party money market funds or deposit accounts at various banks, for which we receive fees, including administrative and record keeping fees based on account type and the invested balances.

  Sponsorship fees. We receive fees from certain product manufacturers in connection with programs that support our marketing and sales-force education and training efforts.

  Sub-transfer agency fees. We earn fees on mutual fund assets for which we provide administrative and recordkeeping services as a sub-transfer agent.

  Networking fees. Our networking fees represent fees paid to us by mutual fund and annuity product manufacturers in exchange for administrative and recordkeeping services that we provide to customers of our FAs. Networking fees are correlated to the number of positions we administer, not the value of assets under administration.

  Asset-based fees increased $113.57 million, or 77.1%, to $260.94 million for the year ended December 31, 2007, compared with $147.36 million for the year ended December 31, 2006. The 2007 acquisitions comprise $16.40 million, or 14.4% of the increase. The remaining increase was led by a $70.33 million increase in fees from our cash sweep vehicles primarily as a result of a 47.4% increase in customer balances, which increased from $9.24 billion as of the year ended December 31, 2006 to $13.62 billion as of the year ended December 31, 2007.

- *Transaction and other fees.* Revenues earned from transaction and other fees primarily consist of the following categories:

  Transaction fees and ticket charges. We charge fees for executing transactions in fee-based advisory customer accounts. We also charge ticket charges to our FAs for executing brokerage transactions.

  Subscription fees. We earn subscription fees for the software and technology services that we provide to our FAs.

  IRA custodian fees. We earn fees for the IRA custodial services we provide on customer accounts.

  Financial advisor contract and license fees. We earn monthly administrative fees from all FAs licensed with us. We also charge our FAs regulatory licensing fees.

  Conference fees. We charge product manufacturers fees for participating in our training and marketing conferences for our FAs.

  Small/inactive account fees. We charge fees for services related to customer accounts that fail to meet certain specified thresholds of size or activity.

  Transaction and other fees increased $50.11 million, or 37.3%, to $184.60 million for the year ended December 31, 2007, compared with $134.50 million for year ended December 31, 2006. The 2007 acquisitions comprise $14.85 million, or 29.6% of the increase. The remaining increase is attributed primarily to the 15.2% growth in our overall FA base (excluding our 2007 acquisitions) and an increase in trade volume. Specifically, our total trade volume increased by 1.69 million, or 26.1%, to 8.15 million for the year ended December 31, 2007, compared with 6.46 million for the year ended December 31, 2006, which is primarily attributable to an increase in the number of customer accounts.

- *Other revenue.* Other revenue includes marketing re-allowances from certain product manufacturers as well as interest income from customer margin accounts and cash equivalents.

  Other revenue increased $16.31 million, or 35.1%, to $62.84 million for the year ended December 31, 2007, compared with $46.53 million for the year ended December 31, 2006. The 2007 acquisitions comprise $6.61 million, or 40.5% of the increase. Additionally, our direct marketing allowance increased $8.38 million due primarily to higher sales volumes of participating REIT programs. The remaining increase is due to a $4.75 million increase in interest revenue on our margin accounts and overnight investments, driven by higher interest rates (average effective rates of 5.2% in 2007 vs. 5.0% in 2006) and margin account balances which increased by approximately 10.8% from $3.78 million for the year ended December 31, 2006 to $4.19 million for the year ended December 31, 2007.

Expenses

- *Production expenses.* Production expenses consist of commissions and advisory fees as well as brokerage, clearing, and exchange fees. We pay out the majority of commissions and advisory fees received from sales or services provided by our FAs. Substantially all of these pay-outs are variable and correlated to the revenues generated by each FA.

  Production expenses increased $704.37 million, or 57.2%, to $1.94 billion for the year ended December 31, 2007, compared with $1.23 billion for the year ended December 31, 2006. The 2007 acquisitions comprise $325.33 million, or 46.2% of the increase. The remaining increase was primarily attributable to higher payout products making up a larger share of commission and advisory revenue. This increase is consistent with the 30.0% increase in commission and advisory fee revenue, excluding the 2007 acquisitions.

- *Compensation and benefits.* Compensation and benefits represent compensation-related expenses, including stock-based compensation for our employees, including temporary employees and consultants.

  Compensation and benefits increased $119.80 million, or 87.2%, to $257.20 million for the year ended December 31, 2007, compared with $137.40 million for the year ended December 31, 2006. The 2007 acquisitions comprise $54.66 million, or 45.6% of the increase. The remaining increase is primarily attributed to salaries and benefits which comprises $44.10 million, or 36.8% of the increase, excluding our 2007 acquisitions. The average number of full-time employees increased by 384, or 30.2%, to 1,653 for the year ended December 31, 2007, compared to 1,269 for the year ended December 31, 2006. With the 2007 acquisitions, our average number of full-time employees has increased by an additional 431.

- *General and administrative expenses.* General and administrative expenses include promotional fees, occupancy and equipment, communications and data processing, regulatory fees, travel and entertainment, and professional services.

  General and administrative expenses increased $79.00 million, or 65.4%, to $199.90 million for the year ended December 31, 2007, compared with $120.89 million for the year ended December 31, 2006. The 2007 acquisitions comprise $25.36 million, or 32.1% of the increase. The remaining increase is attributable to increases of $22.54 million in promotional fees, $11.66 million in occupancy and equipment, and $11.47 million in professional fees, all of which are primarily attributable to our overall growth.

- *Depreciation and amortization.* Depreciation expense is related to our capital assets such as office equipment and technology. Amortization expense is primarily related to the amortization of our finite-lived intangible assets and internally developed software.

Depreciation and amortization expense increased $13.40 million, or 20.5%, to $78.75 million for the year ended December 31, 2007, compared with $65.35 million for the year ended December 31, 2006. This increase is primarily related to depreciation and amortization recognized on recently acquired assets, which accounted for $7.74 million of the increase.

- *Other expenses.* Other expenses include bank fees, other taxes, and other miscellaneous expenses.

  Other expenses increased $9.69 million, or 196.9%, to $14.61 million for the year ended December 31, 2007, compared with $4.92 million for the year ended December 31, 2006. The 2007 acquisitions comprise $1.91 million, or 19.7% of the increase. The remaining increase relates to prior year expenses being lower than normal due to a $3.07 million change in estimate for remediation costs.

- *Interest expenses.* Interest expense includes operating interest expense related to brokerage operations and mortgage lending, and non-operating interest expense for debt coverage related to the Transaction (as defined in Note 3 to our consolidated financial statements).

  Interest expense decreased $1.56 million to $123.85 million for the year ended December 31, 2007, compared with $125.40 million for the year ended December 31, 2006, reflecting lower average interest rate on borrowings offset by an increase in the principal amount of debt outstanding (due to our 2007 acquisitions).

- *Provision for Income Taxes.* Provision for income taxes increased $25.54 million to $46.76 million for the year ended December 31, 2007, compared with $21.22 million for the year ended December 31, 2006. The increase in income tax expense was primarily related to the increase in pre-tax income over comparable periods. Our effective tax rate for the year ended December 31, 2007 was 43.4% as compared to 38.7% for the year ended December 31, 2006 primarily related to the adoption of FIN48 and the accrual of uncertain tax positions for which the statute of limitations period remains open.

Operating Results For The Year Ended December 31, 2006 Compared With The Year Ended December 31, 2005

	Predecessor			
	Year Ended December 31,			
	2006	2005	$ Change	% Change
	(in thousands)			
Revenues				
Commissions	$ 890,489	$ 744,939	$ 145,550	19.5%
Advisory fees	521,058	399,363	121,695	30.5%
Asset-based fees	147,364	107,726	39,638	36.8%
Transaction and other fees	134,496	125,844	8,652	6.9%
Other	46,529	29,424	17,105	58.1%
Total revenues	**1,739,936**	**1,407,296**	**332,640**	**23.6%**
Expenses				
Production expenses	1,231,105	999,301	231,804	23.2%
Compensation and benefits	137,401	142,372	(4,971)	(3.5)%
General and administrative	120,891	116,943	3,948	3.4%
Depreciation and amortization	65,348	17,854	47,494	266.0%
Other	4,921	12,712	(7,791)	(61.3)%
Total non-interest expenses	**1,559,666**	**1,289,182**	**270,484**	**21.0%**
Interest expense from operations	301	976	(675)	(69.2)%
Interest expense from senior credit facilities and subordinated notes	125,103	1,388	123,715	8913.2%
Total expenses	**1,685,070**	**1,291,546**	**393,524**	**30.5%**
Income from continuing operations before provision for income taxes	**54,866**	**115,750**	**(60,884)**	**(52.6)%**
Provision for income taxes	**21,224**	**46,461**	**(25,237)**	**(54.3)%**
Income from continuing operations	**33,642**	**69,289**	**(35,647)**	**(51.4)%**
Loss from discontinued operations	—	(26,200)	26,200	n/a
Net income	**$ 33,642**	**$ 43,089**	**$ (9,447)**	**(21.9)%**

Our income from continuing operations before income taxes for the year ended December 31, 2006 was $54.87 million, down 52.6% from $115.75 million for the year ended December 31, 2005. The decrease was primarily due to $123.72 million of additional interest expense from senior secured credit facilities ($125.10 million in 2006 as compared to $1.38 million in 2005) and $47.37 million of additional depreciation and amortization expense ($47.89 million in 2006 as compared to $0.52 million in 2005) primarily attributable to the Transaction. Additionally, the Transaction resulted in offset by an additional $20.80 million in compensation expense in 2005 related to the accelerated vesting of stock options (triggered by the change in control). Excluding the additional interest expense, additional depreciation and amortization expense, and compensation expense resulting from the Transaction, our pre-tax income increased $89.40 million, or 64.6%, to $227.86 million for the year ended December 31, 2006, compared with $138.46 million for the year ended December 31, 2005. These earnings were primarily driven by strong revenue growth. We achieved total revenue growth of $332.64 million or 23.6% for the year ended December 31, 2006 compared to the corresponding period in the prior year. The increase in revenue was mainly driven by continued growth among mature FAs (an advisor who has been with any of the Broker-Dealer Entities for at least three years), growth among recently recruited FAs, and an 8.1% net increase in the number of overall FAs. The operating results for the year ended December 31, 2005 also include the discontinued operations of our variable interest

entities, GPA Group, Inc. and Global Portfolio Advisors, Ltd. (collectively referred to as "GPA"). We sold our investment in GPA on October 27, 2005 (See Notes 7 and 12 to our consolidated financial statements).

The following table sets forth certain amounts included in our consolidated statements of income for the periods indicated.

	Year Ended December 31,			
			Predecessor	
	2006	% of Total	2005	% of Total
Commission revenue by product category (in millions)				
Annuities	$ 383.99	43.1%	$ 299.81	40.2%
Mutual funds	309.18	34.7%	265.97	35.7%
Equities	61.01	6.9%	57.69	7.8%
Alternative investments	59.22	6.7%	54.66	7.3%
Insurance	47.30	5.3%	38.18	5.1%
Fixed income	28.66	3.2%	25.82	3.5%
Other	1.13	0.1%	2.81	0.4%
Total commission revenue	**$ 890.49**	**100.0%**	**$ 744.94**	**100.0%**

Revenue

Summary. In addition to the explanations provided below, in each case, the increase in revenue was largely driven by an increase in our overall FA base increased from 6,481 to 7,006, or 8.1%, from December 31, 2005 to December 31, 2006, respectively.

Commission revenue. Commission revenue increased $145.55 million, or 19.5%, to $890.49 million for the year ended December 31, 2006 compared to $744.94 million for the year ended December 31, 2005, led primarily by increases in commissions on the sale of annuities and mutual funds. Commission revenues from the sale of annuities and mutual funds grew $127.39 million or 22.5% during the year ended December 31, 2006.

Advisory fees. Advisory fees increased $121.70 million, or 30.5%, to $521.06 million for the year ended December 31, 2006, compared with $399.36 million for the year ended December 31, 2005. This increase was primarily due to higher asset balances in advisory programs, partially due to a trend among our FAs to provide a higher percentage of fee-based advisory services to their customers. Consequently, this trend is driving an increase in recurring revenues as a percentage of total revenue. Advisory revenue as a percentage of commission and advisory revenue was 36.9% for the year ended December 31, 2006 as compared to 34.9% for the year ended December 31, 2005.

Asset-based and other product fees. Asset-based and other product fees increased $39.64 million, or 36.8%, to $147.36 million for the year ended December 31, 2006, compared with $107.73 million for the year ended December 31, 2005. The increase was led by a $21.73 million, or 50.4%, increase in fees from our cash sweep vehicles primarily attributable to increased customer balances.

Transaction and other fees. Transaction and other fees increased $8.65 million, or 6.9%, to $134.50 million for the year ended December 31, 2006, compared with $125.84 million for the year ended December 31, 2005. The increase is attributed primarily to the 8.1% growth in our advisory base and an increase in trade volume. Specifically, our total trade volume increased by 1.3 million, or 25.0%, to 6.5 million for the year ended December 31, 2006 compared to 5.2 million for the year ended December 31, 2005 primarily attributable to an increase in the number of customer accounts.

Other revenue. Other revenue increased $17.11 million, or 58.1%, to $46.53 million for the year ended December 31, 2006, compared with $29.42 million for the year ended December 31, 2005. This increase was primarily attributed to a $10.68 million increase in interest revenue on our margin accounts and overnight investments, driven by higher interest rates (average effective rates of 5.02% in 2006 vs. 3.11% in 2005) and margin account balances which increased by approximately 25%.

Expenses

Production expenses. Production expenses increased $231.80 million, or 23.2%, to $1.23 billion during the year ended December 31, 2006, compared with $999.30 million for the year ended December 31, 2005. This increase was consistent with the 23.4% increase in total commission and advisory fee revenues.

Compensation and benefits. Compensation and benefits decreased $4.97 million, or 3.5%, to $137.40 million for the year ended December 31, 2006, from $142.37 million for the year ended December 31, 2005. The decrease is primarily attributed to a $21.68 million or 88.3% decline in share-based compensation expense (see Note 18 to our consolidated financial statements) primarily resulting from the Transaction. This decrease is partially offset by a $10.53 million or 13.0% increase in payroll, a $3.51 million increase in discretionary bonus and a $2.13 increase in outside personnel. The average number of full-time employees increased by 187, or 17.3%, to 1,269 for the year ended December 31, 2006, compared to 1,082 for the year ended December 31, 2005.

General and administrative expenses. General and administrative expenses increased $3.95 million, or 3.4%, to $120.89 million for the year ended December 31, 2006, from $116.94 million for the year ended December 31, 2005. This increase is attributable to increases in equipment, occupancy, promotional and communications that are primarily attributable with our firm's growth which were offset by approximately $13.86 million of professional fees incurred in the prior year in connection with the Transaction.

Depreciation and amortization. Depreciation and amortization expense increased $47.49 million, or 266.0%, to $65.35 million for the year ended December 31, 2006, compared with $17.85 million for the year ended December 31, 2005. This increase was driven by $47.37 million of additional amortization recognized on intangible assets and internally developed software recorded in conjunction with the Transaction.

Other expenses. Other expenses decreased $7.79 million, or 61.3%, to $4.92 million for the year ended December 31, 2006, from $12.71 million for the year ended December 31, 2005. Remediation efforts for Class B and Class C mutual fund share transactions (see Note 17 to our consolidated financial statements) resulted in a $2.97 million reduction of costs that had previously been estimated and accrued for. If we were to exclude the reversal of the accrual associated with the remediation efforts, other general expenses would have decreased $4.82 million, or 37.9% primarily reflecting a $3.16 million goodwill impairment charge related to Innovex in the prior year.

Interest expenses. Interest expense increased $123.04 million to $125.40 million for the year ended December 31, 2006, compared with $2.36 million for the year ended December 31, 2005. The increase was primarily due to an additional $123.72 million of non-operating interest expense from senior credit facilities and subordinated notes related to the Transaction.

Provision for Income Taxes. Provision for income taxes decreased $25.24 million, or 54.3% to $21.22 million for the year ended December 31, 2006, compared with $46.46 million for the year ended December 31, 2005. The decrease in income tax expense was primarily related to the decrease in pre-tax income from continuing operations over comparable periods. Our effective tax rate for 2006

was 38.7% as compared to 40.1% for 2005. The increased tax rate for 2005 was primarily related to non-deductible Transaction costs.

Segment Information

Our Advisor Services segment, which represents approximately 99.2% of consolidated revenues for the year ended December 31, 2007, and approximately 99.1%, of consolidated revenues for the year ended December 31, 2006, provides a full range of brokerage, investment advisory, and infrastructure services to FAs and financial institutions in the United States. Our other four segments provide trust services, mortgage services (which ceased operations on December 31, 2007), insurance services, and affiliated advisory services, respectively, almost entirely to customers of our FAs. These other four segments do not, individually or in the aggregate, meet the segment reporting requirements under SFAS 131 and consequently have been aggregated as "Other" for reporting purposes. Certain corporate assets and expenses at our holding company have not been allocated to our operating segments, as they are not used by our chief operating decision maker in assessing segment performance or in deciding how to allocate resources.

2007 vs. 2006

Revenues at our Advisor Services segment increased $972.74 million, or 56.4%, to $2.70 billion for the year ended December 31, 2007 from $1.72 billion for the year ended December 31, 2006. This increase was primarily attributable to a 15.2% net increase in the overall number of FAs (excluding our 2007 acquisitions) and earnings from our 2007 acquisitions. The consolidation of UVEST revenues for the period January 2, 2007 (date of acquisition) through December 31, 2007 accounts for $201.55 million or 20.7% of the revenue increase, while the consolidation of IASG revenues for period June 20, 2007 (date of acquisition) through December 31, 2007 accounts for $190.86 million or 19.6% of the revenue increase. Revenues for our Other reportable segment increased by $8.10 million, or 34.9%, to $31.29 million for the year ended December 31, 2007 from $23.19 million for the year ended December 31, 2006, primarily due to a $4.98 million increase at LPL Insurance Associates reflecting higher commissions generated from life insurance applications.

Income before income taxes in our Advisor Services segment increased by $52.31 million, or 22.8%, to $281.57 million for the year ended December 31, 2007 from $229.27 million for the year ended December 31, 2006, attributed mainly to revenue growth of 56.4%, reflecting a net increase in the overall number of FAs and earnings which were complimented by our 2007 acquisitions. Our Other reportable segment increased by $1.13 million, or 74.3%, to $2.65 million for the year ended December 31, 2007 from $1.52 million for the year ended December 31, 2006, due to slight increases across various businesses in our Other reportable operating segment.

2006 vs. 2005

Revenues at our Advisor Services segment increased $331.98 million, or 23.9%, to $1.72 billion for the year ended December 31, 2006 from $1.39 billion for the year ended December 31, 2005 driven mainly by an 8.1% increase in the overall number of FAs. Revenues for our Other segment increased by $2.87 million, or 14.1%, to $23.19 million for the year ended December 31, 2006 from $20.32 million for the year ended December 31, 2005, due primarily to an increase in commissions generated from life insurance applications offset by a decline in the volume of loans processed due primarily to rising interest ratings.

Income from continuing operations before income taxes in our Advisor Services segment increased by $85.77 million, or 59.8%, to $229.27 million for the year ended December 31, 2006 from $143.50 million for the year ended December 31, 2005, attributed mainly to the revenue growth discussed above. Our Other segment increased by $3.49 million, or 177.2%, to $1.52 million for the

year ended December 31, 2006 from ($1.97) million for the year ended December 31, 2005, due primarily to a goodwill impairment charge of $3.16 million recorded in 2005. Additionally, other corporate and unallocated income from continuing operations before income taxes increased $150.13 million over the same period in the prior year primarily due to unallocated expenses, such as interest on our senior credit facilities, additional depreciation of assets, and amortization of intangible assets, all resulting from the Transaction, which were not incurred in the prior year.

Recent Accounting Pronouncements

Accounting for Fair Value Measurements and Disclosures

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements* ("SFAS 157"), which is effective for fiscal years beginning after November 15, 2007. SFAS 157 establishes a definition of fair value, the methods used to measure fair value, and expanded disclosures about fair value measurements, which is expected to result in increased consistency and comparability in fair value measurements and disclosures. Subsequent to the issuance of SFAS 157, the FASB issued FASB Staff Position No. FAS 157-1 and No. FAS 157-2, which, scope out the lease classification measurements under SFAS No. 13, *Accounting for Leases*, from SFAS 157 and delays the effective date on SFAS 157 for all nonrecurring fair value measurements of nonfinancial assets and nonfinancial liabilities until fiscal years beginning after November 15, 2008. The provisions of SFAS 157 are not expected to have a material impact on our consolidated statements of financial condition, income, or cash flows, however, additional disclosures will be required.

Accounting for Fair Value Option of Financial Assets and Liabilities

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option of Financial Assets and Financial Liabilities—Including an amendment of FASB Statement No. 115* ("SFAS 159"). This standard permits entities to choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value. SFAS 159 also establishes presentation and disclosure requirements designed to facilitate comparisons between entities that choose different measurement attributes for similar types of assets and liabilities. SFAS 159 is effective for fiscal years beginning after November 15, 2007. We are currently evaluating the impact that the adoption of SFAS 159 will have on our consolidated statements of financial condition, income, and cash flows.

Accounting for Business Combinations

In December 2007, the FASB issued SFAS No. 141(R), *Business Combinations*, ("SFAS 141R"). SFAS 141R establishes principles and requirements in a business combination for how the acquirer recognizes and measures in the Company's financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree, recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase, and determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. SFAS 141R applies to all transactions or other events in which a Company obtains control of one or more businesses, including those sometimes referred to as "true mergers" or "mergers of equals" and combinations achieved without the transfer of consideration (e.g., by contract alone or through the lapse of minority veto rights). SFAS 141R applies prospectively to business combinations for which the acquisition date occurs on or after December 1, 2009. We are currently evaluating the impact that the adoption of SFAS 141R will have on our consolidated statements of financial condition, income, and cash flows.

Accounting for Noncontrolling Interests

In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements an amendment of ARB No. 51* ("SFAS 160"), which improves the relevance, comparability and transparency of the financial information that a reporting entity provides in its consolidated financial statements by establishing accounting and reporting standards for the non-controlling interest in a subsidiary and for the deconsolidation of a subsidiary. SFAS 160 is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. Early adoption of SFAS 160 is not permitted. We are currently evaluating the impact, if any, that the adoption of SFAS 160 will have on our consolidated statements of financial condition, income and cash flows.

Liquidity and Capital Resources

Summary of Changes in Cash and Cash Equivalents

Net cash provided by operating activities for the years ended December 31, 2007, 2006 and 2005, was $10.07 million, $139.23 million and $118.00 million, respectively. The decrease in fiscal year 2007 as compared to fiscal year 2006 is largely attributable to an increase in cash levels required to remain in a segregated reserve account for the exclusive benefit of customers. Additionally, income taxes payable of $51.14 million resulting from tax deductive events related to stock options exercised from the Transaction was realized in 2006 that did not recur in 2007. These activities were offset by higher operating income (including our 2007 acquisitions). The increase in fiscal year 2006 as compared to fiscal year 2005 was largely offset by interest costs related to the senior notes issued in conjunction with the Transaction and a change in taxes payable/receivable of approximately $108.45 million which was also associated with tax deductible events related to the Transaction. The remainder of change in cash provided by operating activities is attributed to the net fluctuations in various other operating asset and liability accounts.

Net cash used in investing activities in continuing operations for the years ended December 31, 2007, 2006 and 2005, was $168.28 million, $30.41 million, and $1.75 million, respectively. The increase in fiscal year 2007 as compared to fiscal year 2006 is principally due to our 2007 acquisitions, for which $88.69 million was paid during the year ended December 31, 2007. The remainder of change is attributed to a $48.26 million annual increase in capital expenditures. The increase in fiscal year 2006 as compared to fiscal year 2005 is principally due to non-recurring cash proceeds from the sale of fixed assets of $20.31 million received during the year ended December 31, 2005. In addition, a $9.05 million investment was made to GPA in fiscal year 2005, which we subsequently sold in October 2005 and reported the results and cash flows from the sale as discontinued operations.

Net cash provided by financing activities for the years ended December 31, 2007 and 2006, was $101.04 million and $1.75 million, respectively, compared to net cash used in financing activities of $86.04 million for the year ended December 31, 2005. During fiscal year 2007, we borrowed $65.00 million on our revolving credit facility, $25.00 million to fund our acquisition of IFMG, and $40.00 million to fund our working capital requirements. We also paid down $45.00 million on our senior secured credit facilities in fiscal year 2006. The difference in fiscal year 2006 as compared to fiscal year 2005 is due primarily to $1.35 billion of proceeds received from the issuance of senior notes and $740.74 million of proceeds received from the issuance of common stock offset largely by the repurchase of $2.08 billion of previous outstanding common shares and stock appreciation rights, all which occurred in fiscal year 2005. Additionally, we paid $55.09 million of dividends to stockholders and $25.05 million for the repayment of bank loans during the year ended December 31, 2005, but not during 2006.

Operating Capital Requirements

Our primary requirement for working capital relates to funds we loan to customers for trading done on margin and funds we are required to maintain at clearing organizations to support customers' trading activities. We require that customers deposit funds with us in support of their trading activities and we hypothecate securities held as margin collateral, which we in turn use to lend to customers for margin transactions and deposit with our clearing organizations. These activities account for the majority of our working capital requirements, which are primarily funded directly or indirectly by customers. Our other working capital needs are primarily limited to regulatory capital requirements 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 customer funds associated with the settlement of customer transactions in securities markets. Historically, these timing differences were funded either with internally generated cash flow or, if needed, with funds drawn under short-term borrowing facilities, including both committed unsecured lines of credit and uncommitted lines of credit secured by customer securities. We also may borrow up to $100.00 million for working capital and other general corporate purposes under the revolving credit facility which has been provided under our senior secured credit facilities. Currently, $10.00 million of such facility is being utilized to support the issuance of an irrevocable letter of credit issued for the benefit of The Private Trust Company, N.A. Additionally, LPL, one of our broker-dealer subsidiaries, continues to utilize uncommitted lines which are secured by customer securities to fund margin loans.

Our registered broker-dealers are subject to the SEC's Uniform Net Capital Rule, which requires the maintenance of minimum net capital. LPL and Associated Securities Corp., an introducing broker-dealer and wholly owned subsidiary of AFG, compute 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% of aggregate debit balances arising from customers' transactions, as defined. LPL is also subject to the Commodity Futures Trading Commission's ("CFTC") minimum financial requirements, which require that it maintain net capital, as defined, equal to 4% of customer funds required to be segregated pursuant to the Commodity Exchange Act, less the market value of certain commodity options, all as defined. UVEST, MSC and WFG all compute net capital requirements under the aggregate indebtedness method, which requires firms to maintain minimum net capital, as defined, of not less than $6^{2}/_{3}$ percent of aggregate indebtedness, also as defined.

PTC 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 a direct material effect on our consolidated financial statements.

Funding for purposes other than working capital requirements, including capital expenditures and acquisitions, has historically been provided for from internally generated cash flow. Future funding for these needs may also come from our new revolving credit facility.

Liquidity Assessment

We believe that, based on current levels of operations and anticipated growth, cash flow from operations, together with other available sources of funds, including revolving credit borrowings under our senior secured credit facilities, 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. Our conclusion is based on recent levels of net cash flow from our operations of approximately $10.07 million and the significant additional borrowing capacity that exists under our revolving credit facility.

Our ability to meet our debt service obligations and reduce our total debt will depend upon our future performance which, in turn, will be subject to general economic, financial, business, competitive, legislative, regulatory, and other conditions, many of which are beyond our control. In addition, our operating results, cash flow and capital resources may not be sufficient for repayment of our indebtedness in the future. Some risks that could materially adversely affect our ability to meet our debt service obligations include, but are not limited to, general economic conditions and economic activity in the financial markets. The performance of our business is correlated with the economy and financial markets, and a slowdown or downturn in the economy or financial markets could adversely affect our business, results of operations, cash flows or financial condition.

If our cash flows and capital resources are insufficient to fund our debt service obligations, we may be forced to reduce or delay investments, seek additional capital or restructure or refinance our indebtedness, including the senior unsecured subordinated notes as discussed below. These measures may not be successful and may not permit us to meet our scheduled debt service obligations. In the absence of sufficient cash flows and capital resources, we could face substantial liquidity problems and might be required to dispose of material assets or operations to meet our debt service and other obligations. However, our new senior secured credit facilities and the indenture governing the notes offered hereby will restrict our ability to dispose of assets and the use of proceeds from any such dispositions. We may not be able to consummate those dispositions or to obtain the proceeds that we could realize from them and, in any event, the proceeds may not be adequate to meet any debt service obligations then due.

Indebtedness

As of December 31, 2007, we had outstanding $836.07 million of borrowings under our senior secured credit facilities and $550.00 million of senior unsecured subordinated notes. The senior secured credit facilities also include a $100.00 million revolving credit facility, $10.00 million of which is currently being utilized to support the issuance of an irrevocable letter of credit issued for the benefit of PTC. As of December 31, 2007, $65.00 million was available for future borrowings. This facility expires on December 28, 2011. We also maintain uncommitted lines of credit, which have an unspecified limit, primarily dependent on our ability to provide sufficient collateral. Additionally, in an effort to mitigate interest rate risk, we entered into an interest rate swap agreement to hedge the variability on $495.00 million of our floating rate senior secured credit facilities.

Interest Rate and Fees

Borrowings under our senior secured credit facilities bear interest at a base rate equal to the London Interbank Offering Rate ("LIBOR") plus an applicable margin. The applicable margin for borrowings is currently, (x) under the revolving credit facility, 1.00% with respect to base rate borrowings and 2.00% with respect to LIBOR borrowings and (y) under the senior secured term loan facility, 1.50% with respect to base rate borrowings and 2.50% with respect to LIBOR borrowings. The applicable margin on the senior secured term loan facility may be changed depending on what our leverage ratio is or how our credit is rated by Moody's Investors Services, Inc.

In addition to paying interest on outstanding principal under the senior secured credit facilities, 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 is currently 0.375% per annum, but is subject to changes depending on what our leverage ratio is. We must also pay customary letter of credit fees.

Prepayments

The senior secured credit facilities (other than the revolving credit facility) will require us to prepay outstanding senior secured term loans, subject to certain exceptions, with:

- 50% (percentage will be reduced to 25% if our total leverage ratio is 5.00x or less and to 0% if our total leverage ratio is 4.00x or less) of our annual excess cash flow, adjusted for, among other things, changes in our net working capital;
- 100% of the net cash proceeds of all nonordinary course asset sales or other dispositions of property, if we do not (1) 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; and
- 100% of the net cash proceeds of any incurrence of debt, other than proceeds from debt permitted under the senior secured credit facilities.

The foregoing mandatory prepayments will be applied to scheduled installments of principal of the senior secured term loan facility in direct order.

We may voluntarily repay outstanding loans under the senior secured credit facilities at any time without premium or penalty, other than customary "breakage" costs with respect to LIBOR loans.

Amortization

We are required to repay the loans under the senior secured term loan facility in equal quarterly installments in aggregate annual amounts equal to 1% of the original funded principal amount of such facility, with the balance being payable on the final maturity date of such facility.

Principal amounts outstanding under the revolving credit facilities are due and payable in full at maturity.

Guarantee and Security—The senior secured facilities are secured primarily through pledges of the capital stock in our subsidiaries.

Certain Covenants and Events of Default

The senior secured credit facilities will contain a number of covenants that, among other things, restrict, subject to certain exceptions, our ability to:

- incur additional indebtedness;
- create liens;
- enter into sale and leaseback transactions;
- engage in mergers or consolidations;
- sell or transfer assets;
- pay dividends and distributions or repurchase our capital stock;
- make investments, loans or advances;
- prepay certain subordinated indebtedness;
- make certain acquisitions;
- engage in certain transactions with affiliates;
- make capital expenditures;

- amend material agreements governing certain subordinated indebtedness; and
- change our lines of business.

In addition, the senior secured credit facilities will require us to maintain the following financial covenants:

- a minimum interest coverage ratio; and
- a maximum total leverage ratio.

Interest Rate Swaps

On January 30, 2006, we entered into five interest rate swap agreements ("Swaps"). An interest rate swap is a financial derivative instrument whereby two parties enter into a contractual agreement to exchange payments based on underlying interest rates. We use the Swaps to hedge the variability on our floating rate for approximately $495.00 million of our senior secured notes. We are required to pay the counterparty to the agreement fixed interest payments on a notional balance, and in turn, receive variable interest payments on that notional balance. Payments are settled quarterly on a net basis. As of December 31, 2007, we assessed the Swaps as being highly effective and we expect them to continue to be highly effective. While approximately $341.07 million of our senior secured notes remain unhedged as of December 31, 2007, the risk of variability on our floating interest rate is mitigated by our margin interest loans made to our customers. At December 31, 2007, our receivable from customers for margin loan activity was approximately $369.03 million.

Senior Unsecured Subordinated Notes

The notes are due in 2015, and bear interest at 10.75% per annum. Interest payments are payable semi-annually in arrears. We are not required to make mandatory redemption or sinking fund payments with respect to the notes and at December 31, 2007, the entire $550.00 million was still outstanding. The senior unsecured subordinated notes are subject to certain financial and non-financial covenants. As of December 31, 2007, we were in compliance with all such covenants.

Contractual Obligations

The following table provides information with respect to our commitments and obligations as of December 31, 2007:

	Payments due by period				
	(in thousands)				
	Total(4)	< 1 year	1-3 years	4-5 years	> 5 years
Lease Obligations(2)	$ 110,803	$ 19,718	$ 39,858	$ 28,232	$ 22,995
Senior Secured Credit Facilities and Senior Unsecured Notes(1)(3)	1,386,071	8,424	16,848	16,848	1,343,951
Bank loans payable	40,000	40,000	—	—	—
Revolving Line of Credit	25,000	25,000	—	—	—
Fixed Interest Payments	473,000	59,125	118,250	118,250	177,375
Variable Interest Payments(3)	266,725	14,483	113,600	111,417	27,225
Interest Rate Swap Agreements(3)	61,514	22,094	31,190	8,230	—
Total contractual cash obligations	$ 2,363,113	$ 188,844	$ 319,746	$ 282,977	$ 1,571,546

(1) Note 14 and 15 of our consolidated financial statements provides further detail on these debt obligations.

(2) Note 17 of our consolidated financial statements provides further detail on operating lease obligations.

(3) Our senior credit facilities bear interest at floating rates. Of the $836.07 million outstanding at December 31, 2007, we have hedged the variable rate cash flows using interest rate swaps of $495.00 million of principle (see Note 15 of our consolidated financial statements). Variable interest payments are shown for the unhedged ($341.07 million) portion of the senior credit facilities assuming the three-month LIBOR remains unchanged at 4.83% (see Note 14 of our consolidated financial statements for more information).

(4) As of December 31, 2007, we reflect a liability for unrecognized tax benefits (FIN 48) of $15.14 million, which we have included in income taxes payable on the accompanying consolidated statements of financial condition. Due to the high degree of uncertainty regarding the timing of our cash outflows of liabilities for unrecognized tax benefits, a reasonable estimate of the period of cash settlement can not be made. See Note 13 of the accompanying consolidated financial statements for further disclosure on our uncertain tax positions in accordance with FIN 48.

Other Commitments and Contingencies

Guarantees—We occasionally enter into certain types of contracts that contingently require us to indemnify certain parties against third-party claims. These contracts primarily relate to real estate leases under which we may be required to indemnify property owners for claims and other liabilities arising from our use of the applicable premises. The terms of these obligations vary, and because a maximum obligation is not explicitly stated, we have determined that it is not possible to make an estimate of the amount that we could be obligated to pay under such contracts.

LPL also 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. Our liability under these arrangements is not quantifiable and may exceed the cash and securities we posted as collateral. However, the potential requirement for us to make payments under these agreements is remote. Accordingly, no liability has been recognized for these transactions.

Litigation—We have been named as a defendant in various legal actions, including arbitrations. In view of the inherent difficulty of predicting the outcome of such matters, particularly in cases in which claimants seek substantial or indeterminate damages, we cannot predict with certainty what the eventual loss or range of loss related to such matters will be. We believe, based on current knowledge, after consultation with counsel, and consideration of insurance, if any, that the outcome of such matters will not have a material adverse effect on our results of operations, cash flows or financial condition.

Regulatory—Our businesses, as well as the financial services industry generally, are subject to extensive regulation. As a matter of public policy, securities regulatory bodies are charged with safeguarding the integrity of the securities and other financial markets and with protecting the interests of customers participating in those markets, not with protecting the interests of our stockholders or creditors. The SEC is the federal agency responsible for the administration of the federal securities laws, while the CFTC is the federal agency responsible for the administration of the federal commodities laws. The exchanges, FINRA and the National Futures Association are self-regulatory bodies composed of members, such as our broker-dealer subsidiaries, that have agreed to abide by the respective bodies' rules and regulations. Each of these regulatory bodies may examine the activities of, and may expel, fine, and other wise discipline member firms and their registered representatives. The laws, rules, and regulations comprising this framework of regulation and the interpretation and enforcement of existing laws, rules, and regulations are constantly changing. The effect of any such changes cannot be predicted and may impact the manner of our operations and profitability.

In 2006, LPL Financial remediated certain transactions in conjunction with an Acceptance Waiver and Consent entered into with FINRA in May of 2005 regarding certain sales of Class B and Class C mutual fund shares (all of which had been accrued for in the prior years).

In November 2005, prior to our acquisition of IASG, MSC received a "Wells" notice from FINRA's Department of Enforcement. The staff alleged that MSC had failed to maintain adequate supervisory procedures regarding certain variable annuity transactions, and failed to maintain accurate books and records related thereto. On July 23, 2007, the staff filed a complaint against MSC and certain of its employees in connection with this matter. We are indemnified for such claims and future settlements related to such matters by the prior owners.

Other Commitments—As of December 31, 2007, the Company had received collateral primarily in connection with customer margin loans with a market value of approximately $516.64 million, which we can sell or repledge. Of this amount, approximately $183.67 million has been pledged or sold as of December 31, 2007; $128.72 million was pledged to a bank in connection with an unutilized secured margin line of credit, $31.63 million was pledged to various clearing organizations, and $23.32 million was loaned to the DTC through participation in its Stock Borrow Program. As of December 31, 2006, the Company had received collateral primarily in connection with customer margin loans with a market value of approximately $404.19 million, which it can sell or repledge. Of this amount, approximately $150.52 million had been pledged or sold as of December 31, 2006: $100.38 million was pledged to a bank in connection with an unutilized secured margin line of credit, $35.26 million was pledged to various clearing organizations, and $14.88 million was loaned to the DTC through participation in its Stock Borrow Program.

In August of 2007, pursuant to agreements with a large global insurance company, LPL began providing brokerage, clearing, and custody services on a fully disclosed basis; offering its investment advisory programs and platforms; and providing technology and additional processing and related services to its financial advisors and customers. The terms of the agreements are five years, subject to additional 24-month extensions. Termination fees may be payable by a terminating or breaching party depending on the specific cause leading to termination.

In conjunction with the acquisition of UVEST (see Note 3), we made full-recourse loans to certain members of management (also selling stockholders), all of which are now stockholders. As of December 31, 2007, outstanding stockholder loans, which are reported as a deduction from stockholders' equity, were approximately $1.24 million.

Innovex ceased operations on December 31, 2007. Prior to that date, Innovex sold its mortgage loans without recourse. Innovex was usually required by the buyers (investors) of these loans to make certain representations concerning credit information, loan documentation and collateral. Innovex did not repurchase any loans during years ended December 31, 2007 and December 31, 2006.

As part of its brokerage operations, LPL periodically enters into when-issued and delayed delivery transactions on behalf of its customers. Settlement of these transactions after December 31, 2007 did not have a material effect on our consolidated statements of financial condition.

Off-balance Sheet Arrangements

At December 31, 2007, we did not have any off-balance sheet arrangements as that term is defined in Item 303 of Regulation S-X of the Securities Act that are likely to have a current or future material effect on our financial condition, revenue or expenses, results of operations, liquidity, capital expenditures or capital resources.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market Risk

We bear some market risk on margin transactions affected for our IFAs' clients. In margin transactions, we extend credit to clients, collateralized by cash and securities in the client's account. As our IFAs 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 IFAs fail to reimburse us for such losses. The risk of default depends on the creditworthiness of the client. To minimize this risk we assess the creditworthiness of the clients and monitor the margin level daily. Clients are required to deposit additional collateral, or reduce positions, when necessary.

We also have market risk on the fees we earn that are based on the market value of assets in certain client accounts and for which ongoing fees or commissions are paid. We do not enter into derivatives or other similar financial instruments for trading or speculative purposes.

Interest Rate Risk

We are exposed to risk associated with changes in interest rates. As of December 31, 2007, all of the outstanding debt under our senior secured credit facilities, $836.07 million, was subject to floating interest rate risk. To provide some protection against potential rate increases associated with our floating senior secured credit facilities, in January 2006 we entered into derivative instruments in the form of Swaps covering a significant portion ($495.00 million) of our senior secured indebtedness. The Swaps qualify for hedge accounting under SFAS 133 *"Accounting for Derivative Instruments and Hedging Activities."* Accordingly, any interest rate differential is reflected in an adjustment to interest expense over the lives of the Swaps. While the unhedged portion of our senior secured debt is subject to increases in interest rates, we believe that this risk is offset with variable interest rates associated with customer borrowings. At December 31, 2007, we had $341.07 million in unhedged senior secured borrowings, the variable cost of which is offset by variable interest income on $369.03 million of customer borrowings. Because of this relationship, and our expectation for outstanding balances in the future, we do not believe that a short-term change in interest rates would have a material impact on our income before taxes. For a discussion of such Swaps, see Note 15 to our audited consolidated financial statements.

We offer two primary cash sweep programs depending on account type: money market sweep vehicles involving multiple money market fund providers and the Insured Cash Account ("ICA"), an insured bank deposit sweep vehicle. Our ICA program uses multiple non-affiliated banks to provide customers with up to $1.00 million ($2.00 million joint) of FDIC insurance for customer deposits custodied at the banks. While our customers earn interest for balances on deposit in the ICA program, we earn a fee. Our fees from the ICA program are not based on prevailing interest rates, but may be adjusted in a declining interest rate environment or for other reasons. Changes in interest rates for the ICA program are monitored by our Fee and Rate Setting Committee (the "FRS Committee"), which governs and approves any changes to our ICA fees. By meeting promptly after interest rates change, or for other market or non-market reasons, the FRS Committee balances financial risk of the ICA program with a product that offers competitive customer yields. However, as short-term interest rates hit lower levels, the FRS Committee may be compelled to lower ICA program fees. A 0.25% decrease in short-term interest rates, if accompanied by a commensurate reduction in ICA program fees, would result in a decrease in income before income taxes of $21.60 million over the subsequent twelve month period (assuming customer balances at December 31, 2007 held constant over that 12 month period). Actual impacts to the ICA program may be less, depending on interest rate levels, the significance of change, and the FRS Committee's strategy in responding to that change.

Operational Risk

Operational risk generally refers to the risk of loss resulting from our operations, including, but not limited to, improper or unauthorized execution and processing of transactions, deficiencies in our technology or financial operating systems and inadequacies or breaches in our control processes. We operate in diverse markets and are reliant on the ability of our employees and systems to process a large number of transactions. These risks are less direct than credit and market risk, but managing them is critical, particularly in a rapidly changing environment with increasing transaction volumes. In the event of a breakdown or improper operation of systems or improper action by employees, we could suffer financial 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 operate within established corporate policies and limits.

Risk Management

We have established various committees of the Board of Directors to manage the risks associated with our business. Our Audit Committee was established for the primary purpose of overseeing (i) the integrity of our financial statements, (ii) our compliance with legal and regulatory requirements that may impact our financial statements or financial operations, (iii) the independent auditor's qualifications and independence and (iv) the performance of our independent auditor and internal audit function. Our Compensation and Human Resources Committee was established for the primary purpose of (i) overseeing our efforts to attract, retain and motivate members of our senior management team in partnership with the Chief Executive Officer, (ii) to carry out the Board's overall responsibility relating to the determination of compensation for all executive officers, (iii) to oversee all other aspects of our compensation and human resource policies and (iv) to oversee our management resources, succession planning and management development activities.

In addition to various committees, we have written policies and procedures that govern the conduct of business by our IFAs and employees, our relationship with clients and the terms and conditions of our relationships with product manufacturers. Our client and financial 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 financial advisor conduct among other matters.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The Consolidated Financial Statements and Supplementary Data are included as an annex to this Annual Report on Form 10-K. See the Index to Consolidated Financial Statements and Supplementary Data on page F-1.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. 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.

Management's Annual Report on Internal Control Over Financial Reporting

This annual report does not include a report of management's assessment regarding internal control over financial reporting or an attestation report of the company's registered public accounting firm due to a transition period established by rules of the Securities and Exchange Commission for newly public companies.

Change in Internal Control over Financial Reporting

No change in our internal control over financial reporting occurred during our most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Set forth below is certain information concerning the individuals that currently serve as members of the Board, as well as the executive officers of LPL, as of December 31, 2007.

Name	Age	Position(1)
Mark S. Casady	47	Chief Executive Officer and Chairman of the Board
Jeffrey A. Goldstein	52	Director
Douglas M. Haines	40	Director
James S. Putnam	53	Director, Vice-Chairman of the Board
James S. Riepe	64	Director
Richard P. Schifter	55	Director
Jeffrey E. Stiefler	61	Director
Allen R. Thorpe	37	Director
Steven M. Black	51	Managing Director, Chief Risk Officer
Stephanie L. Brown	55	Managing Director, General Counsel
William E. Dwyer	50	Managing Director, President, Independent Advisor Services
C. William Maher	46	Managing Director, Chief Financial Officer
Esther M. Stearns	47	President and Chief Operating Officer
Joseph P. Tuorto	50	Managing Director, Head of Compliance

(1) Directors are generally elected for a term of three years.

The following information provides a brief description of the business experience of each director and executive officer.

Mark S. Casady—Chief Executive Officer and Chairman

Mr. Casady has been our Chief Executive Officer and Chairman since March 2007. He joined us in 2002 as Chief Operating Officer, became our President in April 2003 and became our Chief Executive Officer, President and Chairman in December 2005. Before joining the firm in 2002, Mr. Casady was Managing Director, Mutual Fund Group for Deutsche Asset Management, Americas—formerly Scudder Investments. He joined Scudder in 1994 and held roles as Managing Director—Americas; Head of Global Mutual Fund Group; Head of Defined Contribution Services; and was a member of the Scudder, Stevens and Clark Board of Directors and Management Committee. He is also on the Board and a member of the Compensation Committee of Percipio Capital Management LLC. Mr. Casady received his B.S. from Indiana University and his M.B.A. from DePaul University.

Jeffrey A. Goldstein—Director

Mr. Goldstein joined Hellman & Friedman as a managing director in 2004 and has been our director since December 2005. Before joining Hellman & Friedman, Mr. Goldstein was Managing Director, Chief Financial Officer and Member of the Management Committee of the World Bank. Prior to his tenure at the World Bank, Mr. Goldstein was Co-Chairman of BT Wolfensohn and a member of the Bankers Trust Company Management Committee. Earlier in his career, Mr. Goldstein taught economics at Princeton University and worked at the Brookings Institution. Mr. Goldstein is also a member of the Board of AlixPartners LLP. Mr. Goldstein also serves as a member of the Board of Trustees and Chairman of the Investments Committee of Vassar College, member of the Board of Directors of International Center for Research on Women and member of the Council on Foreign Relations. He was Trustee and past President of Big Brothers Big Sisters of New York City and was

trustee of the German Marshall Fund of the United States. He received his B.A. from Vassar College and his Ph.D., M.Phil., and M.A. in economics from Yale University.

Douglas Marshall Haines—Director

Mr. Marshall Haines has been a principal of TPG Capital since 2004 and our director since December 2005. From 1993 to 2003 Mr. Haines was with Bain Capital. Mr. Haines received his bachelor's degree from the University of California at Berkeley and his M.B.A. from Harvard Business School. Mr. Haines also serves as a director of Fidelity National Information Services and Direct General.

James S. Putnam—Director and Vice Chairman

Mr. Putnam has been Chief Executive Officer of GPA since 2004 having served on the Board of Directors of GPA since 1998, and has been our director and vice-chairman since December 2005. Prior to that, Mr. Putnam was our Managing Director of National Sales, responsible for branch development, marketing, corporate communications mutual fund and annuity sales. Mr. Putnam began his securities career as a retail representative with Dean Witter Reynolds in 1979. Mr. Putnam received his B.A. from Western Illinois University.

Richard P. Schifter—Director

Mr. Schifter has been a partner at TPG Capital since 1994. Prior to joining TPG, Mr. Schifter was a partner at the law firm of Arnold & Porter in Washington, D.C., where he specialized in bankruptcy law and corporate restructuring. Mr. Schifter joined Arnold & Porter in 1979 and was a partner from 1986 through 1994. Mr. Schifter is a member of the District of Columbia Bar and graduated cum laude from the University of Pennsylvania Law School in 1978. He received a B.A. with distinction from George Washington University in 1975. Mr. Schifter currently serves on the Boards of Directors of Midwest Air Group, Bristol Group, LPL Holdings Inc., Ariel Reinsurance Company Ltd, and on the Board of Overseers of the University of Pennsylvania Law School. He is also a member of the Boards of Directors of the Washington Chapter of the American Jewish Committee, Youth, I.N.C., (Improving Non-profits for Children), and The Eco-Enterprise Fund of the Nature Conservancy.

Jeffrey E. Stiefler—Director

Mr. Stiefler has been an independent consultant since February 2008. Before that, Mr. Stiefler was a Senior Vice-President of Intuit Corp. and President of Intuit's financial institutions division since February 2007, and our director since May 2006. Previously, Mr. Stiefler was Chairman, President and Chief Executive Officer of Digital Insight Corp. from 2003 to 2007. Mr. Stiefler serves as an adviser for North Castle Partners, a private equity firm. Mr. Stiefler was Vice Chairman of Walker Digital Corporation from 2000 to 2001, President of Telephony@Work, a private technology company, from 2001 to 2002, and operating partner for McCown DeLeeuw & Company from 1995 to 2000, where he also served as Chairman or Chief Executive Officer for several service-outsourcing companies. Before that, he was President and Director of American Express Company. Mr. Stiefler received his B.A. from Williams College and an M.B.A. from Harvard Business School.

Allen R. Thorpe—Director

Mr. Thorpe has been a managing director at Hellman & Friedman since 2004 and our director since October 2005. Prior to joining that firm in 1999, Mr. Thorpe was a Vice President with Pacific Equity Partners and a Manager at Bain & Company. Mr. Thorpe currently also serves as a director of Gartmore Investment Management, Mondrian Investment Partners Ltd., Sheridan Healthcare and Emdeon Business Services. Mr. Thorpe graduated with Distinction from Stanford University and was a

Baker Scholar at the Harvard Business School. He is also Term Member of the Council on Foreign Relations.

James S. Riepe—Director

Mr. Riepe has been a director since February 2008. Mr. Riepe is a Senior Advisor and Retired Vice Chairman of the Board of Directors of T. Rowe Price Group, Inc., a global asset management firm, where he worked for nearly 25 years. Mr. Riepe served as chairman of the Board of Governors of the Investment Company Institute and was a member of its Executive Committee. In addition, he currently serves as a member of the Board of Directors of The NASDAQ OMX Group, Inc., Genworth Financial, Inc., and the Baltimore Equitable Society. Previously, he served as a member of the Board of Governors of the National Association of Securities Dealers, Inc. Mr. Riepe received his bachelor's degree and his M.B.A. from the University of Pennsylvania, where he currently serves as Chairman of the Board of Trustees.

Steven M. Black—Managing Director, Chief Risk Officer

Mr. Black joined us in 1998, as Senior Vice President, Clearing Services. In June of 2001, he became Managing Director of Operations and became Managing Director of Operations and Trading in 2004. In 2006, Mr. Black was made Chief Risk Officer and assumed the responsibility for Sarbanes-Oxley compliance, internal audits and implementation of an enterprise-wide risk management process. Mr. Black attended Stockton State College.

Stephanie L. Brown—Managing Director, General Counsel

Ms. Brown joined us in 1989 and has been responsible for the Legal Department throughout her tenure at LPL. From 1989 to 2004 Ms. Brown was responsible as well for Compliance and Registration Departments. Prior to joining LPL in 1989, Ms. Brown was an associate attorney with the law firm of Kelley Drye & Warren in Washington, D.C., specializing in corporate and securities law. Ms. Brown received her B.A. degree *cum laude* from Bryn Mawr College and her J.D. from the Catholic University of America. Ms. Brown is a member of the District of Columbia and Commonwealth of Massachusetts Bars.

William E. Dwyer—Managing Director, President, Independent Advisor Services

Mr. Dwyer joined us in 1992, became Managing Director, Branch Development in 2002, became Managing Director, National Sales in 2005 and became Managing Director, President of Independent Advisor Services in 2007. Mr. Dwyer has been responsible for setting strategic direction for the management, satisfaction, retention and recruitment of our independent advisors. Mr. Dwyer manages several departments within Independent Advisor Services, including Business Development, Branch Development, Advisory Services, Compliance, Marketing, Sponsor Relations and Product Marketing functions, as well as certain of our subsidiaries including The Private Trust Company, N.A. and the Affiliated Broker-Dealers. Mr. Dwyer also serves on the Board of Big Brothers of Massachusetts Bay since 1999 and has held the position of Executive Vice Chairman since 2001. He received his B.A. from Boston College and holds series 3, 7 and 63 licenses.

C. William Maher—Managing Director, Chief Financial Officer

Mr. Maher joined us in 2005 from Nicholas Applegate Capital Management where he spent the last six years as Chief Financial Officer and Managing Director, responsible for formulating financial policy and planning as well as ensuring the effectiveness of the financial functions within the firm. Mr. Maher is a member of the Board of Directors of The Greater China Fund, Inc. and a member of

its Audit Committee. Mr. Maher received his B.A. from Rutgers University and his M.B.A. from Rutgers Graduate School of Management.

Esther M. Stearns—President and Chief Operating Officer

Ms. Stearns joined us in 1996 as Chief Information Officer. In 2003, she became Chief Operating Officer, and she has been our President since March 2007. Ms. Stearns is responsible for management of our operations, delivery of service and technology to our advisors and business planning for strategic initiatives. Prior to joining LPL, she was a Vice President of Information Systems at Charles Schwab & Co., Inc. Ms. Stearns worked at Charles Schwab since 1982 in operations as well as managed the surveillance, internal control and credit departments. She received her B.A. from the University of Chicago.

Joseph P. Tuorto—Managing Director, Head of Compliance

Mr. Tuorto joined us as Senior Vice President and Head of Compliance in 2004 from Raymond James where he was CCO. He is responsible for the compliance and registration departments. He became our Managing Director and CCO in December 2005. He received his B.A. from the University of South Florida and an M.B.A. from the University of Tampa.

Audit Committee

We maintain a separately-designated Audit Committee of our Board of Directors. The current members of the Audit Committee are Jeffrey A. Goldstein, Richard P. Schifter, and Jeffrey E. Stiefler. Jeffrey A. Goldstein serves as the Chairperson of the Audit Committee.

As the Company is now privately held and controlled by our Majority Holders, we have not designated one or more of our Audit Committee members as an "audit committee financial expert" at this time.

Code of Ethics

We adopted a Code of Ethics that applies to, among others, our principal executive officer, principal financial officer, and principal accounting officer or controller, or persons performing similar functions. A copy of our Code of Ethics is available, free of charge, by writing to us at the following address:

LPL Financial
One Beacon Street, 22nd Floor
Boston, MA 02108

SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934 requires our officers and directors and persons who own more than 10% of a registered class of our equity securities to file initial reports of ownership and reports of changes in ownership with the SEC. Such persons are required by regulation of the SEC to furnish us with copies of all Section 16(a) forms they file. Based solely on our review of the copies of such forms or written representations from certain reporting persons received by us with respect to fiscal 2007, we believe that our officers and directors and persons who own more than 10% of a registered class of our equity securities have complied with all applicable filing requirements, except that Mr. Stiefler filed a late Initial Statement of Beneficial Ownership of Securities on Form 3 on July 10, 2007.

ITEM 11. EXECUTIVE COMPENSATION

Compensation of Directors

Outside directors who are not affiliated with us receive cash compensation for their service as members of the Board. For the years ended December 31, 2007 and 2006, our outside director, Jeffrey Stiefler, received $25,000 and $18,750 in cash, respectively, and was awarded $123,525 and $80,964 in stock options, respectively, as compensation for his service as a member of the Board. All directors are reimbursed for reasonable out-of-pocket expenses incurred in connection with their attendance at meetings of the Board and committee meetings. None of our officers receives any compensation for serving as a director or as a member or chair of a committee of the Board.

The following table sets forth the compensation for each of the non-management members of the Board received from us for service on the Board for the fiscal years ended December 31, 2007 and 2006.

Name	Year	Fees Earned or Paid in Cash ($)	Stock Awards ($)	Option Awards ($)	Non-Equity Incentive Plan Compensation ($)	Change in Pension Value and Nonqualified Deferred Compensation Earnings	All Other Compensation ($)(1)	Total ($)
Jeffrey Stiefler	2007	25,000	—	123,525	—	—	—	148,525
	2006	18,750	—	80,964	—	—		99,714
Jeffrey A. Goldstein	2007	—	—	—	—	—	—	—
	2006	—	—	—	—	—	—	—
Douglas M. Haines	2007	—	—	—	—	—	—	—
	2006	—	—	—	—	—	—	—
James S. Putnam	2007	—	—	—	—	—	—	—
	2006	—	—	—	—	—	—	—
Richard P. Schifter	2007	—	—	—	—	—	—	—
	2006	—	—	—	—	—	—	—
Allen R. Thorpe	2007	—	—	—	—	—	—	—
	2006	—	—	—	—	—	—	—

Summary Executive Compensation Table

The following table sets forth information concerning the total compensation for the fiscal years ended December 31, for the persons who serve as the chief executive officer, chief financial officer, and the three most highly compensated executive officers of our company. These individuals are referred to as "named executive officers" in other parts of this Annual Report on Form 10-K.

Name and Principal Position	Year	Salary ($)(1)	Bonus ($)(2)	Stock Awards ($)	Option Awards ($)	Non-Equity Incentive Plan Compensation ($)	Change in Pension Value(4) and Non-qualified Deferred Compensation Earnings ($)	All Other Compensation ($)	Total ($)
Mark S. Casady(3)	2007	761,923	2,230,000	—	—	—	—	30,188(4)	3,022,111
Chairman; CEO	2006	750,000	1,475,000	—	—	—	—	25,353(5)	2,250,353
C. William Maher	2007	375,000	550,000	—	—	—	—	19,540(6)	944,540
Managing Director; CFO	2006	375,000	450,000	—	—	—	—	30,416(7)	855,416
Steven M. Black	2007	415,000	575,000	—	—	—	—	19,476(8)	1,009,476
Managing Director; Chief Risk Officer	2006	415,000	575,000	—	—	—	—	9,661(9)	999,661
William E. Dwyer(10)	2007	408,500	600,000	—	—	—	—	129,567(11)	1,138,067
Managing Director President, IAS	2006	375,000	575,000	—	—	—	—	18,000(12)	968,000
Esther M. Stearns	2007	425,000	1,075,000	—	—	—	—	18,387(13)	1,518,387
President; COO	2006	425,000	800,000	—	—	—	—	16,227(14)	1,241,227

(1) Includes the dollar value of base salary earned by executive officer.

(2) Includes the dollar value of bonus earned by executive officer.

(3) Mr. Casady receives no additional compensation for his services as a member of the Board, including committees thereof.

(4) Includes $18,750 of employer's contributions to employee's 401(k) plan, $5,051 relating to automobile lease payments and related expenses, and $6,387 in securities commissions.

(5) Includes $7,500 of employer's contributions to employee's 401(k) plan and $17,642 relating to automobile lease payments and related expenses, and $211 in securities commissions.

(6) Includes $15,250 of employer's contributions to employee's 401(k) plan and $4,290 relating to automobile lease payments and related expenses.

(7) Includes $7,500 of employer's contributions to employee's 401(k) plan, $13,563 relating to automobile lease payments and related expenses, and $9,353 for vacation benefits.

(8) Includes $19,050 of employer's contributions to employee's 401(k) plan and $426 in securities commissions.

(9) Includes $8,800 of employer's contributions to employee's 401(k) plan, and $861 in securities commissions.

(10) Mr. Dwyer acquired, during fiscal years 2006 and 2007, 25,040 and 26,000 shares of our common stock, respectively, in connection with the exercise of options awarded in prior fiscal years. See "Options Exercised and Stock Vested."

(11) Includes $18,750 of employer's contributions to employee's 401(k) plan, $10,242 relating to automobile lease payments and related expenses, $100,000 for relocation payment and $575 in securities commissions.

(12) Includes $7,500 of employer's contributions to employee's 401(k) plan and $10,242 of payments received in lieu of having a company-provided automobile, and $258 in securities commissions.

(13) Includes $15,250 of employer's contributions to employee's 401(k) plan, $2,954 relating to automobile lease payments and related expenses, and $183 in securities commissions.

(14) Includes $7,500 of employer's contributions to employee's 401(k) plan and $8,592 relating to automobile lease payments and related expenses, and $135 in securities commissions.

Compensation Discussion and Analysis

The executive compensation program for the named executive officers of our company and LPL generally is designed to closely align the interests of our senior managers and other personnel with those of our shareholders on both a short-term and long-term basis, and to attract and retain key executives critical to our success. That alignment has been achieved principally by ensuring that a significant portion of compensation is directly related to our stock performance. We believe that this philosophy of seeking to align the interests of our senior managers and other personnel with those of shareholders has been a key contributor to the growth and successful performance of our firm.

The elements of our executive compensation program consist of base salary, an annual bonus and a long-term equity incentive program.

Total executive compensation, including equity-based compensation, is highly differentiated based on individual performance, experience, responsibility and our results. A significant portion of each executive's compensation is variable, at-risk and directly dependent upon individual performance against pre-determined goals.

In setting executive compensation levels, consideration is given to the totality of the compensation rather than individual elements. Our Compensation Committee reviews and approves the total compensation payable to each executive.

Base Salary. We believe that the base salary element is required in order to provide our executive officers with a stable income stream that is commensurate with their responsibilities and the competitive market conditions. The base salaries of the named executive officers are set based on the responsibilities of the individual, taking into account the individual's skills, experience, prior compensation levels and competitive market compensation for comparable positions. We review base salary for the named executive officers annually.

Bonus. We set target bonuses for named executive officers based on proposed goals, prior compensation levels and competitive market compensation for comparable positions. We believe that these cash bonuses provide a significant incentive to our executives towards our company-level objectives. These cash bonuses are discretionary as to the amount, timing and conditions and are not determined pursuant to any established formula or other established criteria or numerical guidelines. We determine whether the target bonuses are paid based on the individual's performance and corporate profitability. We have the discretion, subject to the terms of applicable employment agreements, to pay bonuses in excess of or below the targets.

401(k) Plan. We maintain a retirement savings plan, or a 401(k) Plan, for the benefit of all eligible employees. Currently, employees may elect to defer their compensation up to the statutorily prescribed limit. After one year of service, we match 50% of the lesser of the amount designated by the employee for withholding and contribution to the 401(k) Plan and 10% of the employee's total compensation. An employee's interests in his or her deferrals are 100% vested when contributed. The 401(k) Plan is intended to qualify under Sections 401(a) and 501(a) of the Internal Revenue Code. As such, contributions to the 401(k) Plan and earnings on those contributions are not taxable to the employees until distributed from the 401(k) Plan, and all contributions are deductible by us when made. We provide this benefit to our executive officers because it is a benefit we provide to all of our eligible employees, and it is provided to our executive officers on the same basis as all other eligible employees.

Long-Term Equity Incentive Program. Under our Option Plans (as defined below), stock options are granted periodically to our senior executive group as well as to other key managerial and professional employees. Stock options entitle the holder to purchase during a specified time period a fixed number of shares of our common stock at a set price.

The Compensation Committee determines the number of stock options to be granted based on an holistic assessment of current and prospective contribution of value by each individual. Stock options are awarded from time to time to eligible recipients. The Compensation Committee also allocates stock options under the Option Plans for use in attracting new executives. For a description of the Option Plans, see "—Stock Incentive Plans."

Compensation Committee Report

We have reviewed and discussed the foregoing Compensation Discussion and Analysis with management. Based on our review and discussion with management, we have recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this Annual Report on Form 10-K.

Douglas Marshall Haines, Chairperson
Allen R. Thorpe
Mark S. Casady, ex officio member

Outstanding Equity Awards at Fiscal Year-End

The following table shows information relating to unexercised options and restricted stock that has not vested and equity incentive plan awards for each named executive officer as of the end of the fiscal year ended December 31, 2007.

	Option Awards					Stock Awards			
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested ($)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)
Mark S. Casady	2,003,650	—	—	1.88	5/2/2013	—	—	—	—
	500,910	—	—	1.35	11/30/2013	—	—	—	—
	1,402,560	—	—	1.49	5/31/2014	—	—	—	—
C. William Maher	220,390	—	—	2.38	6/1/2015	—	—	—	—
	—	5,000	—	18.90	2/16/2017	—	—	—	—
Steven M. Black	434,200	—	—	1.07	12/14/2009	—	—	—	—
	1,335,840	—	—	1.88	5/2/2013	—	—	—	—
	641,210	—	—	1.49	5/31/2014	—	—	—	—
William E. Dwyer	149,350	—	—	1.07	12/14/2009	—	—	—	—
	13,360	—	—	2.07	1/15/2012	—	—	—	—
	554,380	—	—	1.88	5/2/2013	—	—	—	—
	267,160	—	—	1.35	11/30/2013	—	—	—	—
	667,920	—	—	1.49	5/31/2014	—	—	—	—
Esther M. Stearns	668,010	—	—	1.07	12/14/2009	—	—	—	—
	2,003,760	—	—	1.88	5/2/2013	—	—	—	—

Options Exercised and Stock Vested

The following table sets forth the options exercised and stock vested during the year ended December 31, 2007 relating to the named executive officers.

	Option Awards		Stock Awards	
Name	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise ($)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting ($)
Mark S. Casady	—	—	—	—
C. William Maher	—	—	—	—
Steven M. Black	—	—	—	—
William E. Dwyer	26,000	694,980(1)	—	—
Esther M. Stearns	—	—	—	—

(1) Amount is based on a value of $27.80 per share, which we believe is the fair market value as of December 31, 2007.

Pension Benefits

We do not have any qualified or non-qualified defined benefit plans.

Non-qualified Deferred Compensation

We do not have any non-qualified defined contribution plan or other deferred compensation plan.

Potential Payments upon Termination or Change-in-Control

The following table presents, for each named executive officer, the potential post-employment payments upon a termination or change in control and assumes that the triggering event took place on December 31, 2007. Set forth below the table is a description of certain post-employment arrangements

with our named executive officers, including the severance benefits and change-in-control benefits to which they would be entitled under their employment agreements.

Named Executive Officer	Benefit	Without Cause or For Good Reason ($)	Death and Disability ($)
Mark S. Casady	Severance(1)	3,973,846	—
	Bonus(2)	—	1,225,000
	Stock Options(3)	102,085,031	102,085,031
	COBRA Reimbursement(4)	18,969	18,969
C. William Maher	Severance(1)	1,500,000	—
	Bonus(2)	—	375,000
	Stock Options(3)	5,646,814	5,602,314
	COBRA Reimbursement(4)	13,103	13,103
Steven M. Black	Severance(1)	2,017,000	—
	Bonus(2)	—	600,000
	Stock Options(3)	63,101,374	63,101,374
	COBRA Reimbursement(4)	11,159	11,159
William E. Dwyer	Severance(1)	1,867,000	—
	Bonus(2)	—	525,000
	Stock Options(3)	43,344,765	43,344,765
	COBRA Reimbursement(4)	17,841	17,841
Esther M. Stearns	Severance(1)	2,050,000	—
	Bonus(2)	—	600,000
	Stock Options(3)	69,793,367	69,793,367
	COBRA Reimbursement(4)	15,275	15,275

(1) Represents payment under employment agreements of a severance multiplier of two times the executive officer's base salary and target bonus for the year of termination.

(2) Represents payment under employment agreements of target bonus for the year of termination.

(3) Amounts are based on a value of $27.80 per share, which we believe is the fair market value as of December 31, 2007. Represents exercise of all vested and unvested stock options upon termination without cause or for good reason. Represents exercise of all vested stock options in case of termination for death or disability. See "—Stock Options."

(4) Represents lump sum payment under employment agreements equal to the costs of COBRA coverage for the executive officer and his or her family for a one-year period.

Termination without Cause or for Good Reason

In accordance with the employment agreements with our named executive officers, all compensation and benefits shall terminate on the date of employment termination, except that if the executive officer is terminated without cause or terminates his or her employment for "good reason" (definition of which includes the occurrence of a "change-in-control" event), then we must pay the executive officer, subject to such executive officer's compliance with post-termination obligations relating to confidentiality, intellectual property and non-competition (see "—Employment Agreements—Employment Agreements with Named Executive Officers—Intellectual Property, Confidentiality and Non-Compete Clauses"), an amount equal to (1) the severance multiplier times the executive officer's base salary and target bonus for the year of termination and (2) any and all accrued and but unpaid compensation (including prorated portion of the executive officer's target bonus for the

year of termination). The severance multiplier may be 1, 1.5 or 2, depending circumstances set forth therein. For two years following termination without cause or for good reason, the executive officer will be eligible to continue participation under our group life, health, dental and vision plans in which the executive officer was participating immediately prior to the date of termination.

"Cause" under the employment agreements means:

- the intentional failure to perform his or her duties or gross negligence or willful misconduct in the regular duties or other breach of fiduciary duty or material breach of the employment agreement that remains uncured after 30 days' notice;
- conviction for a felony; or
- fraud, embezzlement or other dishonesty that has a material adverse effect on us.

"Change-in-control" under the employment agreements, subject to certain exceptions, means the consummation of:

- any consolidation or merger of the Company with or into any other person, or any other similar transaction, whether or not we are a party thereto, in which our stockholders immediately prior to such transaction own directly or indirectly capital stock either (1) representing less than 50% of the equity interests or voting power of the Company or the surviving entity or (2) that does not have directly or indirectly have the power to elect a majority of the entire Board or other similar governing body;
- any transaction or series of transactions, whether or not we are a party thereto, after giving effect to which in excess of 50% is owned directly or indirectly by any person other than us and our affiliates; or
- a sale or disposition of all of our assets.

Termination Other than For Good Reason

Upon voluntary resignation other than for good reason the executive officer is entitled to accrued compensation, but not including a prorated portion of current year target bonus. The executive officer is in that case subject to a non-competition period of one year only. Subject to such executive officer's continuous compliance with post-termination obligations relating to confidentiality, intellectual property and non-competition (see "—Employment Agreements—Employment Agreements with Named Executive Officers—Intellectual Property, Confidentiality and Non-Compete Clauses"), at the election of the Board, the executive may be entitled to receive the same benefits as if the executive were terminated without cause or for good reason, except that the severance multiplier would be one, and the executive would be subject to a non-competition period of two years.

Death, Disability and Retirement

Upon termination due to death, the executive officer's estate will be entitled to the executive officer's accrued compensation, including a prorated portion of current year target bonus, as well as a lump sum payment equal to the costs of COBRA coverage for the executive officer's surviving spouse and family for a one-year period. Upon termination for disability, which must have continued for six months during which the executive officer received full salary and benefits, the executive officer will receive accrued compensation, a prorated portion of current year target bonus, payment for earned vacation time, reimbursement for outstanding business expenses, and a lump sum payment equal to the costs of COBRA coverage for the executive officer and his or her family for a one-year period. Upon employment termination resulting from retirement at minimum age of 65, the executive officer will be entitled to accrued compensation, but not including a prorated portion of current year target bonus, as

well as a lump sum payment equal to the costs of COBRA coverage for the executive officer and his or her family for a one-year period.

Stock Options

In accordance with the named executive officers' option agreements, unvested stock options are cancelled upon termination of employment. Unless the named executive officer is terminated for cause, vested options will be exercisable for (1) two years following termination of employment by reason of retirement, but not later than the option expiration date, (2) 12 months following death or disability, in each case, not later than the option expiration date and (3) 90 days following termination in other cases, but not later than the option expiration date.

Prior to an initial public offering of the Company, upon termination of the executive officer's employment, we will have the right to purchase his or her equity interests at then fair market value. See "—Stock Incentive Plans—2005 Stock Option Plans—Company Call Option."

If, in the case of a change-in-control, provision for the assumption of the executive officer's stock options is not made, then 15 days prior to the scheduled consummation of such change-in-control, all then-unvested options outstanding will become immediately vested and exercisable and will remain vested and exercisable for a period of 15 days. Upon consummation of such change-in-control, all outstanding but unexercised options will terminate.

All stock options held by named executive officers as of December 31, 2007 were originally granted under our 1999 Stock Option Plans (as defined below). In connection with the Transaction, our 1999 Stock Option Plans were amended and restated in their entirety and renamed as our 2005 Stock Option Plans (as defined below), as were the option agreements entered into under the 1999 Stock Option Plans. See "—Stock Incentive Plans."

Compensation Committee Interlocks and Insider Participation

During 2007, the members of our Compensation Committee were Douglas M. Haines, Allen Thorpe and Mark Casady. Mr. Casady is our Chairman and Chief Executive Officer.

Employment Agreements

In connection with the consummation of the Transaction, we entered into definitive employment agreements with certain members of senior management including the named executive officers. These agreements have an initial term of three years and automatically renew for subsequent one-year terms unless we provide written notice within 90 days prior to the completion of the then-current term.

The employment agreements required us to adopt option plans under which our employees are eligible to receive awards of stock options for our common stock. See "—Stock Incentive Plans."

In addition to the terms of the employment agreements set forth below, Mark Casady agreed to serve on the Board and, until an initial public offering, shall be the chairman of the Board.

Employment Agreements with Named Executive Officers

Base Salaries

The employment agreements provide that Messrs. Casady, Maher, Black and Dwyer, and Ms. Stearns receive an annual base salary of no less than $750,000, $375,000, $415,000, $375,000 and $425,000, respectively. The agreements provide that each such executive officer is entitled to participate in the bonus plan that we may establish from time to time and in our stock incentive plans.

Intellectual Property, Confidentiality and Non-Compete Clauses

The employment agreements with each of Messrs. Casady, Maher, Black and Dwyer, and Ms. Stearns require each of them to promptly disclose and assign any individual rights that he may have in any intellectual property (including inventions, concepts, designs, business opportunities, formulas, etc.) to us. The executive officers must also maintain confidentiality of all information that is confidential and proprietary to us, with usual exceptions. Under a non-compete provision, they are prohibited from engaging in certain conduct for a period of two years following termination of the employment agreement for any reason, except in the event of a termination as a result of which the executive officer is entitled to a certain level of severance payment (i.e., severance multiplier of 1.5), in which case the executive officer would be prohibited from engaging in such certain conduct for a period of 18 months. During this time, these executive officers are not permitted to engage or participate in, directly or indirectly, any business or entity which is competitive with us and will refrain from soliciting existing and prospective customers, targets, suppliers, IFAs or employees to terminate their relationship with us and from luring or contracting with employees or brokers and IFAs.

Severance and Change-in-Control Payments

Under the terms our employment agreements with Messrs. Casady, Maher, Black and Dwyer, and Ms. Stearns, we may be obligated to make severance payments following the termination of their employment. These benefits are described above under "—Potential Payments upon Termination or Change-in-Control."

In the event that any payments to which Messrs. Casady, Maher, Black and Dwyer, and Ms. Stearns become entitled would be deemed to constitute "parachute payments" within the meaning of Section 280G of the Internal Revenue Code, then such payments that would have been payable during the six months following of termination of employment with us and would otherwise be considered "parachute payments" if paid during that period shall be paid in a lump sum on the business day after the date that is the earlier (1) six months following the date of termination and (2) as such time as otherwise permitted by law that would not result in additional taxation and penalties as a "parachute payment." We, however, have no obligation to grant the executive officer any "gross-up" or other "make-whole" compensation for any tax imposed on payments made to the executive officers, including "parachute payments."

Stock Incentive Plans

In connection with the Transaction, our 1999 Stock Option Plan for Non-Qualified Stock Options and our 1999 Stock Option Plan for Incentive Stock Options (collectively the "1999 Option Plans") were amended and restated in their entirety and renamed as our 2005 Stock Option Plan for Non-Qualified Stock Options (the "NSO Plan") and our 2005 Stock Option Plan for Incentive Stock Options (the "ISO Plan" and, together with the NSO Plan, the "2005 Option Plans").

In addition, as a result of the Transaction, (1) all stock options granted under the 1999 Stock Option Plans, (which were options to purchase shares of our subsidiary LPL Holdings, Inc.) outstanding and unexercised immediately prior to the Acquisition ("LPL Options") became the right to acquire, on the same terms and conditions as were applicable under the LPL Options prior to the consummation of the Acquisition, a number of shares of our common stock determined in accordance with criteria set forth in the merger agreement; and (2) we assumed the original option agreements entered into under the 1999 Stock Option Plans. Pursuant to such original agreements, upon a change-in-control, one-third of the LPL Options would vest and become exercisable upon a change-in-control, with the remaining LPL Options vesting equally on the first and second anniversaries of the change-in-control. A total of 21,039,660 LPL options were converted into 21,078,140 options to purchase shares of our common stock. The original option agreements entered into under the 1999

Option Plans were amended accordingly to reflect the conversion of the LPL Options, including to reflect the accelerated vesting described above. The terms of the 2005 Stock Option Plans are fully incorporated in the amended original option agreements. Options granted after consummation of the Transaction will vest and become exercisable at such time or times and subject to such terms and conditions as shall be determined by the Board.

2005 Stock Option Plans

Purpose. The purpose of the 2005 Stock Option Plans is to give and assist us in attracting, retaining and motivating employees.

Type of Stock Options. Options granted under the NSO Plan shall be in the form of "Non-Qualified Stock Options," which are not intended to meet the requirements of Section 422 of the Code. Options granted under the ISO Plan shall be deemed "Incentive Stock Options" and shall meet the requirements of Section 422 of the Code.

Administration. The Board has plenary authority to administer the 2005 Option Plans. All decisions made by the Board pursuant to the 2005 Option Plans are final and conclusive. The Board may correct any defect or supply any omission or reconcile any inconsistency in the 2005 Option Plans or in any option agreement in the manner and to the extent it shall deem appropriate to carry the same into effect.

Eligibility. All of our employees (and in the case of the NSO Plan, directors as well) who contribute to our management, growth and profitability may be granted stock options under the 2005 Option Plans at the discretion of the Board ("Participants").

Stock Subject to ISO and NSO Plans. Shares of stock reserved and available for grants under the NSO Plan are 1,992,640 shares of our common stock and for grants under the ISO Plan are 33,494,370 shares of our common stock. The Board may in its discretion make such substitution or adjustments in the aggregate number and kind of shares reserved for issuance under the 2005 Option Plans.

Purchase Price. The purchase price per share of common stock purchasable under the NSO Plan shall be determined by our Board at the time of grant. The purchase price per share of common stock purchasable under the ISO Plan shall not be less than 100% of the fair market value per share on the date of grant as determined by the Board.

Adjustments. The Board may make or provide for a fair and proportionate adjustment in the number, price and kind of common stock underlying the option in order to maintain the proportional interests of the Participants and preserve the value of the option granted in the event of any recapitalization, stock split, reorganization, merger, consolidation, spin-off, combination, repurchase, stock exchange or other transaction or event in which shares are increased, decreased, changed into or exchanged for other securities of the Company or of another entity. Any adjustment must be made without changing the aggregate purchase price of the option. Fractional shares will not be issued on account of any such adjustments.

Exercisability. Options will vest and become exercisable at such time or times and subject to such terms and conditions as shall be determined by the Board. The Board may at any time accelerate the vesting of any option.

Method of Exercise. Vested options may be exercised, in whole or in part, at any time during the option term by giving written notice of exercise to us in such form as we provide. Notice will be accompanied by full payment of the purchase price in a form acceptable to us. No shares of common stock will be issued until the Participant has made full payment therefor and, if requested, has entered into a shareholders' agreement in such form as we provide.

Successors and Assigns. No option granted under the 2005 Option Plans shall be assignable or otherwise transferable by the Participant other than (1) by will or by the laws of descent and distribution, or (2) in the case of the NSO Plan, (A) pursuant to a qualified domestic relations order or (B) by Board authorization subject to the transferee agreeing in writing to be bound by the NSO Plan and any related option agreement. No common stock received upon exercise of grants awarded under the NSO Plan or related option agreement shall be assignable or otherwise transferable by the holder without the prior written consent of the Company.

Company Call Option. On receipt of written notice of exercise, the Board may elect to cash out all or part of the portion of the shares of our common stock for which an option is being exercised. In that event, the Board shall pay the Participant an amount, in cash or common stock, at the discretion of the Board, equal to the excess of the fair market value of the common stock over the option price times the number of shares of common stock for which the option is being exercised on the effective date of such cash-out. In the event we make an initial public offering under the Securities Act of any of our outstanding shares of common stock (a "Public Offering"), our call option will terminate upon the completion of the Public Offering.

Mergers, Reorganizations and other Capital Transactions. The 2005 Option Plans provide for acceleration in the event of a merger, reorganization or change of control (as defined in the 2005 Option Plan), unless the options are assumed or substituted.

Amendment and Termination. The Board may amend, alter, or discontinue the 2005 Option Plans in its discretion. If any of the 2005 Option Plans is discontinued, granted stock options outstanding as of the date of such discontinuation shall not be affected or impaired. If the employment of a Participant terminates for any reason, any option held by that Participant may thereafter be exercised only in accordance with the terms and conditions established by the applicable option agreement.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following table sets forth certain information regarding the beneficial ownership of our common stock as of February 1, 2008 by (i) each beneficial owner of more than five percent of our outstanding common stock and (ii) each of our current directors and named executive officers. Unless otherwise indicated, the address for each of the individuals listed below is: c/o LPL Investment Holdings Inc., One Beacon Street, Floor 22, Boston, MA 02108.

Name of Beneficial Owner	Amount and Nature of Beneficial Ownership of Common Stock(5) (#)	Percentage of Common Stock (%)
Hellman & Friedman LLC(1)(2)	34,210,185.10	39.7
TPG Partners, IV, L.P.(1)(4)	34,210,185.10	39.7
Mark S. Casady(1)	3,907,120.00	4.3
C. William Maher(1)	221,390.00	0.3
Steven M. Black(1)	2,411,250.00	2.7
William E. Dwyer(1)	1,860,086.40	2.1
Esther M. Stearns(1)	2,671,770.00	3.0
Jeffrey A. Goldstein(3)	—	—
Douglas M. Haines(4)	—	—
James S. Putnam(1)	486,969.50	0.6
Richard P. Schifter(4)	—	—
Jeffrey E. Stiefler	7,500.00	0.0
Allen R. Thorpe(3)	—	—
All directors and executive officers as a group (13 persons)	79,986,456.10	92.4%

(1) Parties to our stockholders' agreement. See "Certain Relationship and Related Transaction—Stockholders' Agreement."

(2) Hellman & Friedman Capital Partners V, L.P., Hellman & Friedman Capital Partners V (Parallel), L.P. and Hellman & Friedman Capital Associates V, L.P. are parties to our stockholders' agreement.

(3) Common stock beneficially owned through the funds Hellman & Friedman Capital Partners V, L.P., Hellman & Friedman Capital Partners V (Parallel), L.P. and Hellman & Friedman Capital Associates V, LLC. The address for each of these funds is c/o Hellman & Friedman LLC, One Maritime Plaza, 12th Fl., San Francisco, CA 94111. Hellman & Friedman Investors V, LLC is the sole general partner of Hellman & Friedman Capital Partners V, L.P. and Hellman & Friedman Capital Partners V (Parallel), L.P. Hellman & Friedman LLC is the sole managing member of each of Hellman & Friedman Investors V, LLC and Hellman & Friedman Capital Associates V, LLC. The shares of the Company are owned of record by Hellman & Friedman Capital Partners V, L.P., which owns 30,077,594.70 shares, Hellman & Friedman Capital Partners V (Parallel), L.P., which owns 4,115,485.30 shares, and Hellman & Friedman Capital Associates V, LLC, which owns 17,105.10 shares. An investment committee of Hellman & Friedman LLC, acting by majority vote, has sole voting and dispositive control over the shares of the Company. The investment committee is comprised of F. Warren Hellman, Brian M. Powers, Philip U. Hammarskjold, Patrick J. Healy and Thomas F. Steyer; provided, however, that Mr. Steyer has no authority or voting rights with respect to investment committee decisions relating to the Company. Messrs. Goldstein and Thorpe serve as Managing Directors of Hellman & Friedman LLC, but neither of them serve on the investment committee. Each of the members of the investment committee, as well as

Messrs. Goldstein and Thorpe, disclaim beneficial ownership of the shares in the Company, except to the extent of their respective pecuniary interest therein.

(4) The address for TPG Partners IV, L.P. ("TPG Partners IV"), Douglas M. Haines and Richard P. Schifter is c/o Texas Pacific Group, 301 Commerce Street, Suite 3300, Fort Worth, TX 76102. TPG Advisors IV, Inc. ("Advisors IV") is the general partner of TPG GenPar IV, L.P. which is the general partner of TPG Partners IV. David Bonderman and James G. Coulter are the sole shareholders of Advisors IV and therefore are the beneficial owners of the shares owned by TPG Partners IV, possessing sole voting and dispositive power with respect to such shares.

(5) For purposes of this table, a person or group is deemed to have "beneficial ownership" of any shares as of a given date which such person has voting power, investment power, or has the right to acquire within 60 days after such date. For purposes of computing the percentage of outstanding shares held by each person or group of persons named above on a given date, any security which such person or persons has the right to acquire within 60 days after such date is deemed to be outstanding, but is not deemed to be outstanding for the purpose of computing the percentage of ownership of any other person. Except as otherwise noted, each beneficial owner of more than five percent of any of our common stock, and each director and executive officer has sole voting and investment power over the shares reported.

Changes in Control

See "Management's Discussion and Analysis of our Financial Condition and Results of Operations—Indebtedness—Senior Secured Credit Facilities" for arrangements the operation of which may at a subsequent date result in a change of our control.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Review, Approval or Ratification of Transactions with Related Persons

The Company has not adopted any formal policies or procedures for the review, approval or ratification of certain related-party transactions that may be required to be reported under the SEC disclosure rules. Such transactions, if and when they are proposed or have occurred, have traditionally been (and will continue to be) reviewed by our Audit Committee (other than the committee members involved, if any) on a case-by-case basis.

Management Agreements

We and certain members of senior management have entered into employment agreements. Certain of these terms and conditions are more fully described in "Executive Compensation—Employment Agreements."

Stockholders' Agreement

On December 28, 2005, we, the Majority Holders, the founders and those executives who entered into employment agreements entered into a stockholders' agreement that contain the following provisions among others:

- a right to designate a certain number of directors to the Board and the board of directors of our subsidiary. Of the initial seven members of our Board, the Majority Holders had the right to designate four of the directors. The Majority Holders also have the right to designate one independent director after consultation with our chief executive officer, if the selection is reasonably acceptable to the Founders. The other two members of the boards are our chief executive officer and James Putnam;

- certain limitations on transfers of common stock by the Founders and those executives entering into employment agreements. prior to the earlier to occur of (i) subject to a customary right of first refusal, the fourth anniversary of the closing of the Acquisition and (ii) the occurrence of an initial public offering;

- the ability of the Founders and our executives who enter into employment agreements to "tagalong" their shares of common stock to sales by the Majority Holders on a pro-rata basis (the Founders' "tag-along" right provides for the ability to "tag-along" a number of shares equal two times their pro-rata share of the shares being sold);

- the ability of the Majority Holders to "drag-along" common stock held by the Founders and our executives who enter into employment agreements under certain circumstances;

- customary demand registration rights for the Founders and piggyback registration rights for the Founders and those executives entering into employment agreements (the Founders' piggyback registration right provides for the ability to register a number of shares equal to two times their pro-rata share of all of the shares being registered);

- the restriction on our company to, prior to an initial public offering, enter into any transaction with, or for the benefit of, any of its affiliates involving an aggregate consideration in excess of $2 million, unless approved by a majority of the independent members of the Board;

- restrictions on dividends, redemptions and repurchases with respect to common stock prior to an initial public offering subject to certain exceptions; and

- a preemptive right of the Founders and those executives who enter into employment agreements to purchase a pro-rata portion of any new securities we offer.

Other Arrangements

As of December 31, 2007, we had the aggregate principal amount of $3.17 million in loans outstanding to employees. Interest on these loans is typically accrued monthly at the minimum federal rate prescribed by the Internal Revenue Service. Portions (and, in some cases all) of these loans may be forgiven based on the achievement of performance objectives or tenure of employment with our company.

LPL provides GPA, an entity under common control by stockholders of the Company, with personnel and certain other operational and administrative support services pursuant to the terms and consideration outlined in the services agreement amended on October 27, 2005. For the years ended December 31, 2007, 2006, and 2005 LPL earned $201,000, $244,000, and $364,000 in annual fees, respectively, under such agreement.

Alix Partners, LLP ("Alix Partners"), a company majority-owned by one of our Majority Holders, provides LPL with consulting services pursuant to an agreement for interim management and consulting services dated August 21, 2007. LPL paid $910,000 to Alix Partners during the year ended December 31, 2007, and an additional $760,000 is included in accounts payable and accrued liabilities in our accompanying consolidated statements of financial condition as of December 31, 2007, for annual fees under such agreement.

On March 14, 2008, a trust affiliated with our director, Jeffrey Stiefler, acquired 71,942 shares of our common stock, at a price per share of $27.80. On March 14, 2008, our director, James Riepe, and an affiliated trust each acquired 35,971 shares of our common stock, at a price per share of $27.80.

Director Independence

The Company is a privately held corporation. Except for Jeffrey Stiefler and James Riepe, our directors are not independent because of their affiliations with funds which hold more than 5% equity interests in the Company. Mr. Casady is not an independent director because he is currently employed by the Company. Jeffrey Stiefler and James Riepe are independent under the listing standards of the New York Stock Exchange (the "NYSE").

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Auditors' Fees

Aggregate fees for professional services rendered to the Company by Deloitte & Touche LLP as of, and for, the years ended December 31, 2007 and 2006 were as follows:

Type of Services	2007	2006
Audit Fees(1)	$ 2,891,000	$ 1,559,900
Audit Related Fees(2)	1,670,210	212,000
Tax Fees(3)	367,000	166,175
All Other Fees(4)	303,017	65,000
Total	$ 5,231,227	$ 2,003,075

(1) Audit Fees. These fees include services performed by Deloitte & Touche LLP in connection with the audit of our annual financial statements included in our annual filing on Form 10-K; the review of our interim financial statements as included in our quarterly reports on Form 10-Q; the audit of our internal controls over financial reporting; the attestation of management's report on the effectiveness of internal controls over financial reporting; and services that are normally provided by Deloitte & Touche LLP in connection with statutory and regulatory filings or engagements.

(2) Audit-Related Fees. These fees are for services provided by Deloitte & Touche LLP such as accounting consultations, plan audits, and any other audit and attestation services not required by applicable law.

(3) Tax Fees. These fees include all services performed by Deloitte & Touche LLP for non-audit related tax advice, planning and compliance services.

(4) All Other Fees.

Pre-Approval Policies and Procedures

The Audit Committee pre-approves all audit services provided by our independent registered public accounting firm. The Audit Committee has adopted policies and procedures for the pre-approval of all non-audit related services provided by our independent registered public accounting firm. These non-audit services include performance audits, general research and consulting and tax services. The policy requires that prior to the provision of any non-audit related services, an engagement letter must be provided by the independent registered public accounting firm describing the scope of its engagement. Any engagements above $150,000 must be reviewed and authorized by the Chairman of the Audit Committee and the Chief Financial Officer after review and approval by the Audit Committee. Engagements for $150,000 or less can be reviewed and authorized by the Chairman of the Audit Committee and the Chief Financial Officer. Engagements for $50,000 or less may be reviewed and authorized by the Chief Financial Officer.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) Financial Statements

Our financial statements appearing on pages F-1 through F-48 are incorporated herein by reference.

(b) Exhibits

Exhibit No.	Description of Exhibit
3.1	Certificate of Incorporation of LPL Investment Holdings Inc.*
3.2	Amendment to the Certificate of Incorporation of LPL Investment Holdings Inc., dated December 20, 2005*
3.3	Amendment to the Certificate of Incorporation of LPL Investment Holdings Inc., dated March 10, 2006*
3.4	Certificate of Amendment of Certificate of Incorporation of LPL Investment Holdings Inc., dated December 26, 2007****
3.5	Certificate of Correction of Certificate of Amendment of Certificate of Incorporation of LPL Investment Holdings Inc., dated March 31, 2008.
3.6	Bylaws of LPL Investment Holdings Inc.*
4.1	Indenture, dated December 28, 2005, between LPL Holdings, Inc., each of the Guarantors party thereto and Wells Fargo Bank, N.A., as trustee*
4.2.	First Supplemental Indenture, dated as of May 10, 2006, among LPL Holdings, Inc., LPL Investment Holdings Inc., the other Guarantors party thereto and Wells Fargo Bank, N.A., as trustee*
4.3	Form of Stock Bonus Agreement under the Fourth Amended and Restated LPL Investment Holdings Inc. 2000 Stock Bonus Plan*
4.4	Fourth Amended and Restated LPL Investment Holdings Inc. 2000 Stock Bonus Plan*
10.1	Amended and Restated Credit Agreement, dated as of December 29, 2006, by and among LPL Investment Holdings Inc., LPL Holdings, Inc., Goldman Sachs Credit Partners L.P., as sole lead arranger, sole bookrunner and syndication agent, and the several lenders from time to time party thereto, Morgan Stanley Senior Funding, Inc. as administrative agent, and Morgan Stanley & Co. as collateral agent.*
10.2	2005 Stock Option Plan for Incentive Stock Options*
10.3	2005 Stock Option Plan for Non-Qualified Stock Options*
10.4	Executive Employment Agreement between Mark S. Casady and LPL Holdings, Inc., dated December 28, 2005*
10.5	Indemnification Agreement between the Company, LPL Holdings, Inc., and Mark S. Casady, dated December 28, 2005*
10.6	Executive Employment Agreement between Esther M. Stearns and LPL Holdings, Inc., dated December 28, 2005*
10.7	Indemnification Agreement between the Company, LPL Holdings, Inc., and Esther M. Stearns, dated December 28, 2005*

10.8	Executive Employment Agreement between C. William Maher and LPL Holdings, Inc., dated December 28, 2005*
10.9	Indemnification Agreement between the Company, LPL Holdings, Inc., and C. William Maher, dated December 28, 2005*
10.10	Executive Employment Agreement between William E. Dwyer III and LPL Holdings, Inc., dated December 28, 2005*
10.11	Indemnification Agreement between the Company, LPL Holdings, Inc., and William E. Dwyer III, dated December 28, 2005*
10.12	Executive Employment Agreement between Steven M. Black and LPL Holdings, Inc., dated December 28, 2005*
10.13	Indemnification Agreement between the Company, LPL Holdings, Inc., and Steven M. Black, dated December 28, 2005*
10.14	Services Agreement between Linsco/Private Ledger Corp. and GPA Group, Inc., dated October 27, 2005**
10.15	Stockholders' Agreement, dated December 28, 2005, among the Company, LPL Holdings, Inc. and other stockholders party thereto**
10.16	LPL Investment Holdings Inc. 2008 Stock Option Plan***
10.17	Second Amended and Restated Credit Agreement, dated June 18, 2007.
21.1	List of Subsidiaries of LPL Investment Holdings Inc.
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

* Included in Registration Statement on Form 10 of the Company filed on April 30, 2007.

** Included in Amendment No. 1 to Registration Statement on Form 10 of the Company filed on July 10, 2007.

*** Included in Current Report on Form 8-K filed on February 21, 2008.

**** Included in Current Report on Form 8-K filed on January 4, 2008.

SIGNATURE

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, the registrant has duly caused this Annual Report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized.

LPL INVESTMENT HOLDINGS INC.

By: /s/ MARK S. CASADY

Mark S. Casady
Chief Executive Officer and Chairman

Dated: March 31, 2008

Pursuant to the requirements of the Securities and Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ MARK S. CASADY Mark S. Casady	Chief Executive Officer and Chairman	3/31/08
/s/ C. WILLIAM MAHER C. William Maher	Chief Financial Officer	3/31/08
/s/ JEFFREY R. BUCHHEISTER Jeffrey R. Buchheister	Chief Accounting Officer	3/31/08
/s/ JEFFREY A. GOLDSTEIN Jeffrey A. Goldstein	Director	3/31/08
/s/ DOUGLAS M. HAINES Douglas M. Haines	Director	3/31/08
/s/ JAMES S. PUTNAM James S. Putnam	Director, Vice-Chairman	3/31/08
/s/ JAMES S. RIEPE James S. Riepe	Director	3/31/08
/s/ RICHARD P. SCHIFTER Richard P. Schifter	Director	3/31/08
/s/ JEFFREY E. STIEFLER Jeffrey E. Stiefler	Director	3/31/08
/s/ ALLEN R. THORPE Allen R. Thorpe	Director	3/31/08

EXHIBIT INDEX

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LPL INVESTMENT HOLDINGS INC.
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The following consolidated financial statements of LPL Investment Holdings Inc. are included in response to Item 8:

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
LPL Investment Holdings Inc.
Boston, Massachusetts

We have audited the accompanying consolidated statements of financial condition of LPL Investment Holdings Inc. and subsidiaries (the "Company") as of December 31, 2007 and 2006, the related consolidated statements of income, stockholders' equity, and cash flows for the years ended December 31, 2007 and 2006, and the related consolidated statement of stockholders' equity for the period from December 28, 2005 through December 31, 2005. We have also audited the consolidated statements of income, stockholders' equity, and cash flows of LPL Holdings, Inc. and subsidiaries (Predecessor) for the year ended December 31, 2005. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2007 and 2006, and the results of its operations and its cash flows for the years ended December 31, 2007 and 2006, and the results of operations and cash flows of the Predecessor for the year ended December 31, 2005 in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2, the Company adopted *FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes—an interpretation of FASB Statement No. 109*, effective January 1, 2007.

/s/ Deloitte & Touche LLP

Los Angeles, California

March 31, 2008

LPL INVESTMENT HOLDINGS INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

AS OF DECEMBER 31, 2007 AND 2006

(Dollars in thousands, except par value)

	2007	2006
ASSETS		
Cash and cash equivalents	$ 188,003	$ 245,163
Cash and securities segregated under federal and other regulations	195,811	52,178
Receivable from:		
Customers, net of allowance of $529 at December 31, 2007 and $202 at December 31, 2006	411,073	326,376
Product sponsors, broker-dealers, and clearing organizations	160,153	89,706
Others, net of allowances of $5,266 at December 31, 2007 and $2,590 at December 31, 2006	97,222	52,088
Securities owned:		
Marketable securities(1)—at market value	15,105	9,524
Other securities—at amortized cost	10,632	10,635
Securities borrowed	9,038	12,686
Mortgage loans held for sale—net	—	4,362
Fixed assets, net of accumulated depreciation and amortization of $130,011 at December 31, 2007 and $90,731 at December 31, 2006	156,797	121,594
Debt issuance costs, net of accumulated amortization of $8,239 at December 31, 2007 and $4,564 at December 31, 2006	23,669	26,469
Goodwill	1,287,756	1,249,159
Intangible assets, net of accumulated amortization of $65,707 at December 31, 2007 and $31,245 at December 31, 2006	642,137	535,289
Trademarks and trade names, net of accumulated amortization of $590 at December 31, 2007 and $0 at December 31, 2006	41,986	39,819
Interest rate swaps	—	3,188
Prepaid expenses	25,222	15,423
Other assets	22,745	3,885
Total assets	$ 3,287,349	$ 2,797,544
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES:		
Warehouse lines of credit	$ —	$ 3,718
Bank loans payable and revolving lines of credit	65,000	—
Drafts payable	127,144	104,344
Payable to customers	406,677	294,574
Payable to broker-dealers and clearing organizations	47,925	30,354
Accrued commissions and advisory fees payable	126,584	70,096
Accounts payable and accrued liabilities	88,662	34,381
Income taxes payable	10,648	969
Unearned revenue	40,897	31,113
Interest rate swaps	10,835	—
Securities sold but not yet purchased—at market value	12,837	10,806
Senior credit facilities and subordinated notes	1,386,071	1,344,375
Deferred income taxes—net	216,903	245,897
Total liabilities	2,540,183	2,170,627
COMMITMENTS AND CONTINGENCIES (Note 17)		
STOCKHOLDERS' EQUITY:		
Common stock, $.001 par value; 200,000,000 shares authorized; 86,249,612 shares issued and outstanding at December 31, 2007, and 82,843,600 shares issued and outstanding at December 31, 2006	86	83
Additional paid-in capital	664,568	591,254
Stockholder loans	(1,242)	—
Accumulated other comprehensive (loss) income, net of income taxes	(6,512)	1,938
Retained earnings	90,266	33,642
Total stockholders' equity	747,166	626,917
Total liabilities and stockholders' equity	$ 3,287,349	$ 2,797,544

(1) Includes $2,769 and $2,643 pledged to clearing organizations at December 31, 2007 and December 31, 2006, respectively.

See accompanying notes to consolidated financial statements.

LPL INVESTMENT HOLDINGS INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2007, 2006 AND 2005

(Dollars in thousands)

			Predecessor
	2007	2006	2005
REVENUES:			
Commissions	$ 1,470,285	$ 890,489	$ 744,939
Advisory fees	738,938	521,058	399,363
Asset-based fees	260,935	147,364	107,726
Transaction and other fees	184,604	134,496	125,844
Interest income	36,708	28,402	17,719
Other	26,135	18,127	11,705
Total revenues	2,717,605	1,739,936	1,407,296
EXPENSES:			
Commissions and advisory fees	1,908,666	1,213,603	982,814
Compensation and benefits	257,200	137,401	142,372
Depreciation and amortization	78,748	65,348	17,854
Promotional	64,302	36,060	31,122
Occupancy and equipment	43,419	26,212	22,924
Professional services	31,478	14,884	22,729
Communications and data processing	27,822	21,423	18,891
Brokerage, clearing, and exchange	26,806	17,502	16,487
Regulatory fees and expenses	17,939	15,176	15,579
Travel and entertainment	14,935	7,136	5,698
Other	14,609	4,921	12,712
Total noninterest expenses	2,485,924	1,559,666	1,289,182
Interest expense from brokerage operations and mortgage lending	1,031	301	976
Interest expense from senior credit facilities and subordinated notes	122,817	125,103	1,388
Total expenses	2,609,772	1,685,070	1,291,546
INCOME FROM CONTINUING OPERATIONS BEFORE PROVISION FOR INCOME TAXES	107,833	54,866	115,750
PROVISION FOR INCOME TAXES	46,764	21,224	46,461
INCOME FROM CONTINUING OPERATIONS	61,069	33,642	69,289
LOSS FROM DISCONTINUED OPERATIONS:			
Loss from cumulative effect of change in accounting principle related to discontinued operations	—	—	(12,909)
Loss from discontinued operations	—	—	(13,291)
Total loss from discontinued operations (Note 12)	—	—	(26,200)
NET INCOME	$ 61,069	$ 33,642	$ 43,089

See accompanying notes to consolidated financial statements.

LPL INVESTMENT HOLDINGS INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006 AND FOR THE PERIOD FROM DECEMBER 28, 2005 THROUGH DECEMBER 31, 2005 AND FOR THE YEAR ENDED DECEMBER 31, 2005 (PREDECESSOR)

(Dollars in thousands)

	Common Stock	Additional Paid-In Capital	Stockholder Loans	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Stockholders' Equity
BALANCE—December 31, 2004 (Predecessor)	$ 9	$ 42,595	$ —	$ —	$ 154,647	$ 197,251
Comprehensive income:						
Income from continuing operations					69,289	69,289
Loss from discontinued operations					(26,200)	(26,200)
Total comprehensive income						43,089
Share-based compensation		8,807				8,807
Exercise of stock options		870				870
Distribution to Class A common stockholder					(5,104)	(5,104)
Net liabilities assumed by Class A common stockholder		383				383
Dividends paid					(55,086)	(55,086)
Leverage buyout transaction	(9)	344,881				344,872
Tax benefit from stock options exercised		53,342				53,342
BALANCE—December 31, 2005 (Predecessor)	$ —	$ 450,878	$ —	$ —	$ 137,546	$ 588,424
Issuance of 8,281,523 shares of common stock at par value in leverage buyout transaction on December 28, 2005 (Note 3)	83	588,341				588,424
BALANCE—December 31, 2005	$ 83	$ 588,341	$ —	$ —	$ —	$ 588,424
Comprehensive income:						
Net income					33,642	33,642
Change in unrealized gains on interest rate swaps, net of tax expense of $1,250 (Note 13)				1,938		1,938
Total comprehensive income						35,580
Share-based compensation		2,878				2,878
Exercise of stock options		35				35
BALANCE—December 31, 2006	$ 83	$ 591,254	$ —	$ 1,938	$ 33,642	$ 626,917
Comprehensive income:						
Net income					61,069	61,069
Change in unrealized losses on interest rate swaps, net of tax benefit of $5,573 (Note 13)				(8,450)		(8,450)
Total comprehensive income						52,619
Cumulative effect of change in accounting principle upon adoption of FIN 48, net of tax benefit of $2,101 (Notes 2 and 13)					(4,445)	(4,445)
Loans to stockholders (Note 20)			(1,242)			(1,242)
Tax benefit from stock options exercised		191				191
Exercise of stock options		52				52
Share-based compensation		2,160				2,160
Issuance of common stock for acquisitions (Note 3)	3	70,911				70,914
BALANCE—December 31, 2007	$ 86	$ 664,568	$ (1,242)	$ (6,512)	$ 90,266	$ 747,166

See accompanying notes to consolidated financial statements.

LPL INVESTMENT HOLDINGS INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2007, 2006 AND 2005

(Dollars in thousands)

			Predecessor
	2007	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 61,069	$ 33,642	$ 43,089
Loss from discontinued operations	—	—	26,200
Income from continuing operations	61,069	33,642	69,289
Adjustments to reconcile net income to net cash provided by operating activities:			
Noncash items:			
Benefits received from retention plans (Note 18)	8,293	—	—
Depreciation and amortization	78,748	65,348	17,854
Amortization of debt issuance costs	3,675	4,514	50
Loss on disposal of fixed assets	129	154	656
Share-based compensation	2,160	2,878	8,807
Tax benefit related to stock options exercised	—	—	53,342
Provision for bad debts	3,142	475	947
Deferred income tax provision	(21,320)	(19,404)	(2,045)
Impairment of goodwill	—	—	3,163
Other	561	(539)	(209)
Mortgage loans held for sale:			
Originations of loans	(114,755)	(68,878)	(66,978)
Proceeds from sale of loans	120,193	65,947	70,379
Gain on sale of loans	(1,061)	(636)	(1,220)
Changes in operating assets and liabilities:			
Cash and securities segregated under federal and other regulations	(143,633)	(31,258)	37,697
Receivable from customers	(85,024)	(76,799)	(44,573)
Receivable from product sponsors, broker-dealers and clearing organizations	(52,508)	4,528	(26,952)
Receivable from others	(37,109)	(18,442)	(4,770)
Securities owned	(3,771)	(743)	(1,470)
Securities borrowed	3,648	(6,247)	(458)
Prepaid expenses	(7,255)	(3,906)	(573)
Other assets	1,830	1,577	(873)
Drafts payable	22,257	16,114	2,150
Payable to customers	112,103	99,468	45,224
Payable to broker-dealers and clearing organizations	17,570	11,666	(12,982)
Accrued commissions and advisory fees payable	16,442	15,753	8,815
Accounts payable and accrued liabilities	13,750	(19,109)	12,048
Income taxes payable/receivable	475	51,611	(56,838)
Unearned revenue	8,432	5,594	6,069
Securities sold but not yet purchased	2,031	5,918	1,446
Net cash provided by operating activities	10,072	139,226	117,995

(Continued)

LPL INVESTMENT HOLDINGS INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

FOR THE YEARS ENDED DECEMBER 31, 2007, 2006 AND 2005

(Dollars in thousands)

			Predecessor
	2007	2006	2005
CASH FLOWS FROM INVESTING ACTIVITIES:			
Acquisitions, net of existing cash balances of $78,382	$ (88,689)	$ —	$ (2,020)
Capital expenditures	(71,294)	(23,038)	(19,424)
Proceeds from disposal of fixed assets	41	9	20,318
Purchase of other securities classified as held-to-maturity	(5,493)	(38,490)	(3,836)
Proceeds from maturity of other securities classified as held-to-maturity	5,604	31,114	3,100
Purchase of equity investment	(5,000)	—	—
Purchase of intangible assets	(3,444)	—	—
Proceeds from disposal of nonmarketable equity investments	—	—	112
Cash used in investing activities—continuing operations	(168,275)	(30,405)	(1,750)
Cash used in investing activities—discontinued operations	—	—	(9,050)
Net cash used in investing activities	(168,275)	(30,405)	(10,800)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from bank loans	81,000	—	(25,049)
Repayment from bank loans	(16,000)	—	—
Repayment of senior credit facilities	(8,304)	(50,625)	—
Proceeds from senior credit facilities	50,000	50,000	—
Payment of debt issuance costs	(936)	(584)	(30,449)
Tax benefit related to stock options exercised	191	—	—
Loans to stockholders	(1,242)	—	—
Proceeds from stock options exercised	52	35	870
Proceeds from warehouse lines of credit	114,781	68,862	66,791
Repayment of warehouse lines of credit	(118,499)	(65,938)	(68,955)
Proceeds from issuance of senior notes for acquisition of LPL Holdings, Inc	—	—	1,345,000
Purchase of stock by LPL Investment Holdings, Inc	—	—	740,742
Repurchase of stock and stock appreciation rights related to leverage buyout transaction and related acquisition costs	—	—	(2,077,256)
Cash proceeds from selling stockholders for transaction costs	—	—	17,350
Dividends paid	—	—	(55,086)
Net cash provided by (used in) financing activities	101,043	1,750	(86,042)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(57,160)	110,571	21,153
CASH AND CASH EQUIVALENTS—Beginning of year	245,163	134,592	113,439
CASH AND CASH EQUIVALENTS—End of year	$ 188,003	$ 245,163	$ 134,592
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:			
Interest paid	$ 124,382	$ 123,390	$ 998
Income taxes paid	$ 66,079	$ 10,578	$ 52,019

(Continued)

LPL INVESTMENT HOLDINGS INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

FOR THE YEARS ENDED DECEMBER 31, 2007, 2006 AND 2005

(Dollars in thousands)

			Predecessor
	2007	2006	2005
NONCASH DISCLOSURE:			
Income taxes payable recorded as a cumulative effect of change in accounting principle upon the adoption of FIN 48 net of tax benefit of ($2,101) (Notes 2 and 13)	$ (4,445)		
Acquisitions:			
Fair value of assets acquired	$ 322,057		
Cash paid for common stock acquired	(167,071)		
Common stock issued for acquisitions	(68,552)		
Liabilities assumed (Note 3)	$ 86,434		
Common stock issued to acquire intangible assets	$ 1,118		
Common stock issued to satisfy accrued liability (Note 3)	$ 1,244		
(Decrease) increase in unrealized (loss) gain on interest rate swaps, net of tax (benefit) expense of ($5,573) and $1,250 for the years ended December 31, 2007 and 2006 (Note 15)	$ (8,450)	$ 1,938	
Purchase accounting adjustment to goodwill (Note 3)		$ 3,395	
Liabilities assumed by Class A common stockholder, recorded as a contribution in accompanying consolidated statements of stockholders' equity (Note 20)			$ 383
Step up in basis of assets due to Acquisition, net of deferred tax liability of $268,119 (Note 3)			$ 1,664,036
Loss on disposal of variable interest entity sold to Class A common stockholder, recorded as a distribution in the accompanying consolidated statements of stockholders' equity (Note 12)			$ (4,693)
Loss on fixed assets sold to Class A common stockholder, recorded as a distribution in the accompanying consolidated statements of stockholders' Equity (Note 20)			$ (411)

(Concluded)

See accompanying notes to consolidated financial statements.

1. ORGANIZATION AND DESCRIPTION OF THE COMPANY

LPL Investment Holdings Inc. ("LPLIH"), a Delaware holding corporation, together with its consolidated subsidiaries (collectively, the "Company") is a provider of brokerage, investment advisory, and infrastructure services to independent financial advisors and financial institutions who employ financial advisors (collectively referred to herein as "FAs"), in the United States of America. The Company provides access to a broad array of financial products and services for FAs, to market to their clients, as well as a technology and service platform to enable FAs to more efficiently operate their practices.

On December 28, 2005, LPL Holdings, Inc. ("LPLH"), and its subsidiaries were acquired through a merger transaction with BD Acquisition Inc., a wholly owned subsidiary of LPLIH (previously named BD Investment Holdings, Inc.). LPLIH was formed by investment funds affiliated with TPG Partners IV, L.P., and Hellman & Friedman Capital Partners V, L.P. (collectively, the "Majority Holders"). The acquisition was accomplished through the merger of BD Acquisition, Inc. with and into LPLH, with LPLH being the surviving entity (the "Acquisition"). The Acquisition was financed by a combination of borrowings under the Company's new senior credit facilities, the issuance of senior unsecured subordinated notes, and direct and indirect equity investments from the Majority Holders, co-investors, management, and the Company's FAs.

On January 2, 2007, the Company acquired all of the outstanding capital stock of UVEST Financial Services Group, Inc. ("UVEST"). In accordance with Statement of Financial Accounting Standards ("SFAS") No. 141, *Business Combinations* ("SFAS 141"), the acquisition has been accounted for under the purchase method of accounting. As a result, the accompanying consolidated financial statements and these notes include the balances of UVEST as of December 31, 2007 and the results of its operations, cash flows, and other activities for the period January 2, 2007 through December 31, 2007 (see Note 3).

On June 20, 2007, the Company acquired from Pacific Life Insurance Company ("Pacific Life" or "seller") all the outstanding membership interests of Pacific Select Group, LLC and its wholly owned subsidiaries Mutual Service Corporation ("MSC"), Associated Financial Group, Inc. ("AFG"), and Waterstone Financial Group, Inc. ("WFG"). In connection with the acquisition, Pacific Select Group, LLC changed its name to LPL Independent Advisor Services Group LLC (collectively "IASG"). In accordance with SFAS 141, the acquisition has been accounted for under the purchase method of accounting. As a result, the accompanying consolidated financial statements and these notes include the balances of IASG as of December 31, 2007, and the results of its operations, cash flows, and other activities for the period June 21, 2007 through December 31, 2007 (see Note 3).

On November 7, 2007, the Company acquired all of the outstanding capital stock of IFMG Securities, Inc., Independent Financial Marketing Group, Inc., and LSC Insurance Agency of Arizona, Inc. (collectively "IFMG") from Sun Life Financial Inc. and Sun Life Financial (U.S.) Holdings, Inc (collectively "Sun Life"). In accordance with SFAS 141, the acquisition has been accounted for under the purchase method of accounting. As a result, the accompanying consolidated financial statements and these notes include the balances of IFMG as of December 31, 2007, and the results of its operations, cash flows, and other activities for the period November 7, 2007 through December 31, 2007 (see Note 3).

In conjunction with its acquisition of IFMG, the Company announced a plan (referred to herein as the "Shutdown Plan") to transfer the existing IFMG financial institutional relationships to its other broker-dealer subsidiaries, offer relocation and employment to certain employees, and terminate the

remaining operations of IFMG within the next twelve months. Accounting for the acquisition and the subsequent Shutdown Plan are discussed further in Note 3.

Description of Our Subsidiaries—LPLH, a Massachusetts holding corporation, owns 100% of the issued and outstanding common stock of LPL Financial Corporation ("LPL Financial", formally Linsco/Private Ledger Corp.), UVEST, IASG, Independent Advisers Group Corporation ("IAG"), Innovex Mortgage, Inc. ("Innovex"), and Linsco/Private Ledger Insurance Associates, Inc. ("LPL Insurance Associates"). LPLH is also the majority stockholder in Private Trust Company Holdings, Inc. ("PTCH"), and owns 100% of the issued and outstanding voting common stock. As required by the Office of the Comptroller of the Currency, members of the Board of Directors of PTCH own seven shares of nonvoting common stock in PTCH.

LPL Financial, headquartered in Boston and San Diego, is a clearing broker-dealer registered with the Financial Industry Regulatory Authority ("FINRA") and the Securities and Exchange Commission ("SEC") pursuant to the Securities Exchange Act of 1934 and an investment adviser registered with the SEC pursuant to the Investment Advisers Act of 1940. LPL Financial is also registered as a Futures Commission Merchant with the Commodity Futures Trading Commission ("CFTC") and is a member of the National Futures Association. Additionally, LPL Financial is a Transfer Agent and a member of the Boston Stock Exchange.

LPL Financial principally transacts business as an agent for FAs on behalf of customers in mutual funds, stocks, fixed income instruments, commodities, options, private and public partnerships, variable annuities, real estate investment trusts, and other investment products. LPL Financial is licensed to operate in all 50 states and Puerto Rico, and has an independent contractor sales force of approximately 8,100 registered FAs dispersed throughout the United States.

UVEST, a North Carolina corporation, is an introducing broker-dealer registered with FINRA and the SEC pursuant to the Securities Exchange Act of 1934 and an investment adviser registered with the SEC pursuant to the Investment Advisers Act of 1940. UVEST provides independent, nonproprietary third-party brokerage services to more than 300 financial institutions. UVEST is licensed to operate in all 50 states and Puerto Rico, and has a sales force of approximately 800 registered FAs disbursed throughout the United States.

IASG, a Delaware limited liability company, is a holding company for MSC, AFG, and WFG. MSC, a Michigan corporation, is an introducing broker-dealer registered with the SEC and FINRA. AFG, a California corporation, is a holding company of wholly owned subsidiaries; Associated Securities Corp. ("ASC"), an introducing broker-dealer and Associated Planners Investment Advisory, Inc., an investment advisor registered with the SEC pursuant to the Investment Advisers Act of 1940. WFG, an Illinois corporation, is an introducing broker-dealer registered with the SEC and FINRA. The IASG entities engage primarily in introducing brokerage and advisory transactions for mutual funds, stocks, fixed income instruments, variable annuities, and other insurance products to third-party clearing broker-dealers on behalf of FAs. The IASG entities have a consolidated sales force of approximately 1,800 registered FAs.

Through IFMG Securities, a broker-dealer registered with FINRA and the SEC pursuant to the Securities Exchange Act of 1934 and an investment adviser registered with the SEC pursuant to the Investment Advisers Act of 1940, and its affiliated insurance agencies, IFMG provides financial institutions with brokerage and advisory services for mutual funds, securities, fixed and variable annuities and other insurance products. IFMG has a consolidated sales force of approximately 450 FAs.

IAG is an investment adviser registered with the SEC pursuant to the Investment Advisers Act of 1940, which offers an investment advisory platform for customers of financial advisors working for other financial institutions.

Innovex, which conducted real estate mortgage banking and brokerage activities, ceased operations on December 31, 2007 and is in the process of being dissolved. Innovex originated residential mortgage loans for customers of FAs who do business through its affiliate, LPL Financial, throughout the United States. Innovex performed underwriting, loan origination and funding for a variety of mortgage and home equity loan products to suit the needs of borrowers. Innovex's revenues were derived from the referral of loans to lenders and the origination and sale of residential real estate loans for placement in the secondary market. Innovex is a Housing and Urban Development ("HUD") approved Title II nonsupervised mortgagee.

LPL Insurance Associates operates as a brokerage general agency for fixed insurance sales and services.

PTCH is a holding company for The Private Trust Company, N.A. ("PTC"). PTC has been chartered as a national bank with limited trust powers since August 1995, providing a wide range of trust, investment management, and custodial services for estates and families. PTC also provides Individual Retirement Account custodial services for its affiliate, LPL Financial.

Glenoak was a single-purpose limited liability company that previously operated under the Company by providing travel assistance and operations for executives of the Company and its affiliates. In addition, Glenoak engaged in the consultation on and strategic planning of various business ventures. In August 2005, Glenoak sold all of its assets and ceased operations (see Note 20).

Through October 2005, the Company also held investments in affiliated companies named GPA Group, Inc. and Global Portfolio Advisors, Ltd. GPA Group, Inc. is a Delaware corporation that acts as a holding company for Global Portfolio Advisors, Ltd. (collectively, referred to as "GPA"), which controls subsidiary broker-dealer operations in Luxembourg and Japan, as well as technology development operations in Canada. In October 2005, the Company sold all of its interest in GPA to an entity controlled by the Company's controlling stockholder at that time (see Notes 7 and 12).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation—These consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"), which require the Company to make estimates and assumptions regarding the valuation of certain financial instruments, intangible assets, allowance for doubtful accounts, valuation of stock compensation, accruals for liabilities and income taxes, revenue and expense accruals, and other matters that affect the consolidated financial statements and related disclosures. Actual results could differ materially from those estimates.

Predecessor Presentation—As discussed in Note 1, LPLH (the "Predecessor") was acquired by LPLIH through a leveraged merger transaction on December 28, 2005. Activities as of December 28, 2005 and for the periods prior are those of the Predecessor. However, as an accounting convenience and due to the immaterial amounts between the period December 28, 2005 and December 31, 2006, all operations and cash flows for calendar year 2005 have been presented in the Predecessor Company financials.

Consolidation—The Company consolidates all subsidiaries for which it has a controlling interest as defined by and in accordance with Accounting Research Bulletin ("ARB") No. 51, *Consolidated Financial Statements* ("ARB 51"). Additionally, beginning January 1, 2005, the Company began consolidating Variable Interest Entities ("VIEs") where it is the primary beneficiary in accordance with Financial Accounting Standards Board ("FASB") Interpretation No. 46, *Consolidation of Variable Interest Entities—an interpretation of ARB 51* as amended and restated ("FIN 46R").

The consolidated financial statements of the Company include all of the accounts of LPLIH and its subsidiaries, as listed above, as well as the accounts of the Company's variable interest entities, GPA (see Note 7). As a result of the 2005 sale of the Company's interest in GPA, GPA is reflected as a discontinued operation in the accompanying consolidated financial statements (see Note 12).

All intercompany balances and transactions have been eliminated in consolidation. The Company accounts for the ownership of non-voting common stock in PTCH as a minority interest. As of December 31, 2007, minority interest was $7,000 and is included in accounts payable and accrued liabilities in the accompanying consolidated statements of financial condition. The related minority interest expense is recorded in the accompanying consolidated statements of income. The effects of elimination of revenues and expenses due to intercompany transactions between the Company and the non-controlling interests in the VIEs are not attributable to the non-controlling interests in the VIEs.

Comprehensive Income (Loss)—The Company's comprehensive income (loss) is composed of net income and the effective portion of the unrealized gains (losses) on financial derivatives in cash flow hedge relationships, net of related tax effects.

Variable Interest Entities—As noted above, the Company adopted FIN 46R in 2005. FIN 46R provides a new framework for identifying VIEs and determining when a company should include the assets, liabilities, non-controlling interest, and results of activities of a variable-interest operating entity in its consolidated financial statements.

In general, a VIE is a corporation, partnership, limited liability company, trusts, or any other legal entity used to conduct activities or hold assets that either (1) has an insufficient amount of equity to carry out its principal activities without additional subordinated financial support, (2) has a group of equity owners that are unable to make sufficient decisions about its activities, or (3) has a group of equity owners that do not have the obligation to absorb losses or right to receive returns generated by its operations.

FIN 46R requires a VIE to be consolidated if a party with an ownership, contractual, or other financial interest in the VIE (a variable interest holder) is obligated to absorb a majority of the risk of loss from the VIE's activities, is entitled to receive a majority of the VIE's residual returns (if no party absorbs the majority of the VIE's losses), or both. A variable interest holder that consolidates the VIE is called the primary beneficiary. Upon consolidation, the primary beneficiary must initially record all of the VIE's assets, liabilities, and non-controlling interests at fair value (carrying value if under common control as the primary beneficiary) and subsequently account for the VIE as if it were consolidated based upon the majority voting interests. FIN 46R also requires disclosures about VIEs that the variable interest holder is not required to consolidate but in which it has a significant variable interest.

In accordance with the transition provisions of FIN 46R, the assets, liabilities, and non-controlling interests of the newly consolidated VIE (see Note 7) were initially recorded at the amounts at which they would have been carried in the consolidated financial statements if FIN 46R had been effective when the Company met the conditions to be the primary beneficiary of the VIE. The adoption of FIN 46R resulted in a cumulative effect of an accounting change as of January 1, 2005, which is

included in discontinued operations in the accompanying consolidated statements of income (see Note 12).

Cash and Cash Equivalents—Cash and cash equivalents are composed of interest and noninterest-bearing deposits, money market funds, and U.S. government obligations that meet the definition of a cash equivalent. Cash equivalents are highly liquid investments, with original maturities of less than 90 days, that are not required to be segregated under federal or other regulations.

Cash and Securities Segregated Under Federal and Other Regulations—Certain subsidiaries of the Company are subject to requirements related to maintaining cash or qualified securities in a segregated reserve account for the exclusive benefit of its customers in accordance with SEC Rule 15c3-3 and other regulations. At December 31, 2007 and December 31, 2006, the Company had $195.81 million and $52.18 million, respectively, in cash and securities segregated in special reserve bank accounts for the benefit of customers.

Receivable From and Payable to Customers—Receivable from and payable to customers includes amounts due on cash and margin transactions. The Company extends credit to its customers to finance their purchases of securities on margin. The Company receives income from interest charged on such extensions of credit. The Company pays interest on certain customer free credit balances held pending investment. Loans to customers are generally fully collateralized by customer securities, which are not included in the accompanying consolidated statements of financial condition.

To the extent that margin loans and other receivables from customers are not fully collateralized by customer securities, management establishes an allowance that it believes is sufficient to cover any probable losses. When establishing this allowance, management considers a number of factors, including its ability to collect from the customer and/or the customer's FA and the Company's historical experience in collecting on such transactions.

The following schedule reflects the Company's activity in providing for an allowance for uncollectible amounts due from customers for the years ended December 31, 2007 and 2006 (in thousands):

	2007	2006
Beginning balance—January 1	$ 202	$ 123
Provision	327	79
Ending balance—December 31	$ 529	$ 202

Receivable From Product Sponsors, Broker-Dealers, and Clearing Organizations—Receivable from product sponsors, broker-dealers, and clearing organizations primarily consists of commission and transaction-related receivables.

Receivable From Others—Receivable from others primarily consists of other accrued fees from product sponsors and financial advisors. The Company periodically extends credit to its FAs in the form of recruiting loans, commission advances, and other loans. The decisions to extend credit to FAs are generally based on either the FAs credit history, their ability to generate future commissions, or both. Management maintains an allowance for uncollectible amounts using an aging analysis that takes into account the FAs registration status and the specific type of receivable. The aging thresholds and specific percentages used represent management's best estimates of probable losses. Management monitors the adequacy of these estimates through periodic evaluations against actual trends experienced.

The following schedule reflects the Company's activity in providing for an allowance for uncollectible amounts due from others for the years ended December 31, 2007 and 2006 (in thousands):

	2007	2006
Beginning balance—January 1	$ 2,590	$ 2,529
Provision	2,815	396
Charge-offs—net of recoveries	(139)	(335)
Ending balance—December 31	$ 5,266	$ 2,590

Securities Owned and Sold But Not Yet Purchased—Securities owned and securities sold but not yet purchased are reflected on a trade-date basis at market value with realized and unrealized gains and losses being recorded in other revenue in the consolidated statements of income. Customers' securities transactions are recorded on a settlement-date basis, with related commission income and expense reported on a trade-date basis.

U.S. government notes, held by PTCH, are classified as held-to-maturity, as PTCH has both the intent and ability to hold them to maturity. PTCH also invests in stock held in the Federal Reserve Bank, which is a nonmarketable security. U.S. government notes are carried at amortized cost, and stock held in the Federal Reserve Bank is carried at cost.

Interest income is accrued as earned and dividends are recorded on the ex-dividend date. Premiums and discounts are amortized, using a method that approximates the effective yield method, over the term of the security and recorded as an adjustment to the investment yield.

Securities Borrowed and Loaned—Securities borrowed and securities loaned are accounted for as collateralized financings and are recorded at the amount of the cash provided for securities borrowed transactions and cash received for securities loaned (generally in excess of market values). The adequacy of the collateral deposited for securities borrowed is continuously monitored and adjusted when considered necessary to minimize the risk associated with this activity. At December 31, 2007 and December 31, 2006, the Company had $9.04 million and $12.69 million, respectively, in securities borrowed. The collateral received for securities loaned is generally cash and is adjusted daily through the Depository Trust Company's ("DTC") net settlement process, and securities loaned is included in payable to broker-dealers and clearing organizations in the consolidated statements of financial condition. Securities loaned generally represent customer securities that can be pledged under standard margin loan agreements. At December 31, 2007 and December 31, 2006, the Company had $23.32 million and $14.88 million, respectively, of pledged securities loaned under the DTC Stock Borrow Program.

Equity Investment—The Company's equity investment is accounted for under the equity method when it exerts significant influence and ownership does not exceed 50% of the common stock. In accordance with Accounting Principles Board ("APB") Opinion No. 18, *The Equity Method of Accounting for Investments in Common Stock* ("APB 18"), the Company records the investment at cost in the consolidated statements of financial condition and adjusts the carrying amount of the investment to recognize its share of earnings or losses while recording such earnings or losses within the consolidated statements of income. The Company has a commercial relationship with its investee in the normal course of business, and made payments for services rendered of $1.18 million and $345,000, respectively, during the years ended December 31, 2007 and 2006.

Mortgage Loans Held for Sale—Through its mortgage affiliate Innovex, the Company originated residential mortgage loans through a warehouse line of credit facility or as a broker for other banks. The Company ceased the operations of Innovex on December 31, 2007, and is in the process of dissolving the entity.

Prior to this date, mortgage loans held for sale were carried at the lower of aggregate cost or fair value and were sold on a nonrecourse basis with certain representations and warranties. Fair value was determined by outstanding commitments from investors. The Company evaluated the need for market valuation reserves on mortgage loans held for sale based on a number of quantitative and qualitative factors, primarily changes in interest rates and collateral values. The Company sold all mortgage loans that it originated.

The Company had an agreement with certain third-party financial institutions for them to purchase loans originated by the Company, as long as such loans met certain criteria, generally within 30 days from funding. Loan origination and processing fees and certain direct origination costs were deferred until the related loan was sold.

Fixed Assets—Furniture, equipment, computers, purchased software, capitalized software, and leasehold improvements are recorded at historical cost, net of accumulated depreciation and amortization. Depreciation is recognized using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the lesser of their useful lives or the terms of the underlying leases, ranging up to 12 years. Equipment, furniture, fixtures, computers, and purchased software are depreciated over periods of three to seven years. Automobiles have depreciable lives of five years. Management reviews fixed assets for impairment whenever events or changes in circumstances indicate the carrying amount of the assets may not be recoverable.

Software Development Costs—Software development costs are charged to operations as incurred. Software development costs include costs incurred in the development and enhancement of software used in connection with services provided by the Company that do not otherwise qualify for capitalization under the American Institute of Certified Public Accountants Statement of Position 98-1, *Accounting for the Costs of Computer Software Developed or Obtained for Internal Use* ("SOP 98-1").

The costs of internally developed software that qualify for capitalization under SOP 98-1 are capitalized as fixed assets and subsequently amortized over the estimated useful life of the software, which is generally three years. The costs of internally developed software are included in fixed assets at the point at which the conceptual formulation, design, and testing of possible software project alternatives are complete and management authorizes and commits to funding the project. The Company does not capitalize pilot projects and projects where it believes that the future economic benefits are less than probable. The value assigned to internally developed software in connection with certain acquisitions is amortized over an expected weighted-average economic useful life of approximately 4.3 years.

Deferred Loan Issuance Costs—Debt issuance costs incurred in connection with the issuance of the senior secured credit facilities and the senior unsecured subordinated notes have been capitalized and are being amortized as additional interest expense over the expected terms of the related debt agreements using the effective interest method.

Goodwill—Goodwill represents the cost of acquired companies in excess of the fair value of net tangible assets acquired at the acquisition date. In accordance with SFAS No. 142 ("SFAS 142"), *Goodwill and Other Intangible Assets*, goodwill is not amortized, but tested annually for impairment (in

December), or more frequently if certain events having a material impact on the Company's value occur. For the years ended December 31, 2007 and 2006, changes in goodwill by segment were as follows (in thousands):

	Advisor Services	Other	Total Operating Segments	Corporate and Unallocated	Consolidated Total
Balance at December 28, 2005 (Predecessor)	$ 421	$ 2,441	$ 2,862	$ 363	$ 3,225
Acquisition of LPLH (Note 3)	—	—	—	1,242,539	1,242,539
Balance at December 31, 2005 (Successor)	421	2,441	2,862	1,242,902	1,245,764
Acquisition adjustment for LPLH (Note 3)	—	—	—	3,395	3,395
Balance at December 31, 2006	421	2,441	2,862	1,246,297	1,249,159
Acquisition of UVEST (Note 3)	27,406	—	27,406	—	27,406
Acquisition of IASG (Note 3)	11,304	—	11,304	—	11,304
Adjustment related to expiring tax statute (Note 3)	(113)	—	(113)	—	(113)
Balance at December 31, 2007	$ 39,018	$ 2,441	$ 41,459	$ 1,246,297	$ 1,287,756

Intangible Assets—Intangible assets, which consist of relationships with FAs, product sponsors and trust clients are amortized on a straight-line basis over their estimated useful lives. The Company evaluates the remaining useful lives of intangible assets each reporting period to determine whether events and circumstances warrant a revision to the remaining period of amortization. Intangible assets are also tested for potential impairment whenever events or changes in circumstances suggest that an asset's or asset group's carrying value may not be fully recoverable in accordance with SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets* ("SFAS 144"). An impairment loss, calculated as the difference between the estimated fair value and the carrying value of an asset or asset group, is recognized if the estimated fair value is less than the corresponding carrying value. No impairment occurred for the years ended December 31, 2007, 2006 and 2005.

Trademarks and Trade Names—The Company's business is highly dependent on its FAs, and, as a result, expenditures are regularly made to market the Company's trademarks and trade names to them. The Company's primary trademarks and trade names were determined to have an indefinite life, and will be tested for potential impairment annually or whenever events or changes in circumstances suggest that the carrying value of such asset may not be fully recoverable in accordance with SFAS 142. An impairment loss, calculated as the difference between the estimated fair value and the carrying value of an asset or asset group, is recognized if the estimated fair value is less than the corresponding carrying value. Trademarks and trade names of certain acquired subsidiaries (representing $2.76 million) were determined to have finite lives and are being amortized over their expected useful lives of 18 months to five years. No impairment occurred for the years ended December 31, 2007, 2006 and 2005.

Classification and Valuation of Certain Investments—The classification of an investment determines its accounting treatment. The Company generally classifies its investments in debt and equity instruments (including mutual funds, annuities, corporate bonds, government bonds, and municipal bonds) as trading securities, except for government bonds held by PTCH, which are classified as held-to-maturity based on management's intent. The Company has not classified any investments as available-for-sale. Investment classifications are subject to ongoing review and can change. Securities classified as trading are carried at fair value, while securities classified as held-to-maturity are carried at

cost or amortized cost. When possible, the fair value of securities is determined by obtaining quoted market prices. The Company also makes estimates about the fair value of investments and the timing for recognizing losses based on market conditions and other factors. If its estimates change, the Company may recognize additional losses. Both unrealized and realized gains and losses on trading securities are recognized in other revenue on a net basis in the consolidated statements of income.

Derivative Instruments and Hedging Activities—The Company periodically uses financial derivative instruments, such as interest rate swap agreements, to protect itself against changing market prices or interest rates and the related impact to the Company's assets, liabilities, or cash flows. The Company also evaluates its contracts and commitments for terms that qualify as embedded derivatives. All derivatives are reported at their corresponding fair value in the Company's consolidated statements of financial condition.

Financial derivative instruments expected to be highly effective hedges against changes in cash flows are designated as such upon entering into the agreement. At each reporting date, the Company reassesses the effectiveness of the hedge to determine whether or not it can continue to use hedge accounting. Under hedge accounting, the Company records the increase or decrease in fair value of the derivative, net of tax impact, as other comprehensive income or loss. If the hedge is not determined to be a perfect hedge, yet is still considered highly effective, the Company will calculate the ineffective portion and record the related change in its fair value as additional interest income or expense in the consolidated statements of income. Amounts accumulated in other comprehensive income (loss) are reclassified into earnings in the same period or periods during which the hedged forecasted transaction affects earnings.

Drafts Payable—Drafts payable represent customer checks drawn against the Company that have not yet cleared through the bank.

Legal Reserves—The Company records reserves for legal proceedings in accounts payable and accrued liabilities in the accompanying consolidated statements of financial condition. The determination of these reserve amounts requires significant judgment on the part of management. Management considers many factors, including, but not limited to, the amount of the claim, the amount of the loss in the customer's account, the basis and validity of the claim, the possibility of wrongdoing on the part of an FA, likely insurance coverage, previous results in similar cases, and legal precedents and case law. Each legal proceeding is reviewed with counsel in each accounting period and the reserve is adjusted as deemed appropriate by management. Any change in the reserve amount is recorded as professional services in the accompanying consolidated statements of income.

Estimates of Effective Income Tax Rates, Deferred Income Taxes, and Valuation Allowances—In preparing the consolidated financial statements, the Company estimates the income tax expense based on the various jurisdictions where the Company conducts business. The Company must then assess the likelihood that the deferred tax assets will be realized. A valuation allowance is established to the extent that it is more likely than not that such deferred tax assets will not be realized. When the Company establishes a valuation allowance or modifies the existing allowance in a certain reporting period, the Company generally records a corresponding increase or decrease to tax expense in the consolidated statements of income. Management makes significant judgments in determining the provision for income taxes, the deferred tax assets and liabilities, and any valuation allowances recorded against the deferred tax asset. Changes in the estimate of these taxes occur periodically due to changes in the tax rates, changes in the business operations, implementation of tax planning strategies, resolution with taxing authorities of issues where the Company had previously taken certain tax

positions, and newly enacted statutory, judicial, and regulatory guidance. These changes, when they occur, affect accrued taxes and can be material to the Company's operating results for any particular reporting period.

Additionally, the Company accounts for uncertain tax positions in accordance with FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes—an interpretation of FASB Statement No. 109* ("FIN 48"). The application of income tax law is inherently complex. Laws and regulations in this area are voluminous and are often ambiguous. The Company is required to make many subjective assumptions and judgments regarding our income tax exposures. Interpretations of and guidance surrounding income tax laws and regulations change over time. As such, changes in the Company's subjective assumptions and judgments can materially affect amounts recognized in the consolidated statements of financial condition and statements of income. See Note 13 for additional detail regarding the Company's uncertain tax positions.

Revenue Recognition Policies:

Commissions—The Company records commissions received from mutual funds, annuity, insurance, equity, fixed income, direct investment, option, and commodity transactions on a trade-date basis. Commissions also include mutual fund and variable annuity trails, which are recognized as earned as a percentage of assets under management over the period for which services are performed. Due to the significant volume of mutual fund and variable annuity purchases and sales transacted by FAs directly with product manufacturers, management must estimate a portion of its upfront commission and trail revenues for each accounting period for which the proceeds have not yet been received. These estimates are based on a number of factors, but primarily on the volume of similar transactions for the same period for which cash has been received. Because the Company records commissions payable based upon standard payout ratios for each product as it accrues for commission revenue, any adjustment between actual and estimated commission revenue will be offset in part by the corresponding adjustment to commission expense.

Advisory and Asset-Based Fees—The Company charges investment advisory fees based on a customer's portfolio value, generally at the beginning of each quarter. Advisory fees collected in advance are recorded as unearned revenue and are recognized ratably over the period in which such fees are earned. Advisory fees collected in arrears are recorded as earned. Asset-based fees are primarily derived from the Company's marketing, sub-transfer agency agreements, and customer cash sweep products and are recorded and recognized ratably over the period in which services are provided.

Transaction and Other Fees—The Company charges transaction fees for executing noncommissionable transactions on customer accounts. Transaction-related charges are recognized on a trade-date basis. Other fees relate to services provided and other account charges generally outlined in the Company's agreements with its FAs and customers. Such fees are recognized as services are performed or as earned, as applicable. In addition, the Company offers various software- related products which it charges on a subscription basis. Fees are recognized over the subscription period.

Interest Income—The Company earns interest income from its cash equivalents and customer margin balances. On December 31, 2007, the Company ceased the operations of its mortgage affiliate Innovex. Prior to this date, the Company also earned interest income on its mortgage loans held for sale.

Gain on Sale of Mortgage Loans Held for Sale—The Company, through its mortgage affiliate Innovex, recognized gains on the sale of mortgage loans held for sale on the date of settlement. On

December 31, 2007, Innovex ceased operations. Prior to this date, a gain was recognized based on the difference between the selling price and the carrying value of the related mortgage loans sold, including deferred loan origination fees and certain direct origination costs. All loans were sold on a servicing-released basis (i.e. the Company did not service the loans after they were sold, and it sold all loans before the first payment was made). Loans were accounted for as sold when control of the mortgage loans was surrendered. Control over mortgage loans was deemed to be surrendered when (i) the mortgage loans were isolated from the Company, (ii) the buyer had the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the loans, and (iii) the Company did not maintain effective control of the mortgage loans through either (a) an agreement that entitled and obligated the Company to repurchase or redeem the mortgage loans before maturity or (b) the ability to unilaterally cause the buyer to return specific mortgage loans.

Compensation and Benefits—The Company records compensation and benefits for all cash and deferred compensation, benefits, and related taxes as earned by its employees. Compensation and benefits expense also includes fees earned by temporary employees and contractors who perform similar services to those performed by the Company's employees, primarily software development and project management activities. Temporary employee and contractor services of $25.44 million, $14.57 million, and $12.44 million were incurred during the years ended December 31, 2007, 2006, and 2005, respectively.

Share-Based Compensation—On January 1, 2006, the Company adopted SFAS No. 123R (Revised), *Share-Based Payment*, ("SFAS 123R"). SFAS 123R requires the recognition of the fair value of share-based compensation in net income. The Company recognizes share-based compensation expense over the requisite service period of the individual grants, which generally equals the vesting period. Prior to January 1, 2006, the Company accounted for employee equity awards using APB Opinion No. 25, *Accounting for Stock Issued to Employees*, ("APB 25") and related interpretations in accounting for share-based compensation.

The Company has adopted the provisions of SFAS 123R using the prospective transition method, whereby it will continue to account for nonvested equity awards to employees outstanding prior to January 1, 2006, using APB 25, and apply SFAS 123R to all awards granted or modified after that date. In accordance with the transition rules of SFAS 123R, the Company no longer provides pro forma disclosures illustrating what net income would have been had the Company valued share-based awards under a fair value method rather than under the intrinsic value method of APB 25.

The Company recognized $1.40 million, $2.85 million, and $0 of share based compensation for the years ended December 31, 2007, 2006, and 2005, respectively, under APB 25 related to the vesting of stock options awarded to employees prior to January 1, 2006. As of December 31, 2007, stock options previously awarded under APB 25 are fully vested.

The Company also recognized $758,000, $24,000, and $0 of share-based compensation under SFAS 123R related to stock options awarded to employees for the years ended December 31, 2007, 2006, and 2005, respectively. As of December 31, 2007, total unrecognized compensation cost related to nonvested share-based compensation arrangements granted was $7.59 million, which is expected to be recognized over a weighted-average period of 5.95 years. Under SFAS 123R, the Company calculates the compensation cost for stock options based on its estimated fair value. As there are no observable market prices for identical or similar instruments, the Company estimates fair value using a Black-Scholes valuation model. The following table presents the weighted-average assumptions used by the

Company in calculating the fair value of stock options with the Black-Scholes valuation model with the following assumptions for the years ended December 31, 2007, 2006, and 2005:

	Year ended December 31,		
			Predecessor
	2007	2006	2005
Expected life (in years)	6.50	6.53	10.00
Expected stock price volatility	31.08%	34.09%	—%
Expected dividend yield	—	—	3.90%
Annualized forfeiture rate(1)	1.00%	0.27%	N/A
Fair value of options	$ 98.63	$ 80.37	$ 1.14
Risk-free interest rate	4.93%	5.23%	4.11%

(1) An estimated forfeiture rate was not used, and was not required prior to the adoption of SFAS 123R.

The risk-free interest rates are based on the implied yield available on U.S. Treasury constant maturities in effect at the time of the grant with remaining terms equivalent to the respective expected terms of the options. The dividend yield of zero is based on the fact that the Company has no present intention to pay cash dividends. In the future, as the Company gains historical data for volatility in its own stock and the actual term over which employees hold its options, expected volatility, and the expected term may change, which could substantially change the grant-date fair value of future awards of stock options and, ultimately, compensation recorded on future grants. The Company has elected to use the shortcut approach in accordance with SEC Staff Accounting Bulletin No. 107, *Share-Based Payment*, to develop the estimate of the expected term. Expected volatility is calculated based on companies of similar growth and maturity and the Company's peer group in the industry in which the Company does business because the Company does not have sufficient historical volatility data. The Company will continue to use peer group volatility information until historical volatility of the Company is relevant to measure expected volatility for future option grants.

The Company has assumed an annualized forfeiture rate of 1.00% for its options based on a combined review of industry and employee turnover data, as well as an analytical review performed of historical prevesting forfeitures occurring over the previous year. Under the true-up provisions of SFAS 123R, the Company will record additional expense if the actual forfeiture rate is lower than estimated and will record a recovery of prior expense if the actual forfeiture is higher than estimated.

Income Taxes—In preparing the financial statements, the Company estimates the income tax expense based on the various jurisdictions where the Company conducts business. Changes in the estimate of these taxes occur periodically due to changes in the tax rates, changes in the business operations, implementation of tax planning strategies, resolution with taxing authorities of issues where the Company had previously taken certain tax positions, and newly enacted statutory, judicial, and regulatory guidance. These changes, when they occur, affect accrued taxes and can be material to the Company's operating results for any particular reporting period.

The Company adopted FIN 48 at the beginning of fiscal year 2007. As a result of the implementation of FIN 48, the Company recorded an additional reserve for uncertain tax positions in the amount of $4.45 million, net of an income tax benefit received of $2.10 million. This charge was accounted for as a cumulative effect of change in accounting principle, recorded directly to the

Company's retained earnings. See Note 13 for additional detail regarding the Company's uncertain tax positions.

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. Customer receivables, primarily consisting of floating rate margin loans collateralized by customer securities, are charged interest at rates similar to such other loans made within the industry.

Commitments and Contingencies—The Company recognizes liabilities for contingencies when analysis indicates it is both probable that a liability has been incurred and the amount of loss can be reasonably estimated. When a range of probable loss can be estimated, the Company accrues the most likely amount.

Management evaluates all available evidence about asserted and unsettled income tax contingencies and unasserted income tax contingencies caused by uncertain income tax positions taken in the Company's income tax returns filed with the Internal Revenue Service and state and local tax authorities. Contingencies that management believes are estimable and probable of payment, if successfully challenged by such tax authorities, are accrued for under the provisions of FIN 48.

Recently Issued Accounting Pronouncements—In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements* ("SFAS 157"), which is effective for fiscal years beginning after November 15, 2007. SFAS 157 establishes a definition of fair value, the methods used to measure fair value, and expanded disclosures about fair value measurements, which is expected to result in increased consistency and comparability in fair value measurements and disclosures. Subsequent to the issuance of SFAS 157, the FASB issued FASB Staff Position No. FAS 157-1 and No. FAS 157-2, which scope out the lease classification measurements under SFAS No. 13, *Accounting for Leases*, from SFAS 157 and delays the effective date on SFAS 157 for all nonrecurring fair value measurements of nonfinancial assets and nonfinancial liabilities until fiscal years beginning after November 15, 2008. The provisions of SFAS 157 are not expected to have a material impact on the Company's consolidated statements of financial condition, income, or cash flows, however, additional disclosures will be required.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option of Financial Assets and Financial Liabilities—Including an amendment of FASB Statement No. 115* ("SFAS 159"). This standard permits entities to choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value. SFAS 159 also establishes presentation and disclosure requirements designed to facilitate comparisons between entities that choose different measurement attributes for similar types of assets and liabilities. SFAS 159 is effective for fiscal years beginning after November 15, 2007. The Company is currently evaluating the impact that the adoption of SFAS 159 will have on the Company's consolidated statements of financial condition, income, and cash flows.

In December 2007, the FASB issued SFAS No. 141(R), *Business Combinations*, ("SFAS 141R"). SFAS 141R establishes principles and requirements in a business combination for how the acquirer: recognizes and measures in the Company's financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree; recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase; and determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. SFAS 141R applies to all transactions or other events in which the Company obtains control of one or more businesses, including those sometimes referred to as "true mergers" or "mergers of equals" and combinations achieved without the transfer of

consideration (e.g., by contract alone or through the lapse of minority veto rights). SFAS 141R applies prospectively to business combinations for which the acquisition date occurs on or after December 1, 2009. The Company is currently evaluating the impact that the adoption of SFAS 141R will have on its consolidated statements of financial condition, income, and cash flows.

In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements—an amendment of ARB No. 51* ("SFAS 160"), which improves the relevance, comparability and transparency of the financial information that a reporting entity provides in its consolidated financial statements by establishing accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. SFAS 160 is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. Early adoption of SFAS 160 is not permitted. The Company is currently evaluating the impact, if any, that the adoption of SFAS 160 will have on its consolidated statements of financial condition, income, and cash flows.

3. ACQUISITIONS (SPLIT ADJUSTED)

LPLH

In order to provide liquidity to the former stockholders, as discussed in Note 1, the Company completed an acquisition of LPLH on December 28, 2005, which was financed by a combination of borrowings under the Company's new senior credit facilities, the issuance of senior unsecured subordinated notes, and direct and indirect equity investments from the Majority Holders, co-investors, management, and the Company's FAs (see Note 14 for a description of the Company's indebtedness).

The Company refers to the above transactions, the Acquisition, and the payment of any costs related to these transactions collectively herein as the "Transactions."

Leveraged Buyout Accounting—The Transactions are accounted for as a business combination in accordance with SFAS 141, and the consensuses reached by the Emerging Issues Task Force ("EITF") in Issue No. 88-16, *Basis in Leveraged Buyout Transactions*, and No. 90-12, *Allocating Basis to Individual Assets and Liabilities for Transactions within the Scope of Issue No. 88-16* ("EITF 88-16"). In accordance with EITF 88-16, the Company recorded a change in basis. Accordingly, the retained interest of certain continuing stockholders was recorded at the Predecessor basis (representing 18.0% of the Predecessor net assets). The remainder of the investment in the assets and liabilities acquired were recorded at the new owner's relative ownership percentage of the fair value of those assets at the time of the Acquisition. At December 31, 2006 and 2005, 88.6% of the Company's voting common stock is held by new owners.

During 2006, after the finalization of the Company's 2005 income tax returns, the Company identified and posted a change in estimate to its tax accounts resulting in an adjustment needed to revise the accounting basis allocated to income taxes receivable during the Acquisition.

The original 2005 basis adjustments, the true-up, and the 2006 adjusted amounts are as follows (in thousands):

	Recorded at 12/31/2005	Adjustments	As Adjusted 12/31/2006
Step-up in basis of assets and liabilities resulting from the Transactions:			
Internally developed software	$ 85,577	$ —	$ 85,577
Income taxes receivable	—	(3,395)	(3,395)
Land	4,375		4,375
Trademark and tradename	39,819		39,819
Intangible assets:			
Relationships with financial advisors	354,721		354,721
Relationships with product sponsors	202,999		202,999
Relationships with trust clients	1,762		1,762
Goodwill	1,242,902	3,395	1,246,297
Deferred tax liability	(268,119)		(268,119)
Step-up in basis of assets due to Transactions	1,664,036	—	1,664,036
Cash contribution from Sponsors	740,742		740,742
Redemption of stock and stock appreciation rights	(2,069,588)		(2,069,588)
Contribution from selling stockholders toward seller's costs in Transactions	17,350		17,350
Direct acquisition costs capitalized as goodwill	(7,668)		(7,668)
Total basis adjustment	$ 344,872	$ —	$ 344,872

The sources and uses of funds in connection with the Transactions are summarized below (in thousands):

Sources of funds:	
Senior secured Tranche A term loan due December 28, 2006	$ 45,000
Senior secured Tranche B term loan due June 28, 2013	750,000
Senior subordinated notes due December 15, 2015	550,000
Cash on hand used to fund the Transactions	39,153
Direct equity contribution—cash	740,742
Non-cash Equity contribution—management options rollover (net of aggregate exercise price) and unvested stock bonus plan for financial advisors	359,203
Total sources of funds	$ 2,484,098
Uses of funds:	
Consideration paid to stockholders and holders of stock appreciation rights	$ 2,069,588
Non-cash Equity consideration (equity rollover)	359,203
Transaction costs	55,307
Total uses of funds	$ 2,484,098

Costs of the Transactions—For the year ended December 31, 2005, the Company incurred $55.31 million in costs to vendors and service providers as a result of the Transactions. These costs consisted of accounting, investment banking, legal, and other direct costs associated with the Transactions. Of these costs, $30.45 million and $7.67 million were capitalized as debt issuance costs and direct acquisition costs, respectively. Debt issuance costs are recorded in the accompanying consolidated statements of financial condition, and are amortized through interest expense using the effective interest method over the lives of the corresponding debt. Direct acquisition costs are treated as part of the purchase price, resulting in additional goodwill. The remaining $17.24 million in costs did not qualify for capitalization and have been recorded as professional fees and other expenses in the accompanying consolidated statements of income. In addition to these costs, the Company recorded additional compensation charges of $20.90 million; $5.10 million related to the accelerated vesting of stock options and $15.80 million related to the settlement of stock appreciation rights (see Note 18).

The Company has completed four acquisitions during the period January 1, 2007 through December 31, 2007:

UVEST

On January 2, 2007, the Company completed its acquisition of UVEST, augmenting the Company's position in providing services to banks, credit unions, and other financial institutions. In accordance with SFAS 141, the acquisition has been accounted for under the purchase method of accounting, which required the purchase price of approximately $89.45 million ($78.04 million in cash and the issuance of 603,660 shares of common stock at an estimated fair value of $18.90 per share) to be allocated to the specific tangible and intangible assets acquired and liabilities assumed based on their fair market values at the date of acquisition.

The purchase price was allocated as follows (in thousands):

Assets purchased and liabilities assumed:		
Cash	$	14,114
Accounts receivable		7,039
Fixed assets		5,094
Goodwill		27,406
Intangibles		54,312
Trademark and trade name		457
Prepaids		380
Other assets		1,607
Accounts payable and accrued liabilities		(20,958)
Total purchase price	$	89,451

As part of the purchase price allocation, the Company recorded intangible assets for relationships with financial advisors and product sponsors. The value assigned to these relationships was $54.31 million, which will be amortized on a straight-line basis over the expected useful life of 20 years. Additionally, the Company assigned value to UVEST's trademark and trade name in the amount of $457,000. The trademark and trade name was determined to have an expected useful life of 18 months and therefore amortized over the same period, in accordance with SFAS 142.

As a result of the acquisition, goodwill in the amount of $27.41 million was created for the excess purchase price over the value of assets and liabilities assumed. In accordance with SFAS 142, goodwill will not be amortized, but reviewed at least annually for impairment.

The acquisition was treated as a purchase of assets and liabilities for federal tax purposes. Accordingly, the amounts allocated to goodwill of $27.41 million, intangible assets of $54.31 million, and trademark and trade name of $457,000 are deductible for federal tax purposes over a 15-year period.

Immediately following the acquisition, the Company satisfied certain obligations under a phantom stock plan for UVEST employees by issuing 65,820 shares of common stock at an estimated fair value of $18.90 per share.

IASG

On June 20, 2007, the Company acquired IASG, strengthening the Company's position as a leading independent broker-dealer in the United States. In accordance with SFAS 141, the acquisition has been accounted for under the purchase method of accounting, which required the purchase price, estimated to be approximately $120.48 million ($63.34 million in cash and the issuance of 2,645,500 shares of common stock with an estimated fair value of $21.60 per share) to be allocated to the specific tangible and intangible assets acquired and liabilities assumed based on their fair market values at the date of acquisition. The preliminary purchase price allocations are subject to adjustment as additional information is obtained.

The purchase price was allocated as follows (in thousands):

Assets purchased and liabilities assumed:		
Cash	$	38,253
Receivables		10,790
Investments		1,681
Fixed assets		1,960
Goodwill		11,304
Intangibles		67,100
Trademarks and trade names		2,300
Prepaids		2,022
Other assets		20,341
Accounts payable and accrued liabilities		(35,272)
Total purchase price	$	120,479

As part of the purchase price allocation, the Company estimated the value of intangible assets for relationships with financial advisors and product sponsors. The value assigned to these relationships was $67.10 million, which will be amortized on a straight-line basis over their expected useful lives ranging from 10 to 20 years. Additionally, the Company estimated the value of trademarks and trade names in the amount of $2.30 million. The trademarks and trade names were determined to have an expected useful life of three to five years and therefore amortized over the same period, in accordance with SFAS 142.

The excess of the aggregate purchase price over the value of assets and liabilities assumed resulted in goodwill of $11.30 million. In accordance with SFAS 142, goodwill will not be amortized, but reviewed at least annually for impairment.

The acquisition was treated as a purchase of assets and liabilities for federal tax purposes. Accordingly, the amounts allocated to goodwill of $11.30 million, intangible assets of $67.10 million, and trademarks and trade names of $2.30 million are deductible for federal tax purposes over a 15-year period.

Subsequent to the purchase, the Company settled an outstanding state tax audit. This settlement, which was favorable to the Company, resulted in a $113,000 reduction to goodwill.

IFMG

On November 7, 2007, the Company completed the acquisition of IFMG, which was performed solely for the purpose of transferring IFMG's relationships with financial institution clients to other broker-dealers of LPLH. The acquisition has been accounted for in conjunction with SFAS 141 under the purchase method of accounting, with certain liabilities recognized for the Shutdown Plan in accordance with EITF Issue 95-3, *Recognition of Liabilities in Connection with a Purchase Business Combination*. Initial purchase consideration of $25.69 million was allocated to the specific tangible and intangible assets acquired and liabilities assumed based on their fair market values at the date of acquisition. In addition to the initial purchase price, the acquisition provides for post-closing payments over the next two years of approximately $5.00 million, based on the successful recruitment and retention of certain customer relationships. The preliminary purchase price allocations are subject to adjustment as additional information is obtained.

The purchase price was allocated as follows (in thousands):

Assets purchased and liabilities assumed:		
Cash	$	26,015
Receivables		10,950
Fixed assets		713
Intangibles		15,334
Prepaids		142
Other assets		2,743
Accounts payable and accrued liabilities		(30,204)
Total purchase price	$	25,693

As part of the purchase price allocation, the Company estimated the value of intangible assets for relationships with financial advisors and product sponsors. The value assigned to these relationships was $15.33 million, which will be amortized on a straight-line basis over their expected useful lives of 10 years.

The acquisition was treated as a purchase of assets and liabilities for federal tax purposes. Accordingly, the amounts allocated to intangible assets of $15.33 million are deductible for federal tax purposes over a 15-year period.

The Company has recorded an asset for the economic benefit of $1.50 million representing estimated value of payments to be made to certain employees under a retention plan of Sun Life, which is included in other assets in the accompanying consolidated statements of financial condition. The contractual asset is amortized on a straight-line basis through August 31, 2008, the expected date of payment. Additionally, on the date of acquisition, the Company created a retention plan for IFMG employees not covered by Sun Life's retention plan. The Company records an accrued liability for the retention plan as services are performed, which is included in accounts payable and accrued liabilities

in the accompanying consolidated statements of financial condition. For the period ending December 31, 2007, the Company recorded $263,000 of compensation expense for retention benefits received under both plans, which is included in compensation and benefits in the accompanying consolidated statements of income, and anticipates recording $1.24 million of additional compensation during 2008 as these services are provided.

Asset Acquisitions

On May 9, 2007 and August 9, 2007, LPLH and its parent, LPLIH, entered into Institutional Transfer Agreements with multiple institutions, resulting in the transfer of institutional relationships to its broker-dealer subsidiaries. As consideration for these relationships, the Company paid $3.44 million in cash and issued 43,860 shares of common stock valued at $25.50 per share. The Company has recorded intangible assets for the value of these relationships and is currently evaluating the estimated useful lives, the period over which it will amortize such amounts.

Pro forma disclosure of aforementioned acquisitions

The following pro forma table shows the results of the Company's operations for the specified reporting periods as though the aforementioned acquisitions had occurred as of the beginning of those periods (in thousands):

	Year Ended December 31,		
	2007	2006	2005
Revenue	$ 3,097,076	$ 2,389,373	$ 1,407,296
Net Income (Loss)	$ 41,266	$ 13,266	$ (65,390)

The pro forma results have been prepared for comparative purposes only and are not necessarily indicative of the actual results of operations had the acquisitions taken place as of the beginning of the periods presented, or the results that may occur in the future.

4. EQUITY INVESTMENT

On May 11, 2007, the Company acquired for $5.00 million, an approximate 22.6% ownership interest in a privately held technology company that provides middleware solutions and straight-through processing for the life insurance and annuities industry. This investment provides the Company with a strategic ownership interest in one of its vendors that provides technology for variable annuity order entry and monitoring. This investment is classified as other assets in the consolidated statements of financial condition and the Company's share of gains and losses are included in other expense in the consolidated statements of income in accordance with APB 18.

5. RECEIVABLE FROM PRODUCT SPONSORS, BROKER-DEALERS, AND CLEARING ORGANIZATIONS AND PAYABLE TO BROKER-DEALERS AND CLEARING ORGANIZATIONS

Receivable from product sponsors, broker-dealers, and clearing organizations and payable to broker-dealers and clearing organizations were as follows (in thousands):

	December 31,	
	2007	2006
Receivables:		
Securities failed-to-deliver	$ 5,678	$ 3,407
Receivable from broker-dealers	12,872	12,413
Receivable from clearing organizations	38,594	7,853
Commissions receivable from product sponsors and others	103,009	66,033
Total receivables	$ 160,153	$ 89,706
Payables:		
Securities failed-to-receive	$ 11,247	$ 6,628
Payable to broker-dealers	224	296
Payable to clearing organizations	8,971	8,547
Securities loaned	27,483	14,883
Total payables	$ 47,925	$ 30,354

Securities loaned represent amounts due to DTC for collateral received in participation with its Stock Borrow Program.

LPL Financial clears commodities transactions for its customers through another broker-dealer on a fully disclosed basis. The amount payable to broker-dealers relates to the aforementioned transactions and is collateralized by securities owned by LPL Financial.

6. SECURITIES OWNED AND SECURITIES SOLD BUT NOT YET PURCHASED

The components of securities owned and securities sold but not yet purchased were as follows (in thousands):

	December 31,	
	2007	2006
Securities owned—market value:		
Mutual funds	$ 9,510	$ 6,149
U.S. government obligations (pledged to clearing organizations)	2,769	2,643
Nonconvertible bonds	1,817	—
Stocks and warrants	621	444
Variable annuities	234	227
Money market funds	154	61
Total securities owned—market value	$ 15,105	$ 9,524
Other securities:		
U.S. government notes—at amortized cost	$ 10,242	$ 10,242
Federal Reserve stock—at cost	390	393
Total other securities	$ 10,632	$ 10,635
Securities sold but not yet purchased—market value:		
Mutual funds	$ 12,470	$ 10,578
Stocks and warrants	354	218
Non-convertible bonds	13	10
Total securities sold but not yet purchased—market value	$ 12,837	$ 10,806

The carrying values of the U.S. government notes classified as held-to-maturity approximates their market values. As of December 31, 2007, the components of U.S. government notes classified as held-to-maturity were as follows (in thousands):

	Carrying Values	Interest Rate	Year of Maturity
U.S. Treasury notes	$ 7,557	3.25%-4.875%	2008
U.S. Treasury notes	2,685	3.00%-3.875%	2009
Total U.S. Treasury Notes	$ 10,242		

7. CONSOLIDATION OF VARIABLE INTEREST ENTITY

On January 1, 2005, the Company adopted FIN 46R and determined that its investment in the nonvoting preferred stock of GPA qualified as a VIE. At that time, the Company's primary stockholder held the voting common stock of both LPLH and GPA. In evaluating FIN 46R, the Company determined that GPA did not have sufficient "equity at risk" as defined under the rule, and as a result of the common ownership of the Company and GPA, and the Company's historical practice of providing the majority of GPA's financing, the Company determined that it was the primary beneficiary of GPA. Consequently, the Company consolidated the operations of GPA in its 2005 consolidated

financial statements. Upon adoption of FIN 46R, the Company recorded a loss from cumulative change in accounting principle of $12.91 million and net assets of $12.18 million.

On October 27, 2005, the Company sold all of its interest in GPA. GPA's losses for the period January 1, 2005 through October 27, 2005, have been reported as discontinued operations (see Note 12).

8. MORTGAGE LOANS HELD FOR SALE

The Company ceased the operations of its mortgage affiliate Innovex on December 31, 2007. Prior to this date, mortgage loans held for sale consisted of first deed mortgages located throughout the United States, but primarily in California. The Company had no second deeds of trust held for sale. The loans held for sale were pledged as collateral for the warehouse lines of credit described in Note 16. The following schedule summarizes the components of mortgage loans held for sale (in thousands):

	December 31,	
	2007	2006
Mortgage loans held for sale	$ —	$ 4,395
Net deferred loan origination fees	—	(18)
Basis adjustment from interest rate lock loan commitment	—	(15)
Mortgage loans held for sale—net	$ —	$ 4,362

9. FIXED ASSETS

The components of fixed assets are as follows (in thousands):

	December 31,	
	2007	2006
Internally developed software	$ 165,201	$ 128,698
Computers and software	73,414	44,995
Leasehold improvements	25,049	18,175
Furniture and equipment	16,572	13,885
Property	6,572	6,572
Total fixed assets	286,808	212,325
Accumulated depreciation and amortization	(130,011)	(90,731)
Fixed assets—net	$ 156,797	$ 121,594

Depreciation and amortization expense for fixed assets was $43.69 million, $36.04 million, and $15.99 million for the years ended December 31, 2007, 2006, and 2005, respectively.

10. INTANGIBLE ASSETS

In conjunction with various business combinations, the Company recorded intangible assets representing lists and relationships with FAs, product sponsors, and trust clients. Identifiable intangible assets are tested for potential impairment whenever events or changes in circumstances suggest that the carrying value of an asset or asset group may not be fully recoverable in accordance with SFAS 144. These intangible assets are amortized on a straight-line basis over their estimated economic useful lives

ranging from five to 20 years. Total amortization expense of intangible assets was $34.47 million, $29.30 million, and $1.86 million for the years ended December 31, 2007, 2006, and 2005, respectively.

At December 31, 2007, intangible assets are as follows (in thousands):

	Gross carrying amount	Accumulated amortization	Net carrying value
Advisor relationships	$ 471,551	$ (43,650)	$ 427,901
Product sponsor relationships	233,663	(21,668)	211,995
Trust clients relationships	2,630	(389)	2,241
Total	$ 707,844	$ (65,707)	$ 642,137

Amortization expense for each of the fiscal years ended December 2008 through 2012 and thereafter is estimated as follows (in thousands):

2008	$ 38,115
2009	37,647
2010	36,829
2011	36,829
2012	36,538
Thereafter	456,179
Total	$ 642,137

11. TRADEMARKS AND TRADE NAMES

The Company is highly dependent on the revenues generated from its good standing relationships with its FAs and product sponsors. In connection with its various business combinations, the Company has assigned value to the trademarks and trade names acquired. The Company's primary trademarks and trade names were determined to have an indefinite life, and will be tested for potential impairment annually or whenever events or changes in circumstances suggest that the carrying value of such asset may not be fully recoverable in accordance with SFAS 142. Trademarks and trade names of acquired subsidiaries (representing $2.76 million) were determined to have finite lives. These trademarks and trade names are amortized on a straight-line basis over their estimated economic useful lives of 18 months to five years. Total amortization expense of trademarks and trade names was $590,000 for the year ended December 31, 2007.

Amortization expense for each of the fiscal years ended December 2008 through 2012 and thereafter is estimated as follows (in thousands):

2008	$ 692
2009	540
2010	434
2011	340
2012	161
Total	$ 2,167

12. DISCONTINUED OPERATIONS

Sale of GPA Entities—On October 27, 2005, the Company completed the sale of all of its interest in GPA (an entity controlled by the Company's controlling stockholder at that time) to GPA Investments, LLC, an entity under common control of the Company's controlling stockholder for $10.00. Because of the related-party nature of the transaction, the loss on disposal of $4.69 million is presented as a distribution to stockholder in the accompanying consolidated statements of stockholders' equity.

Discontinued Operations—As a result of the disposal, the historical operations of GPA for the year ended December 31, 2005 have been classified as discontinued operations. GPA's operations and cash flows for the year ended December 31, 2005 have been separately reported in the accompanying consolidated financial statements and are summarized below (in thousands):

Loss from discontinued operations:	
Loss from cumulative effect of change in accounting	$ 12,909
Loss from operations of GPA	13,291
Loss from discontinued operations	$ 26,200
Disposal (distribution to stockholder)	$ 4,693

13. INCOME TAXES

The Company's provision (benefit) for income taxes is as follows (in thousands):

	Year ended December 31,		
			Predecessor
	2007	2006	2005
Current provision:			
Federal	$ 58,123	$ 33,380	$ 41,277
State	9,961	7,248	7,229
Total current provision	68,084	40,628	48,506
Deferred benefit:			
Federal	(18,151)	(19,473)	(2,148)
State	(3,169)	69	103
Total deferred benefit	(21,320)	(19,404)	(2,045)
Provision for income taxes	$ 46,764	$ 21,224	$ 46,461

The principal items accounting for the differences in income taxes computed at the U.S. statutory rate (35%) and the effective income tax rate comprise the following (in thousands):

	Year ended December 31,		
			Predecessor
	2007	2006	2005
Taxes computed at statutory rate	$ 37,742	$ 19,203	$ 40,513
State income taxes—net of federal benefit	4,415	4,755	4,766
Nondeductible expenses	1,404	488	1,832
Research and development credits	(677)	(390)	(180)
Share-based compensation	285	207	(574)
Transaction costs	—	(823)	2,159
Tax contingencies	3,941	(2,160)	(2,000)
Other	(346)	(56)	(55)
Provision for income taxes	$ 46,764	$ 21,224	$ 46,461

The components of the net deferred tax liabilities included in the consolidated statements of financial condition were as follows (in thousands):

	December 31,	
	2007	2006
Deferred tax assets:		
State taxes	$ 19,242	$ 15,627
Share-based compensation	4,215	3,665
Reserves for litigation, vacation, and bonuses	6,794	2,590
Deferred rent	3,474	2,591
Provision for bad debts	2,428	1,159
Unrealized loss on interest rate swaps	4,323	—
Net operating losses of acquired subsidiaries	301	589
Other	2	431
Total deferred tax assets	40,779	26,652
Deferred tax liabilities:		
Amortization of intangible assets and trademarks and trade names	(244,407)	(262,750)
Depreciation of fixed assets	(13,200)	(8,549)
Unrealized gain on interest rate swaps	—	(1,250)
Other	(75)	—
Total deferred tax liabilities	(257,682)	(272,549)
Deferred income taxes—net	$ (216,903)	$ (245,897)

At January 1, 2007 the Company adopted FIN 48 and had approximately $8.53 million of total gross unrecognized tax benefits. Of this total, $6.43 million (net of the federal benefit on state issues) represents the amount of unrecognized tax benefits that, if recognized, would favorably affect the effective income tax rate in any future periods.

The following table reflects a reconciliation of the beginning and ending balances of the total amounts of gross unrecognized tax benefits including interest and penalties (in thousands):

Balance—January 1, 2007	$	8,533
Increases related to acquired tax positions		2,725
Increases related to current year tax positions		5,657
Decreases related to acquired tax positions		(524)
Decreases related to prior year tax positions		(1,252)
Balance—December 31, 2007	$	15,139

At December 31, 2007, the Company had gross unrecognized tax benefits of $15.14 million. Of this total, $2.20 million represents amounts acquired during the Company's acquisition of IASG. The acquired unrecognized tax benefits will have no impact on the Company's annual effective tax rate as these are fully indemnified by the seller in accordance with the purchase and sale agreement. At December 31, 2007, the Company has recorded a receivable from seller in the amount of $2.20 million, which is included in other assets in the accompanying consolidated statements of financial condition. Of the remaining $12.94 million, $9.71 million (net of the federal benefit on state issues) represents the amount of unrecognized tax benefits that, if recognized, would favorably affect the effective income tax rate in any future periods.

The Company accrues interest and penalties related to unrecognized tax benefits in its provision for income taxes within the consolidated statements of financial condition. At January 1, 2007, the Company had $567,000 accrued for interest and $472,000 accrued for penalties. At December 31, 2007, the liability for unrecognized tax benefits included accrued interest of $913,000 and penalties of $2.03 million. Tax expense for the year ended December 31, 2007 includes interest expense of $207,000 and penalties of $1.31 million.

The Company and its subsidiaries file income tax returns in the federal jurisdiction, as well as most state jurisdictions, and are subject to routine examinations by the respective taxing authorities. The Company has concluded all federal and state income tax matters for years through 2003, with the exception of California, which has concluded income tax matters for years through 2002.

The tax years of 2004-2007 remain open to examination by major taxing jurisdictions to which the Company is subject, with the exception of California discussed above. In the next 12 months, the Company expects a reduction in unrecognized tax benefits of $2.35 million primarily related to the statute of limitations expiration in various state jurisdictions.

14. INDEBTEDNESS

In connection with the Acquisition on December 28, 2005, the Company incurred indebtedness, including $795.00 million of borrowing under the senior secured credit facilities and $550.00 million of senior unsecured subordinated notes.

Senior Secured Credit Facilities—During 2007 and 2006, the Company's senior secured credit facilities consisted of the following:

- Tranche A Notes in the amount of $45.00 million that were issued to finance a portion of the cash consideration for the Acquisition. The notes were repaid in full in 2006.

- Tranche B Notes in the amount of $750.00 million that were used to finance a portion of the cash contribution for the Acquisition. The notes were replaced with Tranche C as discussed below.

- On December 29, 2006, the Company amended and replaced its Tranche B Notes with Tranche C Notes. The Tranche C Notes (in the amount of $794.38 million) provided the Company with an additional $50.00 million for the acquisition of UVEST (see Note 3), as well as certain enhancements to the terms of the original credit agreement, including a reduction to the applicable interest rate margin of 0.25%. The Tranche C Notes are due to mature on June 28, 2013. The Company will provide for quarterly amortization payments of 0.25% in an aggregate amount annually.

- On June 18, 2007, the Company amended and replaced its Tranche C Notes with Tranche D Notes. The Tranche D Notes (in the amount of $842.39 million) provided the Company with an additional $50.00 million for the acquisition of IASG (see Note 3). Through this transaction the Company also reduced its applicable interest rate margin from 250 basis points to 200 basis points. The Tranche D Notes are due to mature on June 28, 2013. The Company will provide for quarterly amortization payments of 0.25% in an aggregate amount annually. Additional principal payments will be required if the Company achieves certain levels of annual cash earnings adjusted for changes in net working capital.

- A $100.00 million revolving credit facility for future working capital and investment needs. This facility expires on December 28, 2011. Of the $100.00 million, $10.00 million has been utilized in the form of an irrevocable letter of credit for PTCH, which expires on December 28, 2007. The Company will pay 2.00% annually on the balance of the irrevocable letter of credit as well as a 0.23% fronting fee. The Company also pays a fee of 0.375% on the unused balance of the revolving credit facility. At December 31, 2007, there were no outstanding borrowings against the letter of credit.

The senior secured credit facilities are secured primarily through pledges of capital stock in the Company's subsidiaries. Borrowings under the senior secured credit facilities bear interest at a base rate plus an applicable interest rate margin, depending on the Company's consolidated leverage ratio, its corporate family rating by Moody's, and the source for the base rate. The Company's base rate is the London Interbank Offering Rate ("LIBOR"). The applicable interest rate margin ranges between 1.00% and 2.00% (maximum was 2.25% prior to achieving a step-down resulting from a Moody's upgrade in the Company's corporate family rating from 'B2' to 'B1' with a positive outlook). The senior secured credit facilities are subject to certain financial and nonfinancial covenants. As of December 31, 2007, the Company was in compliance with all such covenants.

Senior Unsecured Subordinated Notes—The Company also has $550.00 million of senior unsecured subordinated notes due December 15, 2015. The notes bear interest at 10.75% per annum and interest payments are payable semiannually in arrears. The Company is not required to make mandatory redemption or sinking-fund payments with respect to the notes. Indentures underlying the senior subordinated notes contain various restrictions with respect to the issuer, including one or more restrictions relating to limitations on liens, sale and leaseback arrangements, and funded debt of subsidiaries. Additionally, the senior subordinated notes are subject to certain financial and nonfinancial covenants. As of December 31, 2007, the Company was in compliance with all such covenants.

Revolving Line of Credit—On November 7, 2007, the Company borrowed against its available revolving line of credit facility. The revolving line of credit provided the Company with $25.00 million for the acquisition of IFMG (see Note 3), which carries a borrowing rate of one-month LIBOR plus an interest rate margin of an additional 200 basis points.

Bank Loans Payable—The Company maintained uncommitted lines of credit, which have an unspecified limit, primarily dependent on the Company's ability to provide sufficient collateral. At December 31, 2007, the Company had a balance outstanding of $40.00 million. The lines were subsequently paid down in full on January 2, 2008.

The Company's outstanding borrowings were as follows (in thousands):

	December 31,				
	2007			2006	
	Maturity	Balance	Interest Rate	Balance	Interest Rate
Revolving credit		25,000	7.25%(3)	—	—
Bank loans payable		40,000(5)	8.25%(4)	—	—
Senior secured notes (Tranche D):					
Unhedged	6/28/2013	$ 341,071	6.83%(2)	$ 299,375	8.11%(1)
Hedged with interest rate swaps	6/28/2013	495,000	6.83%(2)	495,000	8.11%(1)
Senior unsecured subordinated notes	12/15/2015	550,000	10.75%	550,000	10.75%
Total borrowings		1,451,071		1,344,375	
Less current borrowings (maturities within 12 months)		73,424		7,944	
Long-term borrowings—net of current portion		$ 1,377,647		$ 1,336,431	

(1) As of December 31, 2006, the variable interest rate for the Senior Secured Notes (Tranche C) is based on the three-month LIBOR of 5.36% plus the applicable interest rate margin of 2.75%.

(2) As of December 31, 2007, the variable interest rate for the Senior Secured Notes (Tranche D) is based on the three-month LIBOR of 4.83% plus the applicable interest rate margin of 2.00%.

(3) As of December 31, 2007, the variable interest rate for the Revolver is based on the one-month LIBOR of 5.25% plus the applicable interest rate margin of 2.00%.

(4) As of December 31, 2007, the variable interest rate for the bank loans payable is based on the Prime Rate of 7.25% plus the applicable interest rate margin of 1.00%.

(5) The bank loans payable have no maturity date, as it is primarily dependent on the Company's ability to provide sufficient collateral.

The following summarizes borrowing activity in the revolving and margin credit facilities (in thousands):

	Year ended December 31		
			Predecessor
	2007	2006	2005
Average balance outstanding	$ 6,282	$ 1,575	$ 16,566
Weighted-average interest rate	6.93%	6.62%	4.90%

The minimum calendar year principal payments and maturities of borrowings as of December 31, 2007, are as follows (in thousands):

	Senior Secured	Line of Credit	Revolver	Senior Unsecured	Total Amount
2008	$ 8,424	$ 40,000	$ 25,000	$ —	$ 73,424
2009	8,424	—	—	—	8,424
2010	8,424	—	—	—	8,424
2011	8,424	—	—	—	8,424
2012	8,424	—	—	—	8,424
Thereafter	793,951	—	—	550,000	1,343,951
Total	$ 836,071	$ 40,000	$ 25,000	$ 550,000	$ 1,451,071

15. INTEREST RATE SWAPS

On January 30, 2006, the Company entered into five interest rate swap agreements (the "Swaps"). An interest rate swap is a financial derivative instrument whereby two parties enter into a contractual agreement to exchange payments based on underlying interest rates. The Company uses the Swaps to hedge the variability on its floating rate senior secured notes. The Company is required to pay the counterparty to the agreement fixed interest payments on a notional balance, and in turn, receives variable interest payments on that notional balance. Payments are settled quarterly on a net basis.

The following table summarizes information related to the Company's Swaps as of December 31, 2007 (in thousands):

	Notional Balance	Fixed Pay Rate	Variable Receive Rate(1)	Fair Value	Maturity Date
Swap 1	$ 70,000	4.76%	4.83%	$ (90)	June 30, 2008
Swap 2	95,000	4.77%	4.83%	(1,318)	June 30, 2009
Swap 3	120,000	4.79%	4.83%	(2,905)	June 30, 2010
Swap 4	145,000	4.83%	4.83%	(4,349)	June 30, 2011
Swap 5	65,000	4.85%	4.83%	(2,173)	June 30, 2012
	$ 495,000			$ (10,835)	

(1) The variable receive rate reset on the last day of the year is based on the applicable three-month LIBOR. The effective rate from September 29, 2007 through December 28, 2007, was 4.83%.

Each of the Swaps listed above have been designated as cash flow hedges against specific payments due on the Company's senior secured notes. As of December 31, 2007, the Company assessed the

Swaps as being highly effective and expects them to continue to be highly effective. Accordingly, the changes in fair value of the Swaps have been recorded as other comprehensive loss, with the fair value of the Swaps included as a liability on the Company's consolidated statements of financial condition. Based on current interest rate assumptions and assuming no additional Swaps are entered into, the Company expects to reclassify approximately $141,000, or $78,000 after tax, from other comprehensive loss as additional interest expense over the next 12 months.

16. WAREHOUSE LINES OF CREDIT

The Company, through its mortgage affiliate Innovex, used a warehouse line of credit for originating customer residential mortgage loans. On December 31, 2007, Innovex ceased operations. Prior to this date, this line of credit was collateralized by mortgage loans held for sale, in addition to a guarantee from the Company, and provided for aggregate borrowings up to $15.00 million. The interest rate was based on 30 day's daily average lenders' reference rate, plus a minimum base margin rate of 2.25%.

In 2006 the Company borrowed from two different lines of credit. The first provided for aggregate borrowings up to $9.00 million and bore interest based on the lenders' reference rate (LIBOR) plus a rate ranging between 2.50% and 4.75%, depending on the duration of the outstanding borrowings. The second line of credit bore interest based on the lender's reference rate (Prime) plus an additional rate ranging between 0% and 7%, depending on the duration of the outstanding borrowings with an overall floor of 5.25%. The $4.25 million of credit was due on demand and the line had no specified expiration date. Both lines of credit were terminated by the Company during 2006.

The following summarizes the Company's borrowings on its warehouse facilities (in thousands):

	Year ended December 31,		
			Predecessor
	2007	2006	2005
Average balance outstanding	$ 3,512	$ 2,029	$ 2,751
Maximum amount outstanding in any month-end during the period	$ 8,436	$ 3,852	$ 6,128
Weighted-average interest rate during the period	7.46%	8.65%	5.70%

17. COMMITMENTS AND CONTINGENCIES

Leases—The Company leases certain office space and equipment at its headquarters locations 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.

Future minimum calendar-year payments for operating lease commitments with remaining terms greater than one year as of December 31, 2007, are approximately as follows (in thousands):

2008	$ 19,718
2009	20,772
2010	19,086
2011	15,418
2012	12,814
Thereafter	22,995
Total	$ 110,803

Total rental expense for all operating leases was approximately $14.38 million, $9.75 million and $8.67 million for the years ended December 31, 2007, 2006 and 2005, respectively.

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.

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.

Litigation—The Company has been named as a defendant in various legal actions, including arbitrations. In view of the inherent difficulty of predicting the outcome of such matters, particularly in cases in which claimants seek substantial or indeterminate damages, the Company cannot predict with certainty what the eventual loss or range of loss related to such matters will be. The Company believes, based on current knowledge, after consultation with counsel, and consideration of insurance, if any, that the outcome of such matters will not have a material adverse effect on its accompanying consolidated statements of financial condition, income, or cash flows.

In November 2005, prior to the Company's acquisition of IASG, MSC received a "Wells" notice from FINRA's Department of Enforcement. The staff alleged that MSC had failed to maintain adequate supervisory procedures regarding certain variable annuity transactions, and failed to maintain accurate books and records related thereto. On July 23, 2007, the staff filed a complaint against MSC and certain of its employees in connection with this matter. The Company has been indemnified for such claims and future settlements related to such matters by the prior owners.

Regulatory—In 2006, LPL Financial remediated certain transactions in conjunction with an Acceptance Waiver and Consent entered into with FINRA in May 2005 regarding certain sales of Class B and Class C mutual fund shares (all of which had been accrued for in the prior years).

Other Commitments—As of December 31, 2007, the Company had received collateral primarily in connection with customer margin loans with a market value of approximately $516.64 million, which it can sell or repledge. Of this amount, approximately $183.67 million has been pledged or sold as of

December 31, 2007; $128.72 million was pledged to a bank in connection with an unutilized secured margin line of credit, $31.63 million was pledged to various clearing organizations, and $23.32 million was loaned to the DTC through participation in its Stock Borrow Program. As of December 31, 2006, the Company had received collateral primarily in connection with customer margin loans with a market value of approximately $404.19 million, which it can sell or repledge. Of this amount, approximately $150.52 million has been pledged or sold as of December 31, 2006: $100.38 million was pledged to a bank in connection with an unutilized secured margin line of credit, $35.26 million was pledged to various clearing organizations, and $14.88 million was loaned to the DTC through participation in its Stock Borrow Program.

Innovex ceased operations on December 31, 2007. Prior to that date, Innovex sold its mortgage loans without recourse. Innovex was usually required by the buyers (investors) of these loans to make certain representations concerning credit information, loan documentation, and collateral. Innovex has not repurchased any loans during the years ended December 31, 2007 and 2006.

In August of 2007, pursuant to agreements with a large global insurance company, LPL Financial began providing brokerage, clearing, and custody services on a fully disclosed basis; offering its investment advisory programs and platforms; and providing technology and additional processing and related services to its financial advisors and customers. The terms of the agreements are five years, subject to additional 24-month extensions. Termination fees may be payable by a terminating or breaching party depending on the specific cause leading to termination.

18. EMPLOYEE AND ADVISOR BENEFIT PLANS (SPLIT ADJUSTED)

The Company has a 401(k) defined contribution plan. All employees meeting minimum age and length of service requirements are eligible to participate. The Company has an employer matching program whereby employer contributions are made to the 401(k) plan in an amount equal to 50% of the lesser of the amount designated by the employee for withholding and contribution to the 401(k) plan or 8% of the employee's total compensation. Effective January 1, 2007, the match was increased whereby employer contributions are made to the 401(k) plan in an amount equal to 50% of the lesser of the amount designated by the employee for withholding and contribution to the 401(k) plan or 10% of the employee's total compensation. The Company's total cost under the 401(k) plan was $3.79 million, $1.85 million and $1.25 million for the years ended December 31, 2007, 2006 and 2005, respectively.

The UVEST Non-Qualified Deferred Compensation Plan (the "Compensation Plan"), which is available to certain executives of UVEST, is a supplemental retirement program that allows these executives to make pretax contributions above amounts allowed in qualified plans. No contributions have been made by the Company since the acquisition of UVEST. The Compensation Plan has been fully funded to date by participant contributions. Plan assets are invested in Corporate Owned Life Insurance (COLI), which are held by the Company in a Rabbi Trust and accounted for in accordance with EITF Issue No. 97-14, "*Accounting for Deferred Compensation Arrangements Where Amounts Earned Are Held in a Rabbi Trust and Invested*." As of December 31, 2007, the Company has recorded an asset of approximately $410,000 and a liability of $492,000 related to this plan, which is included in other assets and accounts payable and accrued liabilities, respectively, in the accompanying consolidated statements of financial condition.

Certain FAs, employees and officers of the IASG broker-dealer subsidiaries participated in deferred compensation plans provided by the seller. The plans permitted participants to defer portions of their compensation and earn interest on the deferred amounts. The interest rate was determined

annually. The plans ceased on June 20, 2007. Deferred compensation in the amount of $4.30 million is included in accounts payable and accrued liabilities in the accompanying consolidated statements of financial condition.

In conjunction with the sale of IASG (formerly PSG) to the Company, Pacific Life has committed to provide retention plan distributions to employees and FAs of IASG's broker-dealer subsidiaries that remain with the Company through March 31, 2008. Benefits received by the Company are recorded as commission and compensation expense in the accompanying consolidated statements of income. Benefits received under the plans totaled $8.29 million during the year ended December 31, 2007.

Certain employees, officers, and directors also participate in stock option plans (the "Plans") of LPLIH (previously, Plans of LPLH). The Plans were assumed by and converted into Plans of LPLIH in conjunction with the acquisition in Note 1 and provide for the granting of 33,494,370 incentive stock options, 1,992,640 nonqualified stock options, and an unspecified number of stock appreciation rights.

The Plans and the underlying option agreements also provide for accelerated vesting upon certain changes in control. The Acquisition qualified as a change in control event that triggered the acceleration provisions in the Plans. Immediately prior to that event and in accordance with the Plans, each employee's stock appreciation rights became fully vested and each employee's unvested stock options became $33^{1}/_{3}$% vested. In conjunction with the Acquisition, certain employees elected to exercise their vested options or to convert them along with any unvested options into options for common shares of LPLIH, retaining the same terms and conditions of the original Plans. A total of 16,520,490 options were exercised and sold with the remaining 21,039,660 converted into 21,078,140 options of LPLIH. Additionally, all outstanding stock appreciation rights were exercised for which the former holders received a cash payment equal to the fair market value, as determined in the Acquisition, less the applicable exercise price and certain selling expenses. For the year ended December 31, 2005, the Company recognized compensation expense of $5.06 million related to the accelerated vesting of the stock options, and $15.74 million related to the exercise and sale of stock appreciation rights.

The following table summarizes the Company's activity in Plans for the years ended December 31, 2007, 2006 and 2005 (split adjusted):

	Outstanding, Beginning of Year	Granted	Exercised	Forfeited	Outstanding, End of Year	Options Exercisable at End of Year
Year Ended December 31, 2007						
Options	21,047,950	760,650	(47,180)	(13,340)	21,748,080	20,896,430
Weighted-average exercise price	$ 1.71	$ 23.51	$ 1.12	$ 14.76	$ 2.46	$ 1.65
Year Ended December 31, 2006						
Options	21,078,140	108,000	(28,370)	(109,820)	21,047,950	11,190,360
Weighted-average exercise price	$ 1.64	$ 14.41	$ 1.23	$ 1.70	$ 1.71	$ 1.64
Year Ended December 31, 2005 (Predecessor)						
Options	39,944,230	752,430	(18,635,640)	(982,880)	21,078,140	1,470,130
Weighted-average exercise price	$ 1.39	$ 2.48	$ 1.15	$ 1.49	$ 1.64	$ 1.71

The following table summarizes information about stock options outstanding (split adjusted):

Range of Exercise Prices	Options Outstanding	Weighted-Average Remaining Life (Years)	Weighted-Average Exercise Price	Options Exercisable	Weighted-Average Exercise Price
At December 31, 2007:					
$1.07-$2.38	20,879,420	5.14	$ 1.64	20,879,420	$ 1.64
$10.30-$18.90	232,010	8.95	16.43	17,010	10.63
$21.60-$27.40	636,650	9.64	24.41	—	—
	21,748,080	5.31		20,896,430	$ 1.65
At December 31, 2006:					
$1.07-$2.38	20,929,940	6.14	$ 1.64	11,185,360	$ 1.64
$10.30-$15.84	118,010	9.77	14.06	5,000	10.30
	21,047,950	6.16		11,190,360	$ 1.64
At December 31, 2005 (Predecessor):					
$1.07-$2.38	21,068,120	7.15	$ 1.63	1,471,030	$ 1.71
$10.30-$10.31	10,020	10.00	10.30	—	—
	21,078,140	7.15		1,471,030	$ 1.71

In November 2004, the Company had modified certain provisions of the stockholders' agreement underlying its stock options plan that significantly altered the original value of all outstanding employee stock options granted. For accounting purposes, this modification resulted in a new measurement date and additional compensation of $30.58 million, which is expensed over the original life of the awards. The Company recognized this compensation according to the vesting schedule and for the years ended December 31, 2007, 2006, and 2005, has recorded approximately $1.40 million, $2.85 million, and $8.35 million, respectively, in employee compensation and benefits in the accompanying consolidated statements of income with corresponding increases in additional paid-in capital. Stock options accounted for under this modification are fully vested as of December 31, 2007.

The Company's FAs participate in a stock bonus plan, which provides for the grant and allocation of up to 7,716,930 bonus credits. Each bonus credit represents the right to receive shares of common stock in the Company. Participation in the stock bonus plan is dependent upon meeting certain eligibility criteria, and shares are allocated to eligible participants based on certain performance metrics, including amount and type of commissions as well as tenure with the firm. Bonus credits vest annually in equal increments of $33^{1}/_{3}$% over a three-year period commencing in 2006 and expire on the 10th anniversary following the date of grant. Vested bonus credits convert into shares of common stock only upon the occurrence of a Company sale that constitutes a change in control or subsequent to an initial public offering. Unvested bonus credits held by FAs who terminate prior to vesting will be forfeited and may be reallocated to other FAs eligible under the plan. In conjunction with the transaction, each bonus credit was converted into a right to receive, on the same terms as conditions as previously applicable, bonus credits for common stock in the Company.

A summary of the stock bonus plan for the years ended December 31, 2007, 2006 and 2005, is as follows (split adjusted):

Outstanding on December 31, 2004	—
Granted	7,543,670
Exercised	—
Canceled	(5,460)
Outstanding on December 31, 2005	7,538,210
Granted	—
Exercised	—
Canceled	(131,460)
Outstanding on December 31, 2006	7,406,750
Granted	144,430
Exercised	—
Canceled	(76,860)
Outstanding on December 31, 2007	7,474,320

The Company accounts for bonus credits granted to its FAs in accordance with EITF No. 96-18, *Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services* and measures such grants at their then-current lowest aggregate value. Since the value is contingent upon the Company's decision to sell itself or perform an initial public offering, the current aggregate value will be zero until such event occurs. Upon the occurrence of such an event, the Company will record an expense related to the vested portion of the stock bonus plan and accrue the remaining portion over the remainder of the vesting period.

19. SEGMENT INFORMATION

Under SFAS No. 131, *Disclosures about Segments of an Enterprise and Related Information* ("SFAS 131"), operating segments are defined as components of a company for which separate financial information is evaluated regularly by the chief operating decision marker, or decision-making group, in deciding how to allocate resources and in assessing performance. For 2007, the Company classified its operating segments based on services offered to its FAs, which closely matched the Company's organization based on legal entities. The Company has five operating segments: Independent Advisor Services (referred to in prior years as Independent Financial Advisors), Institution Services (new in 2007), Trust Services, Insurance Services, and Affiliated Advisor Services. On December 31, 2007, the Company ceased the operations of its sixth business segment Mortgage Services.

Both the Independent Advisor Services and Institution Services segments provide a full range of brokerage, investment advisory, and infrastructure services to FAs and Financial Institutions. For reporting purposes, under GAAP, the Company has aggregated the results of the Independent Advisor Services segment and the Institutional Services segment into one reportable segment, presented as "Advisor Services". The remaining business segments provide trust and related custodial services, underwriting services, fixed insurance services, and a private-labeled investment advisory platform almost entirely to customers of FAs in the Advisor Services segment. These other segments do not, individually or in the aggregate, meet the reporting requirements under SFAS 131 and consequently have been aggregated as "Other" for reporting purposes.

The accounting policies of the segments are the same as those described in Note 2, "Significant Accounting Policies." The Company evaluates the performance of its segments on a pretax basis, excluding items such as discontinued operations and extraordinary items. Intersegment revenues, defined as revenues from transactions with other segments within the Company, are not material and are therefore not disclosed.

Financial information for the Company's reportable segments is presented in the following table (in thousands):

	Advisor Services	Other	Total Operating Segments	Corporate and Unallocated(a)	Consolidated Total
December 31, 2007:					
Revenues	$ 2,696,595	$ 31,291	$ 2,727,886	$ (10,281)	$ 2,717,605
Interest expense	362	262	624	123,224	123,848
Depreciation and amortization	30,020	339	30,359	48,389	78,748
Income (loss) from continuing operations before income taxes	281,572	2,650	284,222	(176,389)	107,833
Capital expenditures	71,259	35	71,294	—	71,294
Total assets, end of year	1,364,985	19,346	1,384,331	1,903,018(c)	3,287,349
December 31, 2006:					
Revenues	1,723,851	23,193	1,747,044	(7,108)	1,739,936
Interest expense	88	176	264	125,140	125,404
Depreciation and amortization	16,798	362	17,160	48,188	65,348
Income (loss) from continuing operations before income taxes	229,265	1,520	230,785	(175,919)	54,866
Capital expenditures	22,934	91	23,025	13	23,038
Total assets, end of year	758,532	25,296	783,828	2,013,716(c)	2,797,544
December 31, 2005 (Predecessor):					
Revenues	1,391,870	20,320	1,412,190	(4,894)	1,407,296
Interest expense	36	194	230	2,134	2,364
Depreciation and amortization	15,789	208	15,997	1,857	17,854
Income (loss) from continuing operations before income taxes	143,501	(1,965)(b)	141,536	(25,786)	115,750
Capital expenditures	18,795	614	19,409	15	19,424
Total assets, end of year	640,489	15,031	655,520	1,982,966(c)	2,638,486

(a) Corporate and unallocated includes interest expense, land, system development costs and related amortization expense, amortization of finite-lived intangibles, and inter-segment eliminations.

(b) 2005 loss from continuing operations includes a non-cash goodwill impairment charge of $3.16 million.

(c) Total assets at the Corporate level include $1.80 billion, $1.78 billion, and $1.81 billion of goodwill and other identifiable intangible assets as of the years ended December 31, 2007, December 31, 2006, and December 31, 2005, respectively. Such amounts have not been allocated to the operating segments and are not evaluated by the chief operating decision maker in deciding how to allocate resources or in assessing performance.

Revenues from the Company's significant products and services consisted of the following (in thousands):

	Year Ended December 31,		
			Predecessor
	2007	2006	2005
Commission revenues:			
Annuities	$ 648,093	$ 383,991	$ 299,814
Mutual funds	498,880	309,180	265,964
Other	323,312	197,318	179,161
Total commission revenues	1,470,285	890,489	744,939
Advisory fees	738,938	521,058	399,363
Asset-based fees	260,935	147,364	107,726
Fee revenues	126,689	87,901	83,204
Transaction revenues	57,915	46,595	42,640
Interest income	36,708	28,402	17,719
Other	26,135	18,127	11,705
Total revenues	$ 2,717,605	$ 1,739,936	$ 1,407,296

20. RELATED-PARTY TRANSACTIONS

LPL Financial provides Global Portfolio Advisors, Ltd., an entity with common stockholders of the Company, with personnel and certain other operational and administrative support services pursuant to the terms and consideration outlined in services agreements amended on October 27, 2005. For the years ended December 31, 2007, 2006, and 2005, LPL Financial earned $201,000, $244,000, and $364,000 in fees, respectively, under such agreements, which is included in other revenue within the consolidated statements of income. At December 31, 2007 and 2006, the Company had receivable from GPA of $23,000, which is included in receivable from others on the consolidated statements of financial condition.

Alix Partners, LLP ("Alix Partners"), a company majority-owned by one of the Company's Majority Holders, provides LPL Financial with consulting services pursuant to an agreement for interim management and consulting services dated August 21, 2007. LPL Financial paid $910,000 to Alix Partners during the year ended December 31, 2007, and an additional $760,000 was included in accounts payable and accrued liabilities on the accompanying consolidated statements of financial condition as of December 31, 2007, for annual fees under such agreement.

In conjunction with the acquisition of UVEST (see Note 3), the Company made full-recourse loans to certain members of management (also selling stockholders), all of which are now stockholders of the Company. As of December 31, 2007, outstanding stockholder loans, which are reported as a deduction from stockholders' equity, were approximately $1.24 million.

In July 2005, LPLH's Class A common stock personally assumed the Company's obligation to make unrestricted pledges to various educational institutions. The assumption of such pledges amounted to $383,000 after taxes. Assumption of the Company's liability has been recorded as a capital contribution in the accompanying consolidated statements of stockholders' equity.

In August 2005, Glenoak sold all of its assets to Challenger Outpost, LLC (an entity controlled by the Company's controlling stockholder at that time) for $20.36 million. The carrying value of Glenoak's

interest in such assets was $20.99 million. Because of the related-party nature of the transaction, the loss on sale of $411,000 is presented as a distribution to LPLH's Class A common stockholder in the accompanying consolidated statements of stockholders' equity.

21. SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

	2007			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Revenues	$ 562,717	$ 647,769	$ 725,017	$ 782,102
Revenues—net(1)	562,598	647,608	724,834	781,534
Gross margin(2)	169,631	181,354	206,528	224,620
Net income	$ 18,487	$ 23,259	$ 11,567	$ 7,756

	2006			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Revenues	$ 404,403	$ 440,023	$ 420,845	$ 474,665
Revenues—net(1)	404,351	439,879	420,793	474,612
Gross margin(2)	118,782	124,712	124,704	140,633
Net income	$ 4,657	$ 10,499	$ 5,206	$ 13,280

(1) Revenues—net is calculated as total revenues less interest expense from brokerage operations and mortgage lending.

(2) Gross margin is calculated as total revenues less commissions and advisory fees, and brokerage, clearing and exchange expenses.

22. NET CAPITAL/REGULATORY REQUIREMENTS

The Company's registered broker-dealers are subject to the SEC's Uniform Net Capital Rule, which requires the maintenance of minimum net capital. LPL Financial and ASC compute 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% of aggregate debit balances arising from customers' transactions, as defined. LPL Financial is also subject to the CFTC's minimum financial requirements, which require that it maintain net capital, as defined, equal to 4% of customer funds required to be segregated pursuant to the Commodity Exchange Act, less the market value of certain commodity options, all as defined. UVEST, MSC, and WFG all compute net capital requirements under the aggregate indebtedness method, which requires firms to maintain minimum net capital, as defined, of not less than $6^{2}/_{3}$ percent of aggregate indebtedness, also as defined. At December 31, 2007, the Company had a consolidated net capital of $58.90 million, which was $46.77 million in excess of its minimum required net capital.

PTCH 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 a direct material effect on the Company's consolidated financial statements. As of December 31, 2007, the Company has met all capital adequacy requirements to which it is subject.

23. FINANCIAL INSTRUMENTS WITH OFF-BALANCE-SHEET CREDIT RISK AND CONCENTRATIONS OF CREDIT RISK

LPL Financial's customer securities activities are transacted on either a cash or margin basis. In margin transactions, LPL Financial extends credit to the customer, subject to various regulatory and internal margin requirements, collateralized by cash and securities in the customer's account. As customers write options contracts or sell securities short, LPL Financial may incur losses if the customers do not fulfill their obligations and the collateral in the customers' accounts is not sufficient to fully cover losses that customers may incur from these strategies. To control this risk, LPL Financial monitors margin levels daily and customers 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 customers fail to meet their obligation to LPL Financial. Customers are required to complete their transactions on the settlement date, generally three business days after the trade date. If customers do not fulfill their contractual obligations, LPL Financial may incur losses. LPL Financial has established procedures to reduce this risk by generally requiring that customers deposit cash and/or securities into their account prior to placing an order.

LPL Financial may at times maintain inventories in equity securities on both a long and short basis that are recorded on the accompanying 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.

UVEST and the broker-dealer subsidiaries of IASG and IFMG are engaged in buying and selling securities and other financial instruments for customers of FAs. Such transactions are introduced and cleared through a third-party clearing firm on a fully disclosed basis. While introducing broker-dealers generally have less risk than clearing firms, their clearing agreements expose them to credit risk in the event that their customers don't fulfill contractual obligations with the clearing broker-dealer.

24. SUBSEQUENT EVENT (UNAUDITED)

The Company effected a ten-for-one stock split as of January 1, 2008, with all fractional shares being rounded down to the nearest whole share. In accordance with the SEC's Staff Accounting Bulletin Topic 4C, all per share amounts, average shares outstanding, and shares outstanding have been adjusted retroactively to reflect the stock split.

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QuickLinks

Exhibit 3.5

CERTIFICATE OF CORRECTION OF

CERTIFICATE OF AMENDMENT OF

CERTIFICATE OF INCORPORATION OF

LPL INVESTMENT HOLDINGS INC.

LPL Investment Holdings Inc., a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware

DOES HEREBY CERTIFY:

The name of the Corporation: LPL Investment Holdings Inc.

FIRST: That the Certificate of Amendment of the Certificate of Incorporation was effective on January 1, 2008, and that said Certificate requires correction as permitted by Section 103 of the General Corporation Law of the State of Delaware, as it incorrectly stated the par value as $0.01.

RESOLVED: That the Certificate of Amendment of the Certificate of Incorporation of LPL Investment Holdings Inc. be corrected by changing Section I of Article IV so that said Article shall be and read as follows:

"Section 1. The Corporation shall be authorized to issue 200,000,000 shares of capital stock, of which 200,000,000 shares shall be shares of Common Stock, $0.001 par value ("Common Stock")."

SECOND: That this Certificate of Amendment was duly adopted in accordance with the applicable provisions of Section 242 of the General Corporation Law of the State of Delaware.

THIRD: That this Certificate of Correction of the Certificate of Amendment of the Certificate of Incorporation shall be effective on March 31, 2008.

IN WITNESS WHEREOF, said LPL Investment Holdings Inc. has caused this Certificate of Correction to be signed by Stephanie L. Brown, its Secretary, this 31st day of March, 2008.

By: /s/ Stephanie L. Brown
Title: Secretary

Exhibit 10.17
EXECUTION COPY

SECOND AMENDED AND RESTATED CREDIT AGREEMENT

Dated as of June 18, 2007

among

LPL INVESTMENT HOLDINGS INC.,
as Holdings,

LPL HOLDINGS, INC.,
as Borrower,

The Several Lenders
from Time to Time Parties Hereto,

GOLDMAN SACHS CREDIT PARTNERS L.P.,
as Sole Lead Arranger, Sole Bookrunner and Syndication Agent,

MORGAN STANLEY SENIOR FUNDING, INC.,
as Administrative Agent,

and

MORGAN STANLEY & CO.,
as Collateral Agent

$942,389,062.50 Senior Secured Credit Facilities

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SCHEDULES

EXHIBITS

SECOND AMENDED AND RESTATED CREDIT AGREEMENT, dated as of June 18, 2007, among **LPL INVESTMENT HOLDINGS INC.**, a Delaware corporation ("Holdings"), **LPL HOLDINGS, INC.**, a Massachusetts corporation (the "Borrower"), the lending institutions from time to time parties hereto (each a "Lender" and, collectively, the "Lenders"), **GOLDMAN SACHS CREDIT PARTNERS L.P.** ("GSCP"), as Sole Lead Arranger and Sole Bookrunner, and Syndication Agent, **MORGAN STANLEY SENIOR FUNDING, INC.** ("MSSF"), as Administrative Agent, and **MORGAN STANLEY & CO.** ("MS"), as Collateral Agent.

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"), GSCP, as sole lead arranger, sole bookrunner and syndication agent, MSSF, as administrative agent, and MS, as collateral agent, are parties to that certain Amended and Restated Credit Agreement, dated as of December 29, 2006 (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 Obligations (as defined in the Original Credit Agreement, hereinafter the "Original Obligations") of the Borrower and the other Credit Parties under the Original Credit Agreement and the other Credit Documents (as defined in the Original Credit Agreement, hereinafter the "Original Credit Documents") are secured by the Collateral (as defined in the Original Credit Agreement, hereinafter the "Original Collateral") and are guaranteed or supported or otherwise benefited by the Original Credit Documents;

WHEREAS, immediately prior to the Effective Date, Tranche C Term Loans (as defined in the Original Credit Agreement) in the aggregate principal amount of $792,389,062.50 were outstanding under the Original Credit Agreement (the "Original Term Loans"); and

WHEREAS, the Borrower desires to amend and restate the Original Credit Agreement in its entirety to, among other things, provide for (a) new senior secured term loans to the Borrower in an aggregate principal amount of $842,389,062.50, which shall be used to repay in full the Original Term Loans, any accrued but unpaid interest thereon and any other amounts owing under the Original Credit Agreement in respect of the Original Term Loans, and pay fees and expenses in connection herewith and therewith (the "Refinancing") and to pay a portion of the consideration for the Pacific Life Acquisition and (b) certain other amendments to the Original Credit Agreement to be made; and

WHEREAS, the Borrower has requested that the Original Lenders amend and restate the Original Credit Agreement, in its entirety, and that the Lenders make available the Tranche D Term Loans and other extensions of credit to the Borrower, in each case, as set forth in this Agreement; and

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WHEREAS, the parties hereto intend that (a) the Original Obligations which remain unpaid and outstanding as of the Effective Date shall continue to exist under this Agreement on the terms set forth herein and (b) the Original Collateral shall continue to secure, support and otherwise benefit the

Original Obligations as well as the other Obligations of the Credit Parties under this Agreement and the other Credit Documents hereunder; and

WHEREAS, the Lenders are willing to provide the Tranche D Term Loans and other extensions of credit, and the Original Lenders are willing to amend and restate the Original Credit Agreement, in each case, subject to the terms and conditions of this Agreement.

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. (a) As used herein, the following terms shall have the meanings specified in this Section 1.1 unless the context otherwise requires (it being understood that defined terms in this Agreement shall include in the singular number the plural and in the plural the singular):

"2005 Credit Agreement" shall mean that certain Credit Agreement, dated as of the Closing Date, among Holdings, the Borrower, the several lenders from time to time parties thereto, Goldman Sachs Credit Partners L.P., as joint lead arranger, joint bookrunner and syndication agent, Morgan Stanley Senior Funding, Inc., as joint lead arranger, joint bookrunner and administrative agent, Morgan Stanley & Co., as collateral agent, and Bear Stearns Corporate Lending Inc., as documentation agent.

"ABR" shall mean, for any day, a rate per annum (rounded upwards, if necessary, to the next 1/16 of 1%) equal to the greater of (a) the Prime Rate in effect on such day and (b) the Federal Funds Effective Rate in effect on such day plus ½ of 1%. Any change in the ABR due to a change in the Prime Rate or the Federal Funds Effective Rate shall be effective as of the opening of business on the effective day of such change in the Prime Rate or the Federal Funds Effective Rate, respectively.

"ABR Loan" shall mean each Loan bearing interest at the rate provided in Section 2.8 and, in any event, shall include all Swingline Loans.

"Acceptable Reinvestment Commitment" shall mean a binding commitment of the Borrower or any Restricted Subsidiary to reinvest proceeds of an Asset Sale Prepayment Event, Permitted Sale Leaseback or Recovery Prepayment Event entered into at any time prior to the date that is 15 months after the receipt of the Net Cash Proceeds of such Asset Sale Prepayment Event, Permitted Sale Leaseback or Recovery Prepayment Event.

"Acquired EBITDA" shall mean, with respect to any Acquired Entity or Business, any Converted Restricted Subsidiary, any Sold Entity or Business or any Converted Unrestricted Subsidiary (any of the foregoing, a "Pro Forma Entity") for any period, the amount for such

period of Consolidated EBITDA of such Pro Forma Entity (determined using such definitions as if references to the Borrower and its Subsidiaries therein were to such Pro Forma Entity and its 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".

"Adjusted Total New Term Loan Commitment" shall mean, at any time with respect to New Term Loans of any Series, the Total New Term Loan Commitment for such Series less the aggregate New Term Loan Commitments for such Series of all Defaulting Lenders.

"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 MS, together with its affiliates and permitted successors in such capacity, as the administrative agent for the Lenders under this Agreement and the other Credit Documents.

"Administrative Agent's Office" shall mean the office of the Administrative Agent located at 1585 Broadway, New York, New York 10036, or such other office as the Administrative Agent may hereafter designate in writing as such to the other parties hereto.

"Affiliate" shall mean, with respect to any Person, any other Person directly or indirectly controlling, controlled by, or under direct or indirect common control with such Person. A Person shall be deemed to control a corporation if such Person possesses, directly or indirectly, the power (a) to vote 10% or more of the securities having ordinary voting power for the election of directors of such corporation or (b) to direct or cause the direction of the management and policies of such corporation, whether through the ownership of voting securities, by contract or otherwise.

"Agents" shall mean the Arranger, the Administrative Agent, the Collateral Agent, and the Syndication Agent.

"Aggregate Customer Debits" shall have the meaning set forth in Rule 15c3-3 of the Exchange Act.

"Agreement" shall mean this Second Amended and Restated Credit Agreement, as the same may be amended, supplemented or otherwise modified from time to time in accordance with the terms hereof and of the other Credit Documents.

"Applicable ABR Margin" shall mean, at any date, (a) with respect to the Tranche D Term Loans, (i) during any period in which the Borrower's corporate family rating by Moody's is B2 or less, 1.25% per annum, (ii) during any period in which the Borrower's corporate family rating by Moody's is Ba3 or better, 0.75% per annum, and (iii) during all other periods, 1.00% per annum, and (b) with respect to Revolving Credit Loans, Swingline Loans and

Letters of Credit, 1.00% per annum. Changes in the Applicable ABR Margin resulting from changes in ratings from Moody's shall become effective on the date such rating shall have changed.

"Applicable Eurodollar Margin" shall mean, at any date, (a) with respect to the Tranche D Term Loans, (i) during any period in which the Borrower's corporate family rating by Moody's is B2 or less, 2.25% per annum, (ii) during any period in which the Borrower's corporate family rating by Moody's is Ba3 or better, 1.75% per annum, and (iii) during all other periods, 2.00% per annum, and (b) with respect to Revolving Credit Loans and Letters of Credit, 2.00% per annum. Changes in the Applicable Eurodollar Margin resulting from changes in ratings from Moody's shall become effective on the date such rating shall have changed.

"Applicable Laws" shall mean, as to any Person, any law, rule, regulation, ordinance or treaty, or any determination, ruling or other directive by or from a court, arbitrator, self-regulatory body or other 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 the Applicable ABR Margin or the Applicable Eurodollar Margin, as applicable.

"Approved Fund" shall have the meaning provided in Section 13.6(b).

"Arranger" shall mean GSCP, together with its affiliates, as sole lead arranger and sole bookrunners for the Tranche D Term Loan Facility.

"Asset Sale Prepayment Event" shall mean any sale, transfer or other disposition (or series of related sales, transfers or dispositions) of any business unit, asset or property of the Borrower or any Restricted Subsidiary (including any sale, transfer or other disposition of any Capital Stock of any Subsidiary of the Borrower owned by the Borrower or any Restricted Subsidiary); provided, that the term "Asset Sale Prepayment Event" shall not include (a) any Recovery Event or Permitted Sale Leaseback or (b) any sale, transfer or other disposition permitted under clauses (a), (b), (d)(i), (e), (f) and (h) of Section 10.4.

"Assignment and Acceptance" shall mean an assignment and acceptance substantially in the form of Exhibit A.

"Authorized Officer" shall mean the Chairman of the Board, the President, the Chief Financial Officer, the Treasurer or any other senior officer of the Borrower designated as such in writing to the Administrative Agent by the Borrower.

"Available Amount" shall mean, on any date (the "Reference Date"), an amount equal at such time to (a) the sum of, without duplication:

(i) an amount (which amount shall not be less than zero) equal to (x) the cumulative amount of Excess Cash Flow for all full fiscal years completed after the Closing Date (commencing with the fiscal year ending December 31, 2006) and prior to the Reference Date minus (y) the portion of such Excess Cash Flow that has been after

the Closing Date and on or prior to the Reference Date (or will be) applied to the prepayment of Loans in accordance with Section 5.2(a)(ii);

(ii) the amount of any capital contributions or other equity issuances (other than the Equity Contributions, issuances of Permitted Cure Securities or any other capital contribution or equity issuance to the extent utilized in connection with other transactions permitted pursuant to Section 10.5 or 10.6) made or received by Holdings or the Borrower during the period from and including the Business Day immediately following the Closing Date through and including the Reference Date;

(iii) to the extent not already included in the calculation of Consolidated Net Income, the aggregate amount of all cash dividends and other cash distributions received by Holdings, the Borrower or any Restricted Subsidiary from any Minority Investments or Unrestricted Subsidiaries after the Closing Date and on or prior to the Reference Date (other than the portion of any such dividends and other distributions that is used by Holdings, the Borrower or any Guarantor to pay taxes); and

(iv) to the extent not already included in the calculation of Consolidated Net Income, the aggregate amount of all cash repayments of principal received by Holdings, the Borrower or any Restricted Subsidiary from any Minority Investments or Unrestricted Subsidiaries after the Closing Date and on or prior to the Reference Date in respect of loans made by Holdings, the Borrower or any Restricted Subsidiary to such Minority Investments or Unrestricted Subsidiaries;

minus (b) the sum of:

(i) the aggregate amount of any Investments made by Holdings, the Borrower or any Restricted Subsidiary pursuant to Section 10.5(j)(ii), 10.5(t)(ii), 10.5(u)(ii) or 10.5(aa)(y) after the Closing Date and on or prior to the Reference Date; and

(ii) the aggregate amount of prepayments, repurchases and redemptions made by Holdings, the Borrower or any Restricted Subsidiary pursuant to clause (i)(y) of the proviso to Section 10.7(a) and clause (i)(y) of the proviso to Section 10.7(b) after the Closing Date and on or prior to the Reference Date.

"Board" shall mean the Board of Governors of the Federal Reserve System of the United States (or any successor).

"Borrower" shall have the meaning provided in the preamble to this Agreement.

"Borrowing" shall mean and include (a) the incurrence of Swingline Loans from the Swingline Lender on a given date, (b) the incurrence of one Type of Tranche D Term Loan on the Effective Date (or resulting from conversions on a given date after the Effective Date) having, in the case of Eurodollar Term Loans, the same Interest Period (provided that ABR Loans incurred pursuant to Section 2.10(b) shall be considered part of any related Borrowing of Eurodollar Term Loans), (c) the incurrence of one Type of New Term Loan on the applicable Increased Amount Date (or resulting from conversions on a given date after the applicable Increased Amount Date) having, in the case of Eurodollar Term Loans, the same Interest Period

(provided that ABR Loans incurred pursuant to Section 2.10(b) shall be considered part of any related Borrowing of Eurodollar Term Loans) and (d) the incurrence of one Type of Revolving Credit Loan on a given date (or resulting from conversions on a given date) having, in the case of Eurodollar Revolving Credit Loans, the same Interest Period (provided that ABR Loans incurred pursuant to Section 2.10(b) shall be considered part of any related Borrowing of Eurodollar Revolving Credit Loans).

"Broker-Dealer Capital Requirement" shall mean the sum of (a) the Clearing Broker-Dealer Minimum Capital, and (b) the Introducing Broker-Dealer Minimum Capital.

"Broker-Dealer Regulated Subsidiary" shall mean any Subsidiary of the Borrower, without respect to SEC Rule 15c(3)-3, that is registered as a broker-dealer under the Exchange Act or any other Applicable Law requiring such registration.

"Broker-Dealer Required Cash" shall mean, as of any date of determination, the greater of (a) the difference of (i) all cash and cash equivalents (including Segregated Cash) on the balance sheet of the Broker-Dealer Regulated Subsidiary as of such date less (ii) all Indebtedness on the balance sheet of the Broker-Dealer Regulated Subsidiary as of such date, other than (A) Indebtedness under Margin Lines of Credit and (B) other Indebtedness that has been approved as regulatory capital for computation of Net Capital (as defined in Rule 15c3-1 of the Exchange Act) less (iii) the Broker-Dealer Surplus Capital of the Broker-Dealer Regulated Subsidiary as of such date and (b) the sum of Calculated Segregated Cash and the Introducing Broker-Dealer Minimum Capital as of such date.

"Broker-Dealer Surplus Capital" shall mean, as of any date of determination, the difference of (a) the Net Capital (as defined in Rule 15c3-1 of the Exchange Act) of the Broker-Dealer Regulated Subsidiary as of such date and (b) the Broker-Dealer Capital Requirement as of such date.

"Business Day" shall mean any day excluding Saturday, Sunday and any day that shall be in The City of New York or San Diego, California a legal holiday or a day on which banking institutions are authorized by law or other governmental actions to close.

"Calculated Segregated Cash" shall mean, as of any date of determination, all cash and "qualified" cash equivalents required to be segregated as calculated as of such date under Rule 15c3-3 of the Exchange Act.

"Capital Expenditures" shall mean, for any period, the aggregate of all expenditures (whether paid in cash or accrued as liabilities and including in all events all amounts expended or capitalized under Capital Leases, but excluding any amount representing capitalized interest) by the Borrower and the Restricted Subsidiaries during such period that, in conformity with GAAP, are or are required to be included as additions during such period to property, plant or equipment reflected in the consolidated balance sheet of the Borrower and its Subsidiaries; provided, that the term "Capital Expenditures" shall not include (a) expenditures made in connection with the replacement, substitution, restoration or repair of assets to the extent financed from insurance proceeds or compensation awards paid on account of a Recovery Event, (b) the purchase price of equipment that is purchased simultaneously with the trade-in of existing

equipment to the extent that the gross amount of such purchase price is reduced by the credit granted by the seller of such equipment for the equipment being traded in at such time, (c) the purchase of plant, property or equipment made within two years of the sale of any asset to the extent purchased with the proceeds of such sale, (d) expenditures that constitute any part of Consolidated Lease Expense or (e) any expenditures deemed to be made as part of a Permitted Acquisition.

"Capital Lease" shall mean, as applied to any Person, any lease of any property (whether real, personal or mixed) by that Person as lessee that, in conformity with GAAP, is or is required to be accounted for as a capital lease on the balance sheet of that Person.

"Capital Stock" shall mean any and all shares, interests, participations or other equivalents (however designated) of capital stock of a corporation, any and all equivalent ownership interests in a Person (other than a corporation) and any and all warrants, rights or options to purchase any of the foregoing.

"Capitalized Lease Obligations" shall mean, as applied to any Person, all obligations under Capital Leases of such Person or any of its Subsidiaries, in each case taken at the amount thereof accounted for as liabilities in accordance with GAAP.

"Change of Control" shall mean and be deemed to have occurred if (a) at any time prior to the consummation of an IPO, the Permitted Investors fail to own at least 50% of the Voting Stock of Holdings; (b) at any time after the consummation of an IPO, a "person" or "group" (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act, but excluding any employee benefit plan of such Person and its Subsidiaries, and any Person acting in its capacity as trustee, agent or other fiduciary or administrator of any such plan), excluding the Permitted Investors, shall become the "beneficial owner" (as defined in Rules 13(d)-3 and 13(d)-5 under such Act), directly or indirectly, of 35% or more of the Voting Stock of Holdings, unless the Permitted Investors own Voting Stock of Holdings representing a greater percentage; (c) Holdings shall cease to beneficially own and control 100% of the Voting Stock of the Borrower; (d) the Borrower shall cease to beneficially own and control at least 100% of the Voting Stock of Linsco/Private Ledger Corp.; (e) the board of directors of Holdings shall cease to consist of a majority of Continuing Directors; or (f) any "change of control" (as defined in the Senior Unsecured Subordinated Note Indenture) shall occur.

"Class", when used in reference to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, are Revolving Credit Loans, Tranche D Term Loans, New Term Loans or Swingline Loans and, when used in reference to any Commitment, refers to whether such Commitment is a Tranche D Term Loan Commitment, a New Term Loan Commitment, a Revolving Credit Commitment or a Swingline Commitment.

"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 Customer Debits on such date.

"Closing Date" shall mean December 28, 2005, the date of the initial credit event under the 2005 Credit Agreement.

"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, and the regulations promulgated and rulings issued thereunder. Section references to the Code are to the Code, as in effect at the date of this Agreement, and any subsequent provisions of the Code, amendatory thereof, supplemental thereto or substituted therefor.

"Collateral" shall have the meaning provided in the Security Agreement, the Pledge Agreement or any Mortgage, as applicable.

"Collateral Agent" shall mean Morgan Stanley & Co., together with its affiliates and permitted successors in such capacity, as the collateral agent for the Secured Parties.

"Commitment" shall mean, with respect to each Lender, such Lender's Tranche D Term Loan Commitment, New Term Loan Commitment, Revolving Credit Commitment, or Swingline Commitment.

"Confidential Information" shall have the meaning provided in Section 13.16.

"Confidential Information Memorandum" shall mean the Confidential Information Memorandum of the Borrower dated December 2005, delivered to the Lenders in connection with this Agreement.

"Consolidated Earnings" shall mean, for any period, "income (loss) before the deduction of income and franchise taxes" of the Borrower and the Restricted Subsidiaries, excluding (a) extraordinary items for such period, determined in a manner consistent with the manner in which such amount was determined in accordance with the audited financial statements referred to in Section 9.1(a) and (b) the cumulative effect of a change in accounting principles or policies during such period, whether effected through a cumulative effect adjustment or a retroactive application, in each case in accordance with GAAP.

"Consolidated EBITDA" shall mean, for any period:

(a) the sum, without duplication, of the amounts for such period of (x) Consolidated Earnings and (y) to the extent already deducted in arriving at Consolidated Earnings:

(i) Consolidated Interest Expense;

(ii) depreciation expense;

(iii) amortization expense, including the amortization of deferred financing fees;

(iv) extraordinary losses and unusual or non-recurring charges, severance, relocation costs and curtailment or modification to pension and post-retirement employee benefit plans (including any writeoffs, writedowns or other non-cash charges reducing

Consolidated Earnings for such period, but excluding any such charge that represents an accrual or reserve for a cash expenditure for a future period or amortization of a prepaid cash item that was paid in a prior period);

(v) losses on asset sales;

(vi) restructuring charges, accruals or reserves (excluding any non-cash item to the extent that it represents an accrual or reserve for potential cash items in any future period or amortization of a prepaid cash item that was paid in a prior period), including any one-time costs incurred in connection with acquisitions after the Closing Date;

(vii) [Reserved];

(viii) any expenses or charges (including any commissions, discounts and other fees or charges) incurred in connection with any issuance of debt or equity securities, any refinancing transaction or any amendment or other modification of any debt instrument (whether or not successful);

(ix) any fees and expenses related to Permitted Acquisitions, dispositions, recapitalizations, Investments or asset sales;

(x) any deduction for minority interest expense;

(xi) the amount of management, monitoring, consulting and advisory fees and related expenses paid to the Sponsors (including any amortization thereof), to the extent permitted by Section 10.6(d);

(xii) any impairment charge or asset write-off pursuant to Financial Accounting Standards Board Statement No. 142-"Goodwill and Other Intangible Assets" or Financial Accounting Standards Board Statement No. 144-"Accounting for the Impairment or Disposal of Long-Lived Assets" and the amortization of intangibles arising pursuant to Financial Accounting Standards Board Statement No. 141-"Business Combinations";

(xiii) any costs or expenses incurred by Holding, the Borrower or a Restricted Subsidiary pursuant to any management equity plan or stock option plan or any other management or employee benefit plan or agreement or any stock subscription or shareholder agreement, to the extent that such costs or expenses are funded with cash proceeds contributed to the capital of Holdings or the Borrower or net cash proceeds of an issuance of Capital Stock of Holdings or the Borrower;

(xiv) any losses from the early extinguishment of Indebtedness or Hedging Agreements or other derivative instruments; and

(xv) any non-cash compensation expense recorded from grants of stock appreciation or similar rights, stock options, restricted stock or other rights to officers, directors or employees;

less (b) the sum of the amounts for such period of:

(i) extraordinary gains;

(ii) non-cash gains (excluding any such non-cash gain to the extent it represents the reversal of an accrual or reserve for potential cash item in any prior period) increasing Consolidated Earnings for such period, other than the accrual of revenues in the ordinary course of business;

(iii) any gains from the early extinguishment of Indebtedness or Hedging Agreements or other derivative instruments; and

(iv) gains on asset sales;

all as determined on a consolidated basis for the Borrower and the Restricted Subsidiaries in accordance with GAAP; provided, that (A) except as provided in clause (C) below, there shall be excluded from Consolidated Earnings for any period the income from continuing operations before income and franchise taxes and extraordinary items of all Unrestricted Subsidiaries for such period to the extent otherwise included in Consolidated Earnings, except to the extent actually received in cash by the Borrower or the Restricted Subsidiaries during such period through dividends or other distributions, (B) there shall be excluded in determining Consolidated EBITDA non-operating currency transaction gains and losses and (C) (x) there shall be included in determining Consolidated EBITDA for any period (1) the Acquired EBITDA of any Person, property, business or asset (other than an Unrestricted Subsidiary) acquired to the extent not subsequently sold, transferred or otherwise disposed of (but not including the Acquired EBITDA of any related Person, property, business or assets to the extent not so acquired) by the Borrower or any Restricted Subsidiary during such period (each such Person, property, business or asset acquired, including pursuant to the UVEST Acquisition and the Pacific Life Acquisition, and not subsequently so disposed of, an "Acquired Entity or Business"), and the Acquired EBITDA of any Unrestricted Subsidiary that is converted into a Restricted Subsidiary during such period (each, a "Converted Restricted Subsidiary"), in each case based on the actual Acquired EBITDA of such Acquired Entity or Business or Converted Restricted Subsidiary for such period (including the portion thereof occurring prior to such acquisition or conversion) and (2) for the purposes of the definition of the term "Permitted Acquisition" and Sections 10.1(j), 10.1(k), 10.3, 10.9 and 10.10, an adjustment in respect of each Acquired Entity or Business equal to the amount of the Pro Forma Adjustment with respect to such Acquired Entity or Business for such period (including the portion thereof occurring prior to such acquisition or conversion) as specified in the Pro Forma Adjustment Certificate delivered to the Administrative Agent and (y) for purposes of determining the Consolidated Total Debt to Consolidated EBITDA Ratio only, there shall be excluded in determining Consolidated EBITDA for any period the Acquired EBITDA of any Person, property, business or asset (other than an Unrestricted Subsidiary) sold, transferred or otherwise disposed of by the Borrower or any Restricted Subsidiary during such period (each such Person, property, business or asset so sold, transferred or otherwise disposed of, a "Sold Entity or Business"), and the Acquired EBITDA of any Restricted Subsidiary that is converted into an Unrestricted Subsidiary during such period (each, a "Converted Unrestricted Subsidiary"), in each case based on the actual Acquired EBITDA of such Sold Entity or Business or Converted Unrestricted Subsidiary for such period (including the portion thereof occurring prior to such sale, transfer, disposition or conversion).

"Consolidated EBITDA Growth Factor" shall mean, as of any date of determination, a fraction, (a) the numerator of which is the difference (only if positive) between the Consolidated EBITDA of the Borrower and its Restricted Subsidiaries (i) for the last Test Period prior to such determination date for which Section 9.1 Financials have been delivered pursuant to Section 9.1, and (ii) for the fiscal year of the Borrower ending December 31, 2005, and (b) the denominator of which is $188,917,000.

"Consolidated EBITDA to Consolidated Interest Expense Ratio" shall mean, as of any date of determination, the ratio of (a) Consolidated EBITDA for the relevant Test Period to (b) Consolidated Interest Expense for such Test Period.

"Consolidated Interest Expense" shall mean, for any period, the cash interest expense (including that attributable to Capital Leases in accordance with GAAP), net of cash interest income to the extent not included in the calculation of Consolidated EBITDA, of the Borrower and the Restricted Subsidiaries on a consolidated basis with respect to all outstanding Indebtedness of the Borrower and the Restricted Subsidiaries, including all commissions, discounts and other fees and charges owed with respect to letters of credit and bankers' acceptance financing and net costs under Interest Rate Hedging Agreements, but excluding, however, amortization of deferred financing costs and any other amounts of non-cash interest, all as calculated on a consolidated basis in accordance with GAAP, and excluding, for the avoidance of doubt, any interest in respect of items excluded from Indebtedness in the proviso to the definition thereof, any non-cash interest expense attributable to the movement in the mark-to-market valuation of Hedging Obligations or other derivative instruments pursuant to Financial Accounting Standards Board Statement No. 133, any one-time cash costs associated with breakage costs in respect of Interest Rate Hedging Agreements and any interest expense in respect of Indebtedness outstanding under any Margin Lines of Credit or Warehouse Lines of Credit; provided, that (a) except as provided in clause (b) below, there shall be excluded from Consolidated Interest Expense for any period the cash interest expense (or income) of all Unrestricted Subsidiaries for such period to the extent otherwise included in Consolidated Interest Expense, (b) for purposes of the definition of the term "Permitted Acquisition" and Sections 10.1(j), 10.1(k), 10.3, 10.9 and 10.10, there shall be included in determining Consolidated Interest Expense for any period the cash interest expense (or income) of any Acquired Entity or Business acquired during such period and of any Converted Restricted Subsidiary converted during such period, in each case based on the cash interest expense (or income) relating to any Indebtedness incurred or assumed as part of an acquisition of an Acquired Entity or Business or as part of the conversion of a Converted Restricted Subsidiary for such period (including the portion thereof occurring prior to such acquisition or conversion) assuming any Indebtedness incurred or repaid in connection with any such acquisition or conversion had been incurred or repaid on the first day of such period and (c) for purposes of the definition of the term "Permitted

Acquisition" and Sections 10.1(j), 10.1(k), 10.3, 10.9 and 10.10, there shall be excluded from determining Consolidated Interest Expense for any period the cash interest expense (or income) of any Sold Entity or Business disposed of during such period and of any Converted Unrestricted Subsidiary converted during such period, in each case, based on the cash interest expense (or income) relating to any Indebtedness relieved or repaid in connection with any such disposition of such Sold Entity or Business or as part of the conversion of a Converted Unrestricted Subsidiary for such period (including the portion thereof occurring

prior to such disposal or conversion) assuming such debt relieved or repaid in connection with such disposition or conversion had been relieved or repaid on the first day of such period.

"Consolidated Lease Expense" shall mean, for any period, all rental expenses of the Borrower and the Restricted Subsidiaries during such period under operating leases for real or personal property (including in connection with Permitted Sale Leasebacks), excluding real estate taxes, insurance costs and common area maintenance charges and net of sublease income, other than (a) obligations under vehicle leases entered into in the ordinary course of business, (b) all such rental expenses associated with assets acquired pursuant to a Permitted Acquisition to the extent that such rental expenses relate to operating leases in effect at the time of (and immediately prior to) such acquisition and (c) Capitalized Lease Obligations, all as determined on a consolidated basis in accordance with GAAP; provided, that there shall be excluded from Consolidated Lease Expense for any period the rental expenses of all Unrestricted Subsidiaries for such period to the extent otherwise included in Consolidated Lease Expense.

"Consolidated Net Income" shall mean, for any period, the consolidated net income (or loss) after the deduction of income taxes of the Borrower and the Restricted Subsidiaries, determined on a consolidated basis in accordance with GAAP.

"Consolidated Total Assets" shall mean, as of any date of determination, the total amount of all assets of the Borrower and the Restricted Subsidiaries, determined on a consolidated basis in accordance with GAAP as of such date.

"Consolidated Total Debt" shall mean, as of any date of determination, (a) the sum of (i) all indebtedness of the Borrower and the Restricted Subsidiaries for borrowed money outstanding on such date and (ii) all Capitalized Lease Obligations of the Borrower and the Restricted Subsidiaries outstanding on such date, all calculated on a consolidated basis in accordance with GAAP minus (b) the sum of (i) the aggregate amount of cash and cash equivalents included in the cash accounts listed on the consolidated balance sheet of the Borrower and the Restricted Subsidiaries as at such date plus (ii) all Segregated Cash as at such date, to the extent that such sum exceeds the amount of Required Cash and to the extent the use thereof for application to the payment of Indebtedness is not otherwise prohibited by law or any contract to which the Borrower or any of the Restricted Subsidiaries is a party minus (c) all Indebtedness of the Borrower and the Restricted Subsidiaries outstanding under any Margin Lines of Credit or Warehouse Lines of Credit on such date.

"Consolidated Total Debt to Consolidated EBITDA Ratio" shall mean, as of any date of determination, the ratio of (a) Consolidated Total Debt as of the last day of the relevant Test Period to (b) Consolidated EBITDA for such Test Period.

"Consolidated Total Net Tangible Assets" shall mean, as of any date of determination, the total amount of (i) all Consolidated Total Assets of the Borrower and the Restricted Subsidiaries less (ii) the stated balance sheet "goodwill" of the Borrower and the Restricted Subsidiaries and less (iii) the stated balance sheet "intangible assets" of the Borrower and the Restricted Subsidiaries, in each case determined on a consolidated basis in accordance with GAAP as of such date.

"Continuing Lender" shall mean each Original Lender that has delivered a Lender Consent Letter agreeing to convert all or a portion of the Original Term Loans made by such Lender to Tranche D Term Loans.

"Continuing Manager" shall mean, at any date, an individual (a) who is a member of the Board of Directors of Holdings on the Closing Date, (b) who, as at such date, has been a member of such Board of Directors of Holdings for at least the 12 preceding months, (c) who has been nominated to be a member of such Board of Directors of Holdings, directly or indirectly, by one or more Permitted Investors or Persons nominated by one or more Permitted Investors or (d) who has been nominated to be a member of such Board of Directors of Holdings by a majority of the other Continuing Managers then in office.

"Contract Consideration" shall have the meaning provided in the definition of "Excess Cash Flow".

"Converted Restricted Subsidiary" shall have the meaning provided in the definition of the term "Consolidated EBITDA".

"Converted Unrestricted Subsidiary" shall have the meaning provided in the definition of the term "Consolidated EBITDA".

"Credit Documents" shall mean this Agreement, the Guarantee, the Security Documents, the Engagement Letter, the Second Restatement Engagement Letter and each Letter of Credit and any promissory notes issued by the Borrower hereunder.

"Credit Event" shall mean and include the making (but not the conversion or continuation) of a Loan and the issuance of a Letter of Credit.

"Credit Facility" shall mean any of the Tranche D Term Loan Facility, any New Term Loan Facility or the Revolving Credit Facility, as applicable.

"Credit Party" shall mean each of the Borrower, Holdings, the other Guarantors and each other Subsidiary of the Borrower that is a party to a Credit Document.

"Cumulative Consolidated Net Income Available to Stockholders" shall mean, as of any date of determination, (i) Consolidated Net Income plus (ii) any impairment charge or asset write-off pursuant to Financial Accounting Standards Board Statement No. 142-"Goodwill and Other Intangible Assets" or Financial Accounting Standards Board Statement No. 144-"Accounting for the Impairment or Disposal of Long-Lived Assets" and the

amortization of intangibles arising pursuant to Financial Accounting Standards Board Statement No. 141-"Business Combinations" less (iii) cash dividends paid or distributions made by Holdings with respect to its Capital Stock for the period (taken as one accounting period) commencing on the Closing Date and ending on the last day of the most recent fiscal quarter for which Section 9.1 Financials have been delivered under Section 9.1.

"Cure Amount" shall have the meaning provided in Section 11.14(a).

"Cure Right" shall have the meaning provided in Section 11.14(a).

"Currency Hedging Agreement" shall mean any swap, cap, collar, forward future, option or similar agreement or derivative transaction entered into by the Borrower or any Restricted Subsidiary in the ordinary course of business and not for speculative purposes in order to protect the Borrower or such Restricted Subsidiary against fluctuations in currency exchange rates.

"Current Interest Period" shall have the meaning provided in Section 2.3(g).

"Debt Incurrence Prepayment Event" shall mean any issuance or incurrence by the Borrower or any of the Restricted Subsidiaries of any Indebtedness (including any issuance by the Borrower of Permitted Additional Notes), excluding any Indebtedness permitted to be issued or incurred under Section 10.1 (other than clause (i)(ii) thereof).

"Default" shall mean any event, act or condition that with notice or lapse of time, or both, would constitute an Event of Default.

"Defaulting Lender" shall mean any Lender with respect to which a Lender Default is in effect.

"Dividends" shall have the meaning provided in Section 10.6.

"Dollars" and "$" shall mean dollars in lawful currency of the United States of America.

"Domestic Subsidiary" shall mean each Subsidiary of the Borrower that is organized under the laws of the United States, any state or territory thereof, or the District of Columbia.

"Drawing" shall have the meaning provided in Section 3.4(b).

"Effective Date" shall mean the date upon which the conditions set forth in Section 6 are satisfied.

"Engagement Letter" shall mean that certain Repricing Engagement Letter dated as of December 1, 2006 between the Borrower and GSCP.

"Environmental Claims" shall mean any and all administrative, regulatory or judicial actions, suits, demands, demand letters, claims, liens, notices of noncompliance or violation, investigations (other than internal reports prepared by the Borrower or any of its Subsidiaries (a) in the ordinary course of such Person's business or (b) as required in connection with a financing transaction or an acquisition or disposition of real estate) or proceedings relating in any way to any Environmental Law or any permit issued, or any approval given, under any such Environmental Law (hereinafter, "Claims"), including (i) any and all Claims by governmental or regulatory authorities for enforcement, cleanup, removal, response, remedial or other actions or damages pursuant to any applicable Environmental Law and (ii) any and all Claims by any third party seeking damages, contribution, indemnification, cost recovery, compensation or injunctive relief resulting from Hazardous Materials or arising from alleged injury or threat of injury to health, safety or the environment.

"Environmental Law" shall mean any applicable Federal, state, foreign or local statute, law, rule, regulation, ordinance, code and rule of common law now or hereafter in effect and in each case as amended, and any binding judicial or administrative interpretation thereof, including any binding judicial or administrative order, consent decree or judgment, relating to the environment, human health or safety or Hazardous Materials.

"Equity Contributions" shall have the meaning provided in the 2005 Credit Agreement.

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended from time to time. Section references to ERISA are to ERISA as in effect at the date of this Agreement and any subsequent provisions of ERISA amendatory thereof, supplemental thereto or substituted therefor.

"ERISA Affiliate" shall mean each person (as defined in Section 3(9) of ERISA) that together with the Borrower or a Subsidiary thereof would be deemed to be a "single employer" within the meaning of Section 414(b) or (c) of the Code or, solely for purposes of Section 302 of ERISA and Section 412 of the Code, is treated as a single employer under Section 414 of the Code.

"Eurodollar Loan" shall mean any Eurodollar Term Loan or Eurodollar Revolving Credit Loan.

"Eurodollar Rate" shall mean, in the case of any Eurodollar Loan, with respect to each day during each Interest Period pertaining to such Eurodollar Loan, (a) the rate of interest determined on the basis of the rate for deposits in Dollars for a period equal to such Interest Period commencing on the first day of such Interest Period appearing on Page 3750 of the Telerate screen as of 11:00 a.m. (London time) two Business Days prior to the beginning of such Interest Period multiplied by (b) the Statutory Reserve Rate. In the event that any such rate does not appear on the applicable Page of the Telerate Service (or otherwise on such service), the "Eurodollar Rate" for the purposes of this paragraph shall be determined by reference to such other publicly available service for displaying Eurodollar rates as may be agreed upon by the Administrative Agent and the Borrower or, in the absence of such agreement, the "Eurodollar Rate" for the purposes of this paragraph shall instead be the rate per annum notified to the Administrative Agent by the Reference Lender as

the rate at which the Reference Lender is offered Dollar deposits at or about 11:00 a.m. (London time) two Business Days prior to the beginning of such Interest Period in the interbank Eurodollar market where the Eurodollar and foreign currency and exchange operations in respect of its Eurodollar Loans are then being conducted for delivery on the first day of such Interest Period for the number of days comprised therein and in an amount comparable to the amount of its Eurodollar Loan to be outstanding during such Interest Period.

"Eurodollar New Term Loan" shall mean any New Term Loan bearing interest at a rate determined by reference to the Eurodollar Rate.

"Eurodollar Revolving Credit Loan" shall mean any Revolving Credit Loan bearing interest at a rate determined by reference to the Eurodollar Rate.

"Eurodollar Term Loan" shall mean any Eurodollar Tranche D Term Loan or Eurodollar New Term Loan, as applicable.

"Eurodollar Tranche D Term Loan" shall mean any Tranche D Term Loan bearing interest at a rate determined by reference to the Eurodollar Rate.

"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 after-tax non-cash expenses and losses to the extent deducted in arriving at such Consolidated Net Income;

(iii) decreases in Net Working Capital for such period (other than decreases arising from Permitted Acquisitions or sales, leases, transfers or other dispositions of assets by the Borrower or any of its Restricted Subsidiaries during such period);

(iv) an amount equal to the aggregate net after-tax non-cash loss on the sale, lease, transfer or other disposition of assets by the Borrower and the Restricted Subsidiaries during such period (other than sales, leases, transfers or other dispositions in the ordinary course of business) to the extent deducted in arriving at such Consolidated Net Income; and

(v) the amount of tax expense deducted in determining Consolidated Net Income for such period to the extent it exceeds the amount of cash taxes paid in such period;

over (b) the sum, without duplication, of:

(i) an amount equal to the amount of all after-tax non-cash gains included in arriving at such Consolidated Net Income;

(ii) without duplication of amounts deducted pursuant to clause (xii) below in such period, the aggregate amount actually paid by the Borrower and the Restricted Subsidiaries in cash during such period on account of Capital Expenditures (excluding the principal amount of Indebtedness incurred in connection with such Capital Expenditures, whether incurred in such period or in a subsequent period);

(iii) the aggregate amount of all prepayments of Revolving Credit Loans and Swingline Loans made during such period to the extent accompanying reductions of the Total Revolving Credit Commitment except to the extent financed with the proceeds of other Indebtedness of the Borrower or the Restricted Subsidiaries;

(iv) the aggregate amount of all principal payments of Indebtedness of the Borrower or the Restricted Subsidiaries (including any Term Loans and the principal

component of payments in respect of Capitalized Lease Obligations, but excluding Revolving Credit Loans, Swingline Loans and voluntary prepayments of Term Loans pursuant to Section 5.1) made during such period (other than in respect of any revolving credit facility to the extent there is not an equivalent permanent reduction in commitments thereunder) except to the extent financed with the proceeds of other Indebtedness of the Borrower or the Restricted Subsidiaries;

(v) an amount equal to the aggregate net after-tax non-cash gain on the sale, lease, transfer or other disposition of assets by the Borrower and the Restricted Subsidiaries during such period (other than sales, leases, transfers or other dispositions in the ordinary course of business) to the extent included in arriving at such Consolidated Net Income;

(vi) increases in Net Working Capital for such period (other than increases arising from Permitted Acquisitions or sales, leases, transfers or other dispositions of assets by the Borrower or any of its Restricted Subsidiaries during such period);

(vii) the amount of dividends, distributions or repurchases paid or made during such period pursuant to clause (b), (c), (d), (e), or (f) of the proviso to Section 10.6 to the extent such dividends or distributions were (1) paid with the proceeds of any amount referred to in paragraph (a) of this definition and (2) financed with internally generated cash flow of the Borrower and the Restricted Subsidiaries;

(viii) the aggregate amount of expenditures actually made by the Borrower and the Restricted Subsidiaries in cash during such period (including expenditures for the payment of financing fees) to the extent that such expenditures are not expensed during such period;

(ix) without duplication of amounts deducted pursuant to clause (xii) below in such period, the aggregate amount of cash consideration paid by the Borrower and its Restricted Subsidiaries during such period in connection with Permitted Acquisitions to the extent such Permitted Acquisitions were financed with internally generated cash flow of the Borrower and the Restricted Subsidiaries (excluding any such amounts funded through the utilization of the Available Amount);

(x) the aggregate amount of any premium, make-whole or penalty payments actually paid in cash by the Borrower and the Restricted Subsidiaries during such period that are required to be made in connection with any prepayment of Indebtedness;

(xi) the amount of cash taxes paid in such period to the extent they exceed the amount of tax expense deducted in determining Consolidated Net Income for such period; and

(xii) without duplication of amounts deducted from Excess Cash Flow in other periods, the aggregate consideration required to be paid in cash by the Borrower or any of the Restricted Subsidiaries pursuant to binding contracts (the "Contract Consideration") entered into prior to or during such period relating to Permitted Acquisitions or Capital Expenditures to be consummated or made during the period of four consecutive fiscal

quarters of the Borrower following the end of such period, provided that to the extent the aggregate amount of internally generated cash actually utilized to finance such Permitted Acquisitions or Capital Expenditures during such period of four consecutive fiscal quarters is less than the Contract Consideration, the amount of such shortfall shall be added to the calculation of Excess Cash Flow at the end of such period of four consecutive fiscal quarters;

provided, that, in no event shall Excess Cash Flow exceed an amount equal to the difference of (a) all cash and cash equivalents (including Segregated Cash) on the consolidated balance sheet of the Borrower and its Restricted Subsidiaries, as of the last day of such period, less (b) all Indebtedness on the balance sheet of the Regulated Subsidiaries as of such date, other than (A) Indebtedness under Margin Lines of Credit and under Warehouse Lines of Credit and (B) other Indebtedness that has been approved as regulatory capital for computation of Net Capital (as defined in Rule 15c3-1 of the Exchange Act) less (c) all Required Cash of all such Persons as of such date.

"Exchange Act" shall mean the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

"Excluded Subsidiary" shall mean (i) any Subsidiary of the Borrower (a) on the Closing Date, that is listed on Schedule 1.1(c) and (b) created or acquired after the Closing Date or otherwise becomes after such date, a regulated entity that is subject to net worth or net capital or similar capital and surplus restrictions under Applicable Laws or accounting policies or principles or that is otherwise restricted by Applicable Law from guaranteeing Indebtedness and/or granting security interests in its assets or property and (ii) any Immaterial Subsidiary.

"Federal Funds Effective Rate" shall mean, for any day, the weighted average of the per annum rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published on the next succeeding Business Day by the Federal Reserve Bank of New York, or, if such rate is not so published for any day that is a Business Day, the average of the quotations for the day of such transactions received by the Administrative Agent from three Federal funds brokers of recognized standing selected by it.

"Fees" shall mean all amounts payable pursuant to, or referred to in, Section 4.1.

"Final Date" shall mean with respect to Revolving Credit Commitments and Letters of Credit, the date on which the Revolving Credit Commitments shall have terminated, no Revolving Credit Loans shall be outstanding and the Letters of Credit Outstanding shall have been reduced to zero.

"Financial Performance Covenants" shall mean the covenants of the Borrower set forth in Sections 10.9 and 10.10.

"First Reaffirmation Agreement" shall mean that certain Reaffirmation Agreement, dated as of the First Restatement Effective Date, by and among the Credit Parties, the Administrative Agent and the Collateral Agent, pursuant to which the Credit Parties

acknowledged and confirmed the full force and effect of the Security Documents and the Guarantee with respect to this Agreement and the Obligations.

"First Restatement Effective Date" shall mean December 29, 2006.

"Foreign Asset Sale" shall have the meaning provided in Section 5.2(h).

"Foreign Recovery Event" shall have the meaning provided in Section 5.2(h).

"Foreign Subsidiary" shall mean each Subsidiary of the Borrower that is not a Domestic Subsidiary.

"Fronting Fee" shall have the meaning provided in Section 4.1(b).

"Funded Debt" shall mean all indebtedness of the Borrower and the Restricted Subsidiaries for borrowed money that matures more than one year from the date of its creation or matures within one year from such date that is renewable or extendable, at the option of the Borrower or one of the

Restricted Subsidiaries, to a date more than one year from such date or arises under a revolving credit or similar agreement that obligates the lender or lenders to extend credit during a period of more than one year from such date, including all amounts of Funded Debt required to be paid or prepaid within one year from the date of its creation and, in the case of the Borrower, Indebtedness in respect of the Loans.

"GAAP" shall mean generally accepted accounting principles in the United States of America as in effect from time to time; provided, however, that if there occurs after the date hereof any change in GAAP that affects in any respect the calculation of any covenant contained in Section 10, the Lenders and the Borrower shall negotiate in good faith amendments to the provisions of this Agreement that relate to the calculation of such covenant with the intent of having the respective positions of the Lenders and the Borrower after such change in GAAP conform as nearly as possible to their respective positions as of the date of this Agreement and, until any such amendments have been agreed upon, the covenants in Section 10 shall be calculated as if no such change in GAAP has occurred.

"Governmental Authority" shall mean any nation or government, any state, province, territory or other political subdivision thereof, and any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.

"GSCP" shall have the meaning provided in the preamble to this Agreement.

"Guarantee" shall mean the Guarantee, dated as of the Closing Date, among each Guarantor in favor of the Administrative Agent for the benefit of the Agents and the Lenders, substantially in the form of Exhibit B attached to the 2005 Credit Agreement, as the same has been or may be amended, supplemented or otherwise modified from time to time in accordance with the terms thereof and of the other Credit Documents.

"Guarantee Obligations" shall mean, as to any Person, any obligation of such Person guaranteeing or intended to guarantee any Indebtedness of any other Person (the "primary obligor") in any manner, whether directly or indirectly, including any obligation of such Person,

whether or not contingent, (a) to purchase any such Indebtedness or any property constituting direct or indirect security therefor (b) to advance or supply funds (i) for the purchase or payment of any such Indebtedness or (ii) to maintain working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor, (c) to purchase property, securities or services primarily for the purpose of assuring the owner of any such Indebtedness of the ability of the primary obligor to make payment of such Indebtedness or (d) otherwise to assure or hold harmless the owner of such Indebtedness against loss in respect thereof; provided, however, that the term "Guarantee Obligations" shall not include endorsements of instruments for deposit or collection in the ordinary course of business or customary and reasonable indemnity obligations in effect on the Closing Date or entered into in connection with any acquisition or disposition of assets permitted by this Agreement (other than such obligations with respect to Indebtedness). The amount of any Guarantee Obligation shall be deemed to be an amount equal to the stated or determinable amount of the Indebtedness in respect of which such Guarantee Obligation is made or, if not stated or determinable, the maximum reasonably anticipated liability in respect thereof (assuming such Person is required to perform thereunder) as determined by such Person in good faith.

"Guarantors" shall mean (a) each of Holdings and each Domestic Subsidiary of Holdings (other than Borrower or any Excluded Subsidiary) on the Effective Date and (b) each Domestic Subsidiary (other than any Excluded Subsidiary, any Unrestricted Subsidiary or any direct or indirect Domestic Subsidiary of a Foreign Subsidiary) that becomes a party to the Guarantee after the Effective Date pursuant to Section 9.11.

"Hazardous Materials" shall mean (a) any petroleum or petroleum products, radioactive materials, friable asbestos, urea formaldehyde foam insulation, transformers or other equipment that contain dielectric fluid containing regulated levels of polychlorinated biphenyls, and radon gas; (b) any chemicals, materials or substances defined as or included in the definition of "hazardous substances", "hazardous waste", "hazardous materials", "extremely hazardous waste", "restricted hazardous waste", "toxic substances", "toxic pollutants", "contaminants", or "pollutants", or words of similar import, under any applicable Environmental Law; and (c) any other chemical, material or substance, which is prohibited, limited or regulated by any Environmental Law.

"Hedging Agreement" shall mean any Currency Hedging Agreement or Interest Rate Hedging Agreement, as applicable.

"Hedging Obligations" shall mean, with respect to any Person, the obligations of such Person under Hedging Agreements.

"Historical Financial Statements" shall mean, as of the Effective Date, (a) the audited financial statements of the Borrower and its Subsidiaries for the immediately preceding three fiscal years, and (b) to the extent reasonably available, the unaudited quarterly financial statements of the Borrower and its Subsidiaries for each fiscal quarter ended at least 45 days before the Effective Date and following the latest date for which audited financial statements are available, in each case consisting of balance sheets and the related consolidated statements of income, stockholders' equity and cash flows for such periods.

"Holdings" shall have the meaning provided in the preamble to this Agreement.

"HUD" shall mean the United States Department of Housing and Urban Development.

"HUD-Regulated Subsidiary" shall mean the Subsidiary of the Borrower that is a HUD-approved non-supervised mortgagee.

"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.

"Immaterial Subsidiary" shall mean each Subsidiary of the Borrower other than a Material Subsidiary.

"Increased Amount Date" shall have the meaning provided in Section 2.14(a).

"Indebtedness" of any Person shall mean (a) all indebtedness of such Person for borrowed money, (b) the deferred purchase price of assets or services that in accordance with GAAP would be included as liabilities in the balance sheet of such Person, (c) the face amount of all letters of credit issued for the account of such Person and, without duplication, all drafts drawn thereunder, (d) all Indebtedness of a second Person secured by any Lien on any property owned by such first Person, whether or not such Indebtedness has been assumed, (e) all Capitalized Lease Obligations of such Person, (f) all obligations of such Person under interest rate swap, cap or collar agreements, interest rate future or option contracts, currency swap agreements, currency future or option contracts, commodity price protection agreements or other commodity price hedging agreements and other similar agreements (including Hedging Agreements) and (g) without duplication, all Guarantee Obligations of such Person in respect of Indebtedness described in clauses (a) through (f); provided, that Indebtedness shall not include (i) trade payables and accrued expenses arising in the ordinary course of business, (ii) prepaid or deferred revenue arising in the ordinary course of business and (iii) purchase price holdbacks arising in the ordinary course of business in respect of a portion of the purchase price of an asset to satisfy warrants or other unperformed obligations of the seller of such asset.

"Interest Period" shall mean, with respect to any Term Loan or Revolving Credit Loan, the interest period applicable thereto, as determined pursuant to Section 2.9.

"Interest Rate Hedging Agreement" shall mean any swap, cap, collar, future, option or similar agreement entered into by the Borrower or any Restricted Subsidiary in the ordinary course of business and not for speculative purposes in order to protect the Borrower or such Restricted Subsidiary against fluctuations in interest rates.

"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.

"IPO" shall mean, with respect to any Person, a registered initial public offering of the Capital Stock of such Person (other than on Form S-8).

"Joinder Agreement" shall mean an agreement substantially in the form of Exhibit J-1 or J-2, as the case may be.

"Lender" shall have the meaning provided in the preamble to this Agreement.

"Lender Consent Letters" shall mean the lender consent letters authorizing the amendment and restatement of the Original Credit Agreement and in the case of Continuing Lenders, agreeing to convert all or a portion of the Original Term Loans needed by such Lender to Tranche D Term Loans.

"Lender Counterparty" shall mean each Agent or Lender or any Affiliate of an Agent or Lender that is a counterparty to a Hedging Agreement (including any Person who is an Agent or Lender (and any Affiliate thereof) as of the Closing Date but subsequently, whether before or after entering into a Hedging Agreement, ceases to be a Lender).

"Lender Default" shall mean (a) the failure (which has not been cured) of a Lender to make available its portion of any Borrowing or to fund its portion of any unreimbursed payment under Section 3.4 or (b) a Lender having notified the Administrative Agent and/or the Borrower that it does not intend to comply with the obligations under Section 2.1, 3.3 or 3.4, in the case of either clause (a) or clause (b) above, as a result of the appointment of a receiver or conservator with respect to such Lender at the direction or request of any regulatory agency or authority.

"Letter of Credit" shall have the meaning provided in Section 3.1(a).

"Letter of Credit Commitment" shall mean $50,000,000, 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(a) at such time and (b) such Lender's Revolving Credit Commitment Percentage of the Letters of Credit Outstanding 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(a)).

"Letter of Credit Fee" shall have the meaning provided in Section 4.1(c).

"Letter of Credit Issuer" shall mean MSSF, any of its Affiliates and any one or more Persons who shall become a Letter of Credit Issuer pursuant to Section 3.6.

"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(a).

"Letters of Credit Outstanding" shall mean, at any time, the sum of, without duplication, (a) the aggregate Stated Amount of all outstanding Letters of Credit and (b) the aggregate amount of all Unpaid Drawings in respect of all Letters of Credit.

"Level I Status" shall mean, on any date, the Consolidated Total Debt to Consolidated EBITDA Ratio as of such date is greater than 5.75:1.00.

"Level II Status" shall mean, on any date, the Consolidated Total Debt to Consolidated EBITDA Ratio as of such date is less than or equal to 5.75:1.00.

"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 change 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).

"Loan" shall mean any Revolving Credit Loan, New Revolving Swingline Loan, Tranche D Term Loan or New Term Loan made by any Lender hereunder.

"Management Group" shall mean, at any time, the Chairman of the Board, any President, any Executive Vice President or Vice President, any Managing Director, any Treasurer and any Secretary of Holdings, the Borrower or any Restricted Subsidiary at such time.

"Management Investors" shall mean the management officers, directors and employees of Holdings, the Borrower and the Restricted Subsidiaries who became investors in Holdings, the Borrower or any of their direct or indirect parent entities on or before the date that was 12 months after the Closing Date.

"Mandatory Borrowing" shall have the meaning provided in Section 2.1(e)(ii).

"Margin Line of Credit" shall mean any lines of credit established consistent with past business practices and used by the Borrower and its Subsidiaries in the ordinary course of business 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.

"Material Adverse Change" shall mean any change in the business, assets, operations, properties or financial condition of the Borrower and its Subsidiaries, taken as a whole, that would materially adversely affect the ability of the Borrower and the other Credit Parties, taken as a whole, to perform their obligations under this Agreement or any of the other Credit Documents.

"Material Adverse Effect" shall mean a circumstance or condition affecting the business, assets, operations, properties or financial condition of the Borrower and its Subsidiaries, taken as a whole, that would materially adversely affect (a) the ability of the Borrower and the other Credit Parties, taken as a whole, to perform their obligations under this Agreement or any of the other Credit Documents or (b) the rights and remedies of the Administrative Agent and the Lenders under this Agreement or any of the other Credit Documents.

"Material Subsidiary" shall mean, at any date of determination, each Restricted Subsidiary of the Borrower (a) whose total assets at the last day of the Test Period ending on the last day of the most recent fiscal period for which Section 9.1 Financials have been delivered were equal to or greater than 5% of the Consolidated Total Assets of the Borrower and the Restricted Subsidiaries at such date or (b) whose gross revenues for such Test Period were equal to or greater than 5% of the consolidated gross revenues of the Borrower and the Restricted Subsidiaries for such period, in each case determined in accordance with GAAP.

"Maturity Date" shall mean the Tranche D Term Loan Maturity Date, the New Term Loan Maturity Date, the Revolving Credit Maturity Date, or the Swingline Maturity Date, as applicable.

"Mezz Participants" shall mean the holders of the Senior Unsecured Subordinated Notes who hold any equity stake in Holdings or the Borrower.

"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 Deed of Trust, Assignment of Leases and Rents, Security Agreement and Financing Statement or other security document entered into by the owner of a Mortgaged Property and the Collateral Agent for the benefit of the Secured Parties in respect of that Mortgaged Property, substantially in the form of Exhibit C or, in the case of any Mortgaged Property located outside the United States of America, in such form as agreed between the Borrower and the Collateral Agent, as the same may be amended, supplemented or otherwise modified from time to time in accordance with the terms thereof and of the other Credit Documents.

"Mortgaged Property" shall mean, initially, the parcel of real estate and the improvements thereto owned by a Credit Party and identified on Schedule 1.1(a), and thereafter, each other parcel of real property and improvements thereto with respect to which a Mortgage is granted pursuant to Section 9.14(b).

"MS" shall have the meaning provided in the preamble to this Agreement.

"MSSF" shall have the meaning provided in the preamble to this Agreement.

"Net Cash Proceeds" shall mean, with respect to any Prepayment Event, (a) the gross cash proceeds (including payments from time to time in respect of installment obligations, if applicable) received by or on behalf of the Borrower or any of the Restricted Subsidiaries in respect of such Prepayment Event, less (b) the sum of:

(i) in the case of any Prepayment Event, the amount, if any, of all taxes paid or estimated to be payable by Holdings, the Borrower or any of the Restricted Subsidiaries in connection with such Prepayment Event,

(ii) in the case of any Prepayment Event, the amount of any reasonable reserve established in accordance with GAAP against any liabilities (other than any taxes deducted pursuant to clause (i) above) (x) associated with the assets that are the subject of such Prepayment Event and (y) retained by Holdings, the Borrower or any of the Restricted Subsidiaries; provided, that the amount of any subsequent reduction of such reserve (other than in connection with a payment in respect of any such liability) shall be deemed to be Net Cash Proceeds of such Prepayment Event occurring on the date of such reduction,

(iii) in the case of any Prepayment Event, the amount of any Indebtedness secured by a Lien on the assets that are the subject of such Prepayment Event to the extent that the instrument creating or evidencing such Indebtedness requires that such Indebtedness be repaid upon consummation of such Prepayment Event and such Indebtedness is actually so repaid,

(iv) in the case of any Asset Sale Prepayment Event (other than a transaction permitted by Section 10.4(d)(ii)) or Permitted Sale Leaseback, the amount of any proceeds of such Asset Sale Prepayment Event or such Permitted Sale Leaseback that the Borrower or the applicable Restricted Subsidiary has reinvested (or intends to reinvest), or has entered into an Acceptable Reinvestment Commitment to reinvest, within the Reinvestment Period, in the business of the Borrower or any of the Restricted Subsidiaries (subject to Section 9.13); provided, that:

(A) the Borrower or the applicable Restricted Subsidiary shall comply with Sections 9.11, 9.12 and 9.14(b) with respect to such reinvestment;

(B) any portion of such proceeds that has not been so reinvested or made subject to an Acceptable Reinvestment Commitment within the Reinvestment Period shall (x) be deemed to be Net Cash Proceeds of an Asset Sale Prepayment Event or Permitted Sale Leaseback occurring on the later of (1) the last day of the Reinvestment Period and (2) 180 days after the date that the Borrower or such Restricted Subsidiary has entered into an Acceptable Reinvestment Commitment and (y) be applied to the repayment of Term Loans in accordance with Section 5.2(a)(i); and

(C) any proceeds subject to an Acceptable Reinvestment Commitment that is later canceled or terminated for any reason before such proceeds are applied in accordance therewith shall be applied to the repayment of Term Loans in accordance with Section 5.2(a)(i), unless the Borrower or the applicable Restricted Subsidiary enters

into another Acceptable Reinvestment Commitment with respect to such proceeds prior to the end of the Reinvestment Period,

(v) in the case of any Recovery Prepayment Event, the amount of any proceeds of such Recovery Prepayment Event (x) that the Borrower or the applicable Restricted Subsidiary has reinvested (or intends to reinvest), or has entered into an Acceptable Reinvestment Commitment to reinvest, within the Reinvestment Period, in the business of the Borrower or any of the Restricted Subsidiaries (subject to Section 9.13), including for the repair, restoration or replacement of the asset or assets subject to such Recovery Prepayment Event, or (y) for which the Borrower or the applicable Restricted Subsidiary has provided a Restoration Certification within the Reinvestment Period; provided, that:

(A) the Borrower or the applicable Restricted Subsidiary shall comply with Sections 9.11, 9.12 and 9.14(b) with respect to such reinvestment;

(B) any portion of such proceeds that has not been so reinvested or made subject to an Acceptable Reinvestment Commitment or Restoration Certification within the Reinvestment Period shall (x) be deemed to be Net Cash Proceeds of a Recovery Prepayment Event occurring on the later of (1) the last day of the Reinvestment Period and (2) 180 days after the date that the Borrower or such Restricted Subsidiary has entered into an Acceptable Reinvestment Commitment or provided a Restoration Certification and (y) be applied to the repayment of Term Loans in accordance with Section 5.2(a)(i), as applicable; and

(C) any proceeds subject to an Acceptable Reinvestment Commitment that is later canceled or terminated for any reason before such proceeds are applied in accordance therewith shall be applied to the repayment of Term Loans in accordance with Section 5.2(a)(i), unless the Borrower or the applicable Restricted Subsidiary enters into another Acceptable Reinvestment Commitment with respect to such proceeds prior to the end of the Reinvestment Period,

(vi) in the case of any Prepayment Event, reasonable and customary fees, commissions, expenses, issuance costs, discounts and other costs paid by Holdings, the Borrower or any of the Restricted Subsidiaries, as applicable, in connection with such Prepayment Event (other than those payable to Holdings, the Borrower or any Subsidiary of the Borrower), in each case only to the extent not already deducted in arriving at the amount referred to in clause (a) above.

"Net Working Capital" shall mean, at any date, the excess of (a) the cumulative sum of all amounts that would in conformity with GAAP constitute "assets" on the consolidated balance sheet of the Borrower and its Restricted Subsidiaries at such date, excluding assets constituting (i) cash, cash equivalents and bank overdrafts, other than all Required Cash of all such Persons as at such date (which shall be included as part of Net Working Capital), (ii) taxes receivable and deferred income taxes of all such Persons, (iii) property, plant and equipment of all such Persons and (iv) goodwill and intangibles of

all such Persons, over (b) the cumulative sum of all amounts that would, in conformity with GAAP, constitute "liabilities" on the consolidated balance sheet of the Borrower and its Restricted Subsidiaries on such date,

excluding (i) all Indebtedness, other than Indebtedness under Margin Lines of Credit and under Warehouse Lines of Credit (which shall be included as part of Net Working Capital), (ii) taxes payable and deferred income taxes of all such Persons, (iii) stockholder's equity of all such Persons and (iv) dividends payable of all such Persons.

"New Letter of Credit Exposure" shall have the meaning provided in Section 2.14(b).

"New Commitments" shall have the meaning provided in Section 2.14(a).

"New Term Loan Commitments" shall have the meaning provided in Section 2.14(a).

"New Term Loan Facility" shall mean any credit facility constituting New Term Loan Commitments and New Term Loans.

"New Term Loan Lender" shall have the meaning provided in Section 2.14(b).

"New Term Loans" shall have the meaning provided in Section 2.14(c).

"New Term Loan Maturity Date" shall mean the date on which a New Term Loan matures.

"Non-Defaulting Lender" shall mean and include each Lender other than a Defaulting Lender.

"Non-Excluded Taxes" shall have the meaning provided in Section 5.4(a).

"Notes Offering" shall have the meaning provided in the recitals to this Agreement.

"Notice of Borrowing" shall have the meaning provided in Section 2.3.

"Notice of Conversion or Continuation" shall have the meaning provided in Section 2.6.

"Obligations" shall mean the collective reference to (a) the due and punctual payment of (i) the principal of and premium, if any, and interest at the applicable rate provided in this Agreement (including interest accruing during the pendency of any bankruptcy, insolvency, receivership or other similar proceeding, regardless of whether allowed or allowable in such proceeding) on the Loans, when and as due, whether at maturity, by acceleration, upon one or more dates set for prepayment or otherwise, (ii) each payment required to be made by the Borrower under this Agreement in respect of any Letter of Credit, when and as due, including payments in respect of reimbursement of disbursements, interest thereon and obligations to provide cash collateral, and (iii) all other monetary obligations, including fees, costs, expenses and indemnities, whether primary, secondary, direct, contingent, fixed or otherwise (including monetary obligations incurred during the pendency of any bankruptcy, insolvency, receivership or other similar proceeding, regardless of whether allowed or allowable in such proceeding), of

the Borrower or any other Credit Party to any of the Secured Parties under this Agreement and the other Credit Documents, (b) the due and punctual performance of all covenants, agreements, obligations and liabilities of the Borrower under or pursuant to this Agreement and the other Credit Documents, (c) the due and punctual payment and performance of all the covenants, agreements, and liabilities of each other Credit Party under or pursuant to this Agreement or the other Credit Documents, (d) the due and punctual payment and performance of all obligations of each Credit Party under each Hedging Agreement with a Lender Counterparty and (e) the due and punctual payment and performance of all obligations in respect of overdrafts and related liabilities owed to the Administrative Agent or its affiliates arising from or in connection with treasury, depositary or cash management services or in connection with any automated clearinghouse transfer of funds.

"OCC" shall mean the Office of the Comptroller of the Currency.

"OCC-Regulated Subsidiary" shall mean any Subsidiary of the Borrower that is regulated by the OCC.

"OCC-Regulated Subsidiary Required Cash" shall mean, as of any date of determination, (a) all cash and cash equivalents on the balance sheet of any OCC-Regulated Subsidiary as of such date minus (b) all Indebtedness on the balance sheet of any OCC-Regulated Subsidiary as of such date minus (c) the difference of (i) the Risk-Based Capital (as referenced in 12 U.S.C. Section 282) of any OCC-Regulated Subsidiary as of such date and (ii) $4,000,000 (or such other amount that is required by the OCC or otherwise agreed to by any OCC-Regulated Subsidiary and the OCC).

"Original Collateral" shall have the meaning provided in the recitals to this Agreement.

"Original Credit Agreement" shall have the meaning provided in the recitals to this Agreement.

"Original Credit Documents" shall have the meaning provided in the recital to this Agreement.

"Original Lenders" shall have the meaning provided in the recitals hereto.

"Original Obligations" shall have the meaning provided in the recitals to this Agreement.

"Original Term Loans" shall have the meaning provided in the recitals hereto.

"Pacific Life Acquisition" shall mean the acquisition by Borrower (or a Restricted Subsidiary thereof) of all of the outstanding Capital Stock of Pacific Select Group, LLC.

"Participant" shall have the meaning provided in Section 13.6(c)(i).

"PBGC" shall mean the Pension Benefit Guaranty Corporation established pursuant to Section 4002 of ERISA, or any successor thereto.

"Perfection Certificate" shall mean the certificate of the Borrower delivered on the Closing Date in substantially the form of Exhibit D and attached to the 2005 Credit Agreement.

"Permitted Acquisition" shall mean (a) the UVEST Acquisition; (b) the Pacific Life Acquisition and (c) any other acquisition, by merger or otherwise, by the Borrower or any of the Restricted Subsidiaries of assets or Capital Stock, so long as (i) such acquisition and all transactions related thereto shall be consummated in accordance with all Applicable Laws; (ii) such acquisition shall result in the issuer of such Capital Stock becoming a Restricted Subsidiary and, to the extent required by Section 9.11, a Guarantor; (iii) such acquisition shall result in the Collateral Agent, for the benefit of the Secured Parties, being granted a security interest in any Capital Stock or any assets so acquired to the extent required by Sections 9.11, 9.12 and/or 9.14(b); (iv) after giving effect to such acquisition, no Default or Event of Default shall have occurred and be continuing; (v) after giving effect to such acquisition, the Borrower and its Restricted Subsidiaries shall be in compliance with Section 9.13; (vi) the Borrower shall be in compliance, on a pro forma basis after giving effect to such acquisition (including any Indebtedness assumed or permitted to exist or incurred pursuant to Sections 10.1(j) and 10.1(k), respectively, and any related Pro Forma Adjustment), with the covenants set forth in Sections 10.9 and 10.10, as such covenants are recomputed as at the last day of the most recently ended Test Period under such Sections as if such acquisition had occurred on the first day of such Test Period.

"Permitted Additional Notes" shall mean senior, mezzanine or subordinated notes issued by Holdings or the Borrower; provided, that (a) the terms of such notes do not provide for any scheduled repayment, mandatory redemption, sinking fund obligation or other payment prior to the Senior Unsecured Subordinated Note Maturity Date, other than customary offers to purchase upon a change of control, asset sale or casualty or condemnation event and customary acceleration rights upon an event of default, (b) the covenants, events of default, Subsidiary guarantees and other terms for such notes (provided that such notes shall have interest rates and redemption premiums determined by the Board of Directors of Holdings or the Borrower, as applicable to be market rates and premiums at the time of issuance of such notes), taken as a whole, are not more restrictive on Holdings, the Borrower and their Subsidiaries, or less favorable to the Lenders, taken as a whole, than the terms of the Senior Unsecured Subordinated Notes (as in effect on the Effective Date), (c) if such notes are subordinated notes, the terms of such notes provide for customary subordination of such notes to the Obligations and (d) no Subsidiary of Holdings or the Borrower (other than the Borrower or a Guarantor) is an obligor under such notes that is not an obligor under the Senior Unsecured Subordinated Notes.

"Permitted Cure Security" shall mean an equity security of Holdings or the Borrower having no mandatory redemption, repurchase or similar requirements prior to 91 days after the latest maturity date for any of the Loans, and upon which all dividends or distributions (if any) shall be payable solely in additional shares of such equity security.

"Permitted Investments" shall mean (a) Dollars and, with respect to any Foreign Subsidiaries, local currencies held by such Foreign Subsidiary, in each case in the ordinary course of business and securities issued or unconditionally guaranteed by the United States government or any agency or instrumentality thereof, in each case having maturities of not more

than 24 months from the date of acquisition thereof; (b) securities issued by any state of the United States of America or any political subdivision of any such state or any public instrumentality thereof or any political subdivision of any such state or any public instrumentality thereof having maturities of not more than 24 months from the date of acquisition thereof and, at the time of acquisition, having an investment grade rating generally obtainable from either S&P or Moody's (or, if at any time neither S&P nor Moody's shall be rating such obligations, then from another nationally recognized rating service); (c) commercial paper or variable or fixed rate notes issued by or guaranteed by any Lender or any bank holding company owning any Lender; (d) commercial paper or variable or fixed rate notes maturing no more than 12 months after the date of creation thereof and, at the time of acquisition, having a rating of at least A-2 or P-2 from either S&P or Moody's (or, if at any time neither S&P nor Moody's shall be rating such obligations, an equivalent rating from another nationally recognized rating service); (e) time deposits of, or domestic and Eurodollar certificates of deposit or bankers' acceptances maturing no more than two years after the date of acquisition thereof, issued by any Lender or any other bank having combined capital and surplus of not less than $250,000,000 in the case of domestic banks and $100,000,000 (or the dollar equivalent thereof) in the case of foreign banks; (f) repurchase agreements with a term of not more than 30 days for underlying securities of the type described in clauses (a), (b) and (e) above entered into with any bank meeting the qualifications specified in clause (e) above or securities dealers of recognized national standing; (g) marketable short-term money market and similar securities having a rating of at least A-2 or P-2 from either S&P or Moody's (or, if at any time neither S&P nor Moody's shall be rating such obligations, an equivalent rating from another nationally recognized rating service); (h) shares of investment companies that are registered under the Investment Company Act of 1940 and invest solely in one or more of the types of securities described in clauses (a) through (g) above; and (i) in the case of investments by any Restricted Foreign Subsidiary or investments made in a country outside the United States of America, other customarily utilized high-quality investments in the country where such Restricted Foreign Subsidiary is located or in which such investment is made.

"Permitted Investors" shall mean the Sponsors, the Mezz Participants and the Management Investors.

"Permitted Liens" shall mean (a) Liens for taxes, assessments or other governmental charges or claims that are either (i) not yet due and payable and not subject to penalties for nonpayment or (ii) being contested in good faith by appropriate proceedings for which appropriate reserves have been established in accordance with GAAP; (b) Liens in respect of property or assets of Holdings, the Borrower or any of its Subsidiaries imposed by law, such as landlords', carriers', warehousemen's and mechanics' Liens and other similar Liens, in each case so long as such Liens arise in the ordinary course of business and do not individually or in the aggregate have a Material Adverse Effect; (c) Liens arising from judgments or decrees in circumstances not

constituting an Event of Default under Section 11.10; (d) Liens incurred or pledges or deposits made in connection with workers' compensation, unemployment insurance and other types of social security legislation, or to secure the performance of tenders, statutory obligations, surety and appeal bonds, bids, leases, government contracts, trade contracts, performance and return-of-money bonds and other similar obligations incurred in the ordinary course of business; (e) ground leases or subleases, licenses or sublicenses in respect of real property on which facilities owned or leased by Holdings, the Borrower or any of its Subsidiaries

are located; (f) easements, rights-of-way, licenses, restrictions (including zoning restrictions), minor defects, exceptions or irregularities in title and other similar charges or encumbrances, in each case not interfering in any material respect with the business of Holdings, the Borrower and its Subsidiaries, taken as a whole, and any exception on the title policies issued in connection with any Mortgaged Property; (g) any interest or title of a lessor or secured by a lessor's interest under any lease permitted by this Agreement; (h) Liens in favor of customs and revenue authorities arising as a matter of law to secure payment of customs duties in connection with the importation of goods; (i) Liens on goods or inventory the purchase, shipment or storage price of which is financed by a documentary letter of credit or bankers' acceptance issued or created for the account of the Borrower or any of its Subsidiaries, provided that such Lien secures only the obligations of the Borrower or such Subsidiaries in respect of such letter of credit to the extent permitted under Section 10.1; (j) leases or subleases, licenses or sublicenses granted to others not interfering in any material respect with the business of the Borrower and its Subsidiaries, taken as a whole; (k) Liens created in the ordinary course of business in favor of banks and other financial institutions over credit balances of any bank accounts of Holdings, the Borrower and the Restricted Subsidiaries held at such banks or financial institutions, as the case may be, to facilitate the operation of cash pooling and/or interest set-off arrangements in respect of such bank accounts in the ordinary course of business; (l) any interest or title of a lessor, sublessor, licensor or sub licensor under leases entered into in the ordinary course of business; and (m) Liens arising from precautionary Uniform Commercial Code financing statement or similar filings made in respect of operating leases entered into by the Borrower or any of its Subsidiaries.

"Permitted Sale Leaseback" shall mean the Sale Leaseback consummated by the Borrower or any of the Restricted Subsidiaries after the Closing Date with respect to the Borrower's property listed on Schedule 1.1(a).

"Person" shall mean any individual, partnership, joint venture, firm, corporation, limited liability company, association, trust or other enterprise or any Governmental Authority.

"Plan" shall mean any multiemployer or single-employer plan, as defined in Section 4001 of ERISA and subject to Title IV of ERISA, that is or was within any of the preceding five plan years maintained or contributed to by (or to which there is or was an obligation to contribute or to make payments to) the Borrower, a Subsidiary or an ERISA Affiliate.

"Pledge Agreement" shall mean the Pledge Agreement, dated as of the Closing Date, among Borrower, the other pledgors party thereto and the Collateral Agent for the benefit of the Secured Parties, substantially in the form of Exhibit E-2 attached to the 2005 Credit Agreement, as the same has been or may be amended, supplemented or otherwise modified from time to time in accordance with the terms thereof and of the other Credit Documents.

"Prepayment Event" shall mean any Asset Sale Prepayment Event, Recovery Prepayment Event, Debt Incurrence Prepayment Event or Permitted Sale Leaseback.

"Prime Rate" shall mean the rate of interest per annum publicly announced from time to time by The Bank of New York as its reference rate in effect at its principal office in New York City.

"Pro Forma Adjustment" shall mean, for any Test Period that includes any of the six consecutive fiscal quarters first ending following any Permitted Acquisition, with respect to the Acquired EBITDA of the applicable Acquired Entity or Business or the Consolidated EBITDA of the Borrower affected by such acquisition, 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 reasonably identifiable and factually supportable cost savings and costs (excluding one-time transition, transaction and restructuring costs), as the case may be, expected to be realized during such period by combining the operations of such Acquired Entity or Business with the operations of the Borrower and its Subsidiaries; 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 and costs (excluding one-time transition, transaction and restructuring costs) actually realized during such period and already included in such Acquired EBITDA or such Consolidated EBITDA, as the case may be.

"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).

"Real Estate" shall have the meaning provided in Section 9.1(f).

"Recovery Event" shall mean (a) any damage to, destruction of or other casualty or loss involving any property or asset or (b) any seizure, condemnation, confiscation or taking under the power of eminent domain of, or any requisition of title or use of or relating to, or any similar event in respect of, any property or asset.

"Recovery Prepayment Event" shall mean the receipt of cash proceeds with respect to any settlement or payment in connection with any Recovery Event in respect of any property or asset of the Borrower or any Restricted Subsidiary; provided that the term "Recovery Prepayment Event" shall not include any Asset Sale Prepayment Event or any Permitted Sale Leaseback.

"Reference Lender" shall mean The Bank of New York.

"Refinanced Senior Unsecured Subordinated Notes" shall have the meaning provided in Section 10.1(i)(i).

"Refinanced Term Loans" shall have the meaning provided in Section 13.1.

"Refinancing" shall have the meaning provided in the recitals to this Agreement.

"Register" shall have the meaning provided in Section 13.6(b)(iv).

"Regulated Subsidiaries" shall mean the Broker-Dealer Regulated Subsidiary, the HUD-Regulated Subsidiary and any OCC-Regulated Subsidiary.

"Regulation D" shall mean Regulation D of the Board as from time to time in effect and any successor to all or a portion thereof establishing reserve requirements.

"Regulation T" shall mean Regulation T of the Board as from time to time in effect and any successor to all or a portion thereof establishing margin requirements.

"Regulation U" shall mean Regulation U of the Board as from time to time in effect and any successor to all or a portion thereof establishing margin requirements.

"Regulation X" shall mean Regulation X of the Board as from time to time in effect and any successor to all or a portion thereof establishing margin requirements.

"Reinvestment Period" shall mean, with respect to any Asset Sale Prepayment Event, Permitted Sale Leaseback or Recovery Prepayment Event, the day which is fifteen months after the receipt of Net Cash Proceeds of such Asset Sale Prepayment Event, Permitted Sale Leaseback or Recovery Prepayment Event.

"Related Parties" shall mean, with respect to any specified Person, such Person's Affiliates and the directors, officers, employees, agents, trustees, advisors of such Person and any Person that possesses, directly or indirectly, the power to direct or cause the direction of the management or policies of such Person, whether through the ability to exercise voting power, by contract or otherwise.

"Replacement Term Loans" shall have the meaning provided in Section 13.1.

"Reportable Event" shall mean an event described in Section 4043 of ERISA and the regulations thereunder.

"Required Cash" shall mean the sum of Broker-Dealer Required Cash, OCC-Regulated Subsidiary Required Cash and HUD-Regulated Subsidiary Required Cash; provided, that to the extent, after the Closing Date, the Borrower or any of its Subsidiaries shall acquire or create any new "regulated" Domestic Subsidiary that shall not be required to guaranty the Obligations pursuant to the Guaranty, then the definition of "Required Cash" shall also include the required cash of any such Person, which required cash shall be calculated in a substantially equivalent manner as Broker-Dealer Required Cash, OCC-Regulated Subsidiary Required Cash and HUD-Regulated Subsidiary Required Cash have been calculated and otherwise in a manner mutually agreed between the Borrower and the Administrative Agent.

"Required Lenders" shall mean, at any date, Non-Defaulting Lenders having or holding a majority of the sum of (a) the outstanding principal amount of the Tranche D Term Loans in the aggregate at such date, (b)(i) until the Increased Amount Date for any Series, the Adjusted Total New Term Loan Commitment for such Series and (ii) thereafter, the outstanding principal amount of the New Term Loans of such Series in the aggregate at such date and (c)(i) the Adjusted Total Revolving Credit Commitment at such date or (ii) if the Total Revolving Credit Commitment has been terminated or for the purposes of acceleration pursuant

to Section 11, the outstanding principal amount of the Revolving Credit Loans and Letter of Credit Exposures in the aggregate at such date.

"Required Reimbursement Date" shall have the meaning provided in Section 3.4(a).

"Required Revolving Credit Lenders" shall mean, at any date, Non-Defaulting Lenders having or holding a majority of (a) the Adjusted Total Revolving Credit Commitment at such date or (b) if the Total Revolving Credit Commitment has been terminated or for the purposes of acceleration pursuant to Section 11, the outstanding amount of the Revolving Credit Exposures in the aggregate at such date.

"Required Term Loan Lenders" shall mean, at any date, Non-Defaulting Lenders having or holding a majority of the outstanding principal amount of the Term Loans in the aggregate at such date.

"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, (b) the approximate costs of completion of such repair, restoration or replacement and (c) that such repair, restoration or replacement will be completed by the later of (1) fifteen months after the date on which Net Cash Proceeds were received with respect to such Recovery Prepayment Event and (2) 180 days after delivery of such Restoration Certification.

"Restricted Domestic Subsidiary" shall mean each Restricted Subsidiary that is also a Domestic Subsidiary.

"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.

"Revolving Credit Commitment" shall mean, (a) with respect to each Lender that was a Lender on the Closing Date, the amount set forth opposite such Lender's name on Schedule 1.1(b) as such Lender's "Revolving Credit Commitment", (b) in the case of any Lender that becomes a Lender after the date hereof, 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 a Revolving Credit Increase Lender, in each case pursuant to Section 2.14, the amount specified in such Lender's Joinder Agreement, in each case as the same may be changed from time to time pursuant to terms hereof. The aggregate amount of the Revolving Credit Commitments as of the Closing Date was $100,000,000.

"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.

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

"Revolving Credit Increase Lender" shall have the meaning provided in Section 2.14(b).

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

"Revolving Credit Increase" shall have the meaning provided in Section 2.14(a).

"Revolving Credit Maturity Date" shall mean the date that is six years after the Closing Date, or, if such date is not a Business Day, the next preceding Business Day.

"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.

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

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

"Second Restatement Engagement Letter" shall mean that certain Repricing Engagement Letter dated as of May 17, 2007 between the Borrower and GSCP.

"Second Restatement Reaffirmation Agreement" shall mean that certain Second Restatement Reaffirmation Agreement, dated as of the Effective Date, by and among the Credit Parties, the Administrative Agent and the Collateral Agent, pursuant to which the Credit Parties acknowledged and confirmed the full force and effect of the Security Documents and the Guarantee with respect to this Agreement and the Obligations.

"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(e).

"Secured Parties" shall have the meaning assigned to such term in the Security Agreement.

"Security Agreement" shall mean the Security Agreement, dated as of the Closing Date, among Borrower, the other grantors party thereto and the Collateral Agent for the benefit of the Secured Parties, substantially in the form of Exhibit E-1 attached to the 2005 Credit Agreement, as the same has been or may be amended, supplemented or otherwise modified from time to time in accordance with the terms thereof and of the other Credit Documents.

"Security Documents" shall mean, collectively, the Security Agreement, the Pledge Agreement, the First Reaffirmation Agreement, the Second Restatement Reaffirmation Agreement the Mortgages and each other security agreement or other instrument or document executed and delivered pursuant to Section 9.11, 9.12 or 9.14 or pursuant to any of the Security Documents to secure any of the 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 Rule 15c3-3 of the Exchange Act.

"Senior Unsecured Subordinated Note Indenture" shall mean the Indenture, dated as of December 28, 2005, among the Borrower, each of the guarantors party thereto and Wells Fargo Bank, N.A., as Trustee, pursuant to which the Senior Unsecured Subordinated Notes are issued, as the same may be amended, supplemented or otherwise modified from time to time to the extent permitted by Section 10.7(c).

"Senior Unsecured Subordinated Note Maturity Date" shall mean December 28, 2015.

"Senior Unsecured Subordinated Notes" shall have the meaning provided in the recitals to this Agreement.

"Series" shall have the meaning provided in Section 2.14(a).

"Sold Entity or Business" shall have the meaning provided in the definition of the term "Consolidated EBITDA".

"Solvent" shall mean, with respect to any Person, at any date, that (a) the sum of such Person's debt (including contingent liabilities) does not exceed the present fair saleable value of such Person's present assets, (b) such Person's capital is not unreasonably small in relation to its business as contemplated on such date, (c) such Person has not incurred and does not intend to incur, or believe that it will incur, debts including current obligations beyond its ability to pay such debts as they become due (whether at maturity or otherwise), and (d) such Person is "solvent" within the meaning given that term and similar terms under applicable laws relating to fraudulent transfers and conveyances. For purposes of this definition, the amount of

any contingent liability at any time shall be computed as the amount that, in light of all of the facts and circumstances existing at such time, represents the amount that can reasonably be expected to become an actual or matured liability (irrespective of whether such contingent liabilities meet the criteria for accrual under Statement of Financial Accounting Standard No. 5).

"Specified Obligations" shall mean Obligations consisting of (a) the principal of and interest on Loans and (b) reimbursement obligations in respect of Letters of Credit.

"Specified Subsidiary" shall mean, at any date of determination, (a) any Material Subsidiary or (b) any Unrestricted Subsidiary (i) whose total assets at the last day of the Test Period ending on the last day of the most recent fiscal period for which Section 9.1 Financials have been delivered were equal to or greater than 15% of the consolidated total assets of the Borrower and its Subsidiaries at such date or (ii) whose gross revenues for such Test Period were equal to or greater than 15% of the consolidated gross revenues of the Borrower and its Subsidiaries for such period, in each case determined in accordance with GAAP.

"Sponsors" shall mean, collectively, Hellman & Friedman LLC and Texas Pacific Group and/or their respective Affiliates.

"Stated Amount" of any Letter of Credit shall mean the maximum amount from time to time available to be drawn thereunder, determined without regard to whether any conditions to drawing could then be met.

"Status" shall mean, as to the Borrower as of any date, the existence of Level I Status or Level II Status, as the case may be, on such date. Changes in Status resulting from changes in Consolidated Total Debt to Consolidated EBITDA Ratio shall become effective as of the first Business Day following the delivery of the Section 9.1 Financials.

"Statutory Reserve Rate" shall mean for any day as applied to any Eurodollar Loan, a fraction (expressed as a decimal), the numerator of which is the number one and the denominator of which is the number one minus the aggregate of the maximum reserve percentages that are in effect on that day (including any marginal, special, emergency or supplemental reserves), expressed as a decimal, as prescribed by the Board and to which the Administrative Agent is subject, for Eurocurrency funding (currently referred to as "Eurocurrency Liabilities" in Regulation D of the Board). Such reserve percentages shall include those imposed pursuant to such Regulation D. Eurodollar Loans shall be deemed to constitute Eurocurrency funding and to be subject to such reserve requirements without benefit of or credit for proration, exemptions or offsets that may be available from time to time to any Lender under such Regulation D or any comparable regulation. The Statutory Reserve Rate shall be adjusted automatically on and as of the effective date of any change in any reserve percentage.

"Subsidiary" of any Person shall mean and include (a) any corporation more than 50% of whose stock of any class or classes having by the terms thereof ordinary voting power to elect a majority of the directors of such corporation (irrespective of whether or not at the time stock of any class or classes of such corporation shall have or might have voting power by reason of the happening of any contingency) is at the time owned by such Person directly or indirectly

through Subsidiaries and (b) any partnership, association, joint venture or other entity in which such Person directly or indirectly through Subsidiaries has more than a 50% equity interest at the time. Unless otherwise expressly provided, all references herein to a "Subsidiary" shall mean a Subsidiary of the Borrower.

"Successor Borrower" shall have the meaning provided in Section 10.3(a).

"Swingline Commitment" shall mean $50,000,000.

"Swingline Lender" shall mean MSSF in its capacity as lender of Swingline Loans hereunder, or such other financial institution who, after the date hereof, shall agree to act in the capacity of lender of Swingline Loans hereunder.

"Swingline Loan" shall have the meaning provided in Section 2.1(e)(i).

"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 Agent" shall mean GSCP, together with its affiliates, as the syndication agent for the Lenders under this Agreement and the other Credit Documents.

"Term Loan" shall mean a Tranche D Term Loan or a New Term Loan, as applicable.

"Test Period" shall mean, for any determination under this Agreement, the four consecutive fiscal quarters of the Borrower then last ended.

"Total Commitment" shall mean the sum of the Total Tranche D Term Loan Commitment, the Total New Term Loan Commitment and the Total 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 New Term Loan Commitment" shall mean the sum of the New Term Loan Commitments of all the New Term Lenders.

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

"Total Tranche D Term Loan Commitment" shall mean the sum of the Tranche D Term Loan Commitments of all the Lenders.

"Tranche D Term Lender" shall mean each Lender that has a Tranche D Term Loan Commitment or holds a Tranche D Term Loan.

"Tranche D Term Loan" shall have the meaning provided in Section 2.1(a).

"Tranche D Term Loan Commitment" shall mean, (a) in the case of each Lender that is a Lender on the date hereof, the amount set forth opposite such Lender's name on Schedule 1.1(b) hereto or, in the case if any Continuing Lenders, on the schedule to its Lender Consent Letter, in either case as such Lender's "Tranche D Term Loan Commitment" and (b) in the case of any Lender that becomes a Lender after the date hereof, the amount specified as such Lender's "Tranche D Term Loan Commitment" in the Assignment and Acceptance pursuant to which such Lender assumed a portion of the Total Tranche D 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 Tranche D Term Loan Commitments as of the Effective Date is $842,389,062.50.

"Tranche D Term Loan Facility" shall have the meaning provided in the recitals to this Agreement.

"Tranche D Term Loan Maturity Date" shall mean the date that is seven years and six months after the Closing Date; provided, that if such date is not a Business Day, the "Tranche D Term Loan Maturity Date" will be the next preceding Business Day.

"Tranche D Term Loan Repayment Amount" shall have the meaning provided in Section 2.5(b).

"Tranche D Term Loan Repayment Date" shall have the meaning provided in Section 2.5(b).

"Transferee" shall have the meaning provided in Section 13.6(e).

"Type" shall mean (a) as to any Term Loan, its nature as an ABR Loan or a Eurodollar Term Loan, and (b) as to any Revolving Credit Loan, its nature as an ABR Loan or a Eurodollar Revolving Credit Loan.

"Unfunded Current Liability" of any Plan shall mean the amount, if any, by which the present value of the accrued benefits under the Plan as of the close of its most recent plan year, determined in accordance with Statement of Financial Accounting Standards No. 87 as in effect on the date hereof, based upon the actuarial assumptions that would be used by the Plan's actuary in a termination of the Plan, exceeds the fair market value of the assets allocable thereto.

"Unpaid Drawing" shall have the meaning provided in Section 3.4(a).

"Unrestricted Subsidiary" shall mean (a) any Subsidiary of Holdings or the Borrower that is formed or acquired after the Closing Date and is designated as an Unrestricted Subsidiary by Holdings or the Borrower at such time (or promptly thereafter) in a written notice to the Administrative Agent, (b) any Restricted Subsidiary subsequently re-designated as an Unrestricted Subsidiary by Holdings or the Borrower in a written notice to the Administrative Agent; provided, that (x) such designation or re-designation shall be deemed to be an investment (and thus must be made in accordance with Section 10.5) on the date of such designation or re-designation in an Unrestricted Subsidiary in an amount equal to the sum of (i) Holdings' or the Borrower's direct or indirect equity ownership percentage of the net worth of such designated or re-designated Subsidiary immediately prior to such designation or re-designation (such net worth to be calculated without regard to any guarantee provided by such designated or re-designated

Subsidiary) and (ii) the aggregate principal amount of any Indebtedness owed by such designated or re-designated Subsidiary to Holdings or the Borrower or any other Restricted Subsidiary immediately prior to such designation or re-designation, all calculated, except as set forth in the parenthetical to clause (i), on a consolidated basis in accordance with GAAP and (y) no Default or Event of Default would result from such designation or re-designation, and (c) each Subsidiary of an Unrestricted Subsidiary; provided, however, that at the time of any written designation or re-designation by Holdings, or the Borrower to the Administrative Agent that any Unrestricted Subsidiary shall no longer constitute an Unrestricted Subsidiary, such Unrestricted Subsidiary shall cease to be an Unrestricted Subsidiary to the extent no Default or Event of Default would result from such designation or re-designation.

"UVEST Acquisition" shall mean the acquisition by Borrower or a (Restricted Subsidiary thereof) of all of the outstanding Capital Stock of UVEST Financial Services Group Inc.

"Voting Stock" shall mean, with respect to any Person, shares of such Person's Capital Stock having the right to vote for the election of directors of such Person under ordinary circumstances.

"Warehouse Line of Credit" shall mean any warehouse lines of credit established consistent with past business practices and used by the Borrower and its Subsidiaries in the ordinary course of business to fund or support their mortgage lending business and any replacement lines established on substantially similar terms and conditions.

(a) The words "hereof," "herein" and "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement, and Section references are to Sections of this Agreement unless otherwise specified. The words "include," "includes" and "including" shall be deemed to be followed by the phrase "without limitation".

(b) Unless otherwise indicated, any reference to any agreement or instrument will be deemed to include a reference to that agreement or instrument as assigned, amended, supplemented, amended and restated, or otherwise modified and in effect from time to time or replaced in accordance with the terms of this Agreement (if applicable).

SECTION 2. Amount and Terms of Credit Facilities

2.1 Loans. (a) Subject to and upon terms and conditions herein set forth including Section 2.4(d), each Tranche D Term Lender severally agrees to make a loan or loans (each, a "Tranche D Term Loan") to the Borrower, which Tranche D Term Loans (i) shall not exceed, for any such Lender, the Tranche D Term Loan Commitment of such Tranche D Term Lender, (ii) shall not exceed, in the aggregate, the Total Tranche D Term Loan Commitment, (iii) shall be made on the Effective Date, (iv) may at the option of the Borrower be incurred and maintained as, and/or converted into, ABR Loans or Eurodollar Tranche D Term Loans; provided, that all such Tranche D Term Loans made by each of the Tranche D Term Lenders pursuant to the same Borrowing shall, unless otherwise specifically provided herein, consist entirely of Tranche D 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 Tranche D Term Loan Maturity Date, all outstanding Tranche D Term Loans shall be repaid in full.

(b) Subject to and upon the terms and conditions herein set forth including Section 2.4(d), each Lender having a Revolving Credit Commitment severally agrees to make a loan or loans (each, a "Revolving Credit Loan") to the Borrower, 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 plus the aggregate principal amount outstanding of all Swingline Loans at such time exceeding the Total Revolving Credit Commitment then in effect, (iv) shall be made at any time and from time to time after the Closing Date and prior to the Revolving Credit Maturity Date, (v) may at the option of the Borrower be incurred and maintained as, and/or converted into, ABR Loans or Eurodollar Revolving Credit Loans, provided that all Revolving Credit Loans made by each of the Lenders pursuant to the same Borrowing shall, unless otherwise specifically provided herein, consist entirely of Revolving Credit Loans of the same Type and (vi) may be repaid and reborrowed in accordance with the provisions hereof. On the Revolving Credit Maturity Date, all outstanding Revolving Credit Loans shall be repaid in full. Any Revolving Loan outstanding under the Original Credit Agreement on the Effective Date shall continue to be outstanding and be deemed to be Revolving Loans made hereunder subject the terms and conditions hereof.

(c) Each Lender may at its option make any Eurodollar Loan by causing any domestic or foreign branch or Affiliate of such Lender to make such Loan; provided, that (i) any exercise of such option shall not affect the obligation of the Borrower, as the case may be, to repay such Loan and (ii) in exercising such option, such Lender shall use its reasonable efforts to minimize any increased costs to the Borrower resulting therefrom (which obligation of the Lender shall not require it to take, or refrain from taking, actions that it determines would result in increased costs for which it will not be compensated hereunder or that it determines would be otherwise disadvantageous to it and in the event of such request for costs for which compensation is provided under this Agreement, the provisions of Section 2.10 shall apply).

(d) (i) Subject to and upon the terms and conditions herein set forth, the Swingline Lender in its individual capacity agrees, at any time and from time to time on and after the Closing Date and prior to the Swingline Maturity Date, to make a loan or loans (each, a "Swingline Loan") to the Borrower, which Swingline Loans (A) shall be ABR Loans, (B) shall have the benefit of the provisions of Section 2.1(e)(ii), (C) shall not exceed at any time outstanding the Swingline Commitment, (D) shall not, after giving effect thereto and to the application of the proceeds thereof, result at any time in the aggregate amount of all Lenders' Revolving Credit Exposures plus the aggregate principal amount outstanding of all Swingline Loans at such time exceeding the Total Revolving Credit Commitment then in effect and (E) may be repaid and reborrowed in accordance with the provisions hereof. On the Swingline Maturity Date, all outstanding Swingline Loans shall be repaid in full. The Swingline Lender shall not make any Swingline Loan after receiving a written notice from the Borrower or any

Lender stating that a Default or an Event of Default exists and is continuing until such time as the Swingline Lender shall have received written notice of (x) rescission of all such notices from the party or parties originally delivering such notice or (y) the waiver of such Default or Event of Default in accordance with the provisions of Section 13.1. Any Swingline Loan outstanding under the Original Credit Agreement on the Effective Date shall continue to be outstanding and be deemed to be Swingline Loans made hereunder, subject to the terms and conditions hereunder.

(e) (ii) On any Business Day, the Swingline Lender may, in its sole discretion, give notice to the Lenders with Revolving Credit Commitments, with a copy to the Borrower, that all then-outstanding Swingline Loans shall be funded with a Borrowing of Revolving Credit Loans, in which case Revolving Credit Loans constituting ABR Loans (each such Borrowing, a "Mandatory Borrowing") shall be made on the immediately succeeding Business Day by all Lenders with Revolving Credit Commitments pro rata based on each such Lender's Revolving Credit Commitment Percentage, and the proceeds thereof shall be applied directly to the Swingline Lender to repay the Swingline Lender for such outstanding Swingline Loans. Each Lender with a Revolving Credit Commitment hereby irrevocably agrees to make such Revolving Credit Loans upon one Business Day's notice pursuant to each Mandatory Borrowing in the amount and in the manner specified in the preceding sentence and on the date specified to it in writing by the Swingline Lender notwithstanding (i) that the amount of the Mandatory Borrowing may not comply with the minimum amount for each Borrowing specified in Section 2.2, (ii) whether any conditions specified in Section 7 are then satisfied, (iii) whether a Default or an Event of Default has occurred and is continuing, (iv) the date of such Mandatory Borrowing or (v) any reduction in the Total Commitment after any such Swingline Loans were made. In the event that, in the sole

judgment of the Swingline Lender, any Mandatory Borrowing cannot for any reason be made on the date otherwise required above (including as a result of the commencement of a proceeding under the Bankruptcy Code in respect of the Borrower), each Lender with a Revolving Credit Commitment hereby agrees that it shall forthwith purchase from the Swingline Lender (without recourse or warranty) such participation of the outstanding Swingline Loans as shall be necessary to cause each such Lender to share in such Swingline Loans ratably based upon their respective Revolving Credit Commitment Percentages, provided that all principal and interest payable on such Swingline Loans shall be for the account of the Swingline Lender until the date the respective participation is purchased and, to the extent attributable to the purchased participation, shall be payable to the Lender purchasing same from and after such date of purchase.

2.2 Minimum Amount of Each Borrowing; Maximum Number of Borrowings. The aggregate principal amount of each Borrowing of Term Loans or Revolving Credit Loans shall be in a multiple of $1,000,000 and Swingline Loans shall be in a multiple of $100,000 and, in each case, shall not be less than the Minimum Borrowing Amount with respect thereto (except that Mandatory Borrowings shall be made in the amounts required by Section 2.1(e)). 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.

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 time) at least three Business Days' prior written notice (or telephonic notice promptly confirmed

in writing) of each Borrowing of Term Loans 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 time) on the date of each Borrowing of Term Loans 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 (i) the aggregate principal amount of the Term Loans to be made, (ii) the date of the Borrowing (which shall be, in the case of Tranche D Term Loans, the Effective Date and, in the case of each Series of New Term Loans, the Increased Amount Date in respect of such Series) and (iii) whether the Term Loans shall consist of ABR Loans and/or Eurodollar Term Loans and, if the Term Loans are to include Eurodollar Term 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 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 Time) at least three Business Days' prior written notice (or telephonic notice promptly confirmed in writing) of each Borrowing of Eurodollar Revolving Credit Loans, and (ii) prior to 1:00 p.m. (New York 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 Revolving Credit Loans and, if Eurodollar Revolving Credit 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 proposed Borrowing of Revolving Credit Loans, of such Lender's proportionate share thereof and of the other matters covered by the related Notice of Borrowing.

(c) Whenever the Borrower desires to incur Swingline Loans hereunder, it shall give the Administrative Agent written notice (or telephonic notice promptly confirmed in writing) of each Borrowing of Swingline Loans prior to 3:00 p.m. (New York time) or such later time as is agreed by the Swingline Lender on the date of such Borrowing. Each such notice shall be irrevocable and shall specify (i) the aggregate principal amount of the Swingline Loans to be made pursuant to such Borrowing and (ii) the date of Borrowing (which shall be a Business Day). The Administrative Agent shall promptly give the Swingline Lender written notice (or telephonic notice promptly confirmed in writing) of each proposed Borrowing of Swingline Loans and of the other matters covered by the related Notice of Borrowing.

(d) Mandatory Borrowings shall be made upon the notice specified in Section 2.1(e)(ii), with the Borrower irrevocably agreeing, by its incurrence of any Swingline Loan, to the making of Mandatory Borrowings as set forth in such Section.

(e) Borrowings of Revolving Credit Loans to reimburse Unpaid Drawings under Letters of Credit shall be made upon the notice specified in 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) Any Continuing Lender that has converted some but not all of its Original Term Loans on the Effective Date shall be indemnified by the Borrower, with respect to the portion of the Original Term Loans not converted to Tranche D Term Loans, as provided in Section 2.11 of the Original Credit Agreement, which indemnity amounts shall be paid to each such Continuing Lender on the Effective Date; provided, however, if a Continuing Lender converts all of its Original Term Loans to an equivalent amount of Tranche D Term Loans on the Effective Date, the indemnification provided in Section 2.11 of the Original Credit Agreement shall not apply to such Lender on the Effective Date.

2.4 Disbursement of Funds. (a) No later than 2:00 p.m. (New York time) on the date specified in each Notice of Borrowing (including Mandatory Borrowings), 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 all Swingline Loans shall be made available in the full amount thereof by the Swingline Lender no later than 3:00 p.m. (New York time) on the date requested.

(b) Each Lender shall make available all amounts it is to fund to the Borrower under any Borrowing 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 Revolving Credit Loans) 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, as the case may be, 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 respect of each day from the date such corresponding amount was

made available by the Administrative Agent to the Borrower, to the date such corresponding amount is recovered by the Administrative Agent, at a rate per annum equal to (i) if paid by such Lender, the Federal Funds Effective Rate or (ii) if paid by the Borrower, the then-applicable rate of interest or fees, calculated in accordance with Section 2.8, for the respective Loans.

(c) Nothing in this Section 2.4 shall be deemed to relieve any Lender from its obligation to fulfill its commitments hereunder or to prejudice any rights that the Borrower may have against any Lender as a result of any default by such Lender hereunder (it being understood, however, that no Lender shall be responsible for the failure of any other Lender to fulfill its commitments hereunder).

(d) Notwithstanding anything in this Section 2.4 to the contrary, at the option of each Continuing Lender, all or a portion of the Original Term Loans of such Continuing Lender may be converted to Tranche D Term Loans and applied toward satisfaction of its funding requirements set forth in clauses (a) and (b) above.

2.5 Repayment of Loans; Evidence of Debt. (a) The Borrower shall repay to the Administrative Agent, for the benefit of the applicable Lenders, (i) on the Tranche D Term Loan Maturity Date, all then outstanding Tranche D Term Loans, (ii) on the New Term Loan Maturity Date for New Term Loans of any Series, any then outstanding New Term Loans of such Series, (iii) on the Revolving Credit Maturity Date, all then outstanding Revolving Credit Loans and (iv) on the Swingline Maturity Date, all then outstanding Swingline Loans.

(b) The Borrower shall repay to the Administrative Agent, for the benefit of the Lenders of Tranche D Term Loans, on each date set forth below (each, a "Tranche D Term Loan Repayment Date"), a principal amount of the Tranche D Term Loans equal to (x) the principal amount of Tranche D Term Loans outstanding immediately after the Borrowing of Tranche D Term Loans on the Effective Date (as may be reduced by, and after giving effect to, any optional and mandatory prepayments made in accordance with the terms hereof) multiplied by (y) the percentage set forth below opposite such Tranche D Term Loan Repayment Date (each, a "Tranche D Term Loan Repayment Amount"):

Tranche D Term Loan Repayment Date	Tranche D Term Loan Repayment Amount
June 30, 2007	0.25%
September 30, 2007	0.25%
December 31, 2007	0.25%
March 31, 2008	0.25%
June 30, 2008	0.25%
September 30, 2008	0.25%
December 31, 2008	0.25%
March 31, 2009	0.25%
June 30, 2009	0.25%
September 30, 2009	0.25%
December 31, 2009	0.25%
March 31, 2010	0.25%

Tranche D Term Loan Repayment Date	Tranche D Term Loan Repayment Amount
June 30, 2010	0.25%
September 30, 2010	0.25%
December 31, 2010	0.25%
March 31, 2011	0.25%
June 30, 2011	0.25%
September 30, 2011	0.25%
December 31, 2011	0.25%
March 31, 2012	0.25%
June 30, 2012	0.25%
September 30, 2012	0.25%
December 31, 2012	0.25%

March 31, 2013	0.25%
Tranche D Term Loan Maturity Date	94.00%

(c) In the event any New Term Loans are made, such New Term Loans shall be repaid on each New Term Loan Repayment Date occurring on or after the applicable Increased Amount Date in the amounts set forth in the applicable Joinder Agreement, subject to the requirements set forth in Section 2.14.

(d) 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.

(e) The Administrative Agent shall maintain the Register pursuant to Section 13.6(b), and a subaccount for each Lender, in which Register and subaccounts (taken together) shall be recorded (i) the amount of each Loan made hereunder, whether such Loan is a Tranche D Term Loan, a New Term Loan, a Revolving Credit Loan, or a Swingline Loan, the Type of each Loan made and the Interest Period 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 and (iii) the amount of any sum received by the Administrative Agent from the Borrower and each Lender's share thereof.

(f) The entries made in the Register and accounts and subaccounts maintained pursuant to paragraphs (d) and (e) 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, however, 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 to convert all or a portion equal to at least the Minimum Borrowing

Amount of the outstanding principal amount Tranche D Term Loans, New Term Loans or Revolving Credit Loans of one Type into a Borrowing or Borrowings of another Type and the Borrower shall have the option on any Business Day to continue the outstanding principal amount of any Eurodollar Tranche D Term Loans, Eurodollar New Term Loans or Eurodollar Revolving Credit Loans as Eurodollar Tranche D Term Loans, Eurodollar New Term Loans or Eurodollar Revolving Credit Loans, as the case may be, for an additional Interest Period; provided, that (i) no partial conversion of Eurodollar Tranche D Term Loans, Eurodollar New Term Loans or Eurodollar Revolving Credit Loans shall reduce the outstanding principal amount of Eurodollar Tranche D Term Loans, Eurodollar New Term Loans or Eurodollar Revolving Credit 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 a Default or an Event of Default is in existence on the date of the conversion and the Administrative Agent has, or the Required Lenders in respect of the Credit Facility that is the subject of such conversion 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 a Default or an Event of Default is in existence on the date of the proposed continuation and the Administrative Agent has, or the Required Lenders in respect of the Credit Facility that is the subject of such conversion 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 by giving the Administrative Agent at the applicable Administrative Agent's Office prior to 1:00 p.m. (New York time) at least three Business Days' (or one Business Day's notice 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 or continued into and, if such Loans are to be converted into or continued as Eurodollar Loans, the Interest Period to be initially applicable thereto. The Administrative Agent shall give each Lender notice as promptly as practicable of any such proposed conversion or continuation affecting any of its Loans.

(b) If any Default or Event of Default is in existence at the time of any proposed continuation of any Eurodollar Loans and the Required Lenders have determined in 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. If upon the expiration of any Interest Period in respect of Eurodollar Loans, the Borrower has failed to elect a new Interest Period to be applicable thereto as provided in paragraph (a) above, the Borrower, shall be deemed to have elected to convert such Borrowing of Eurodollar Loans into a Borrowing of ABR Loans, effective as of the expiration date of such current Interest Period.

2.7 Pro Rata Borrowings. Each Borrowing of Tranche D Term Loans under this Agreement shall be granted by the Lenders pro rata on the basis of their then-applicable Tranche D Term Loan Commitments. Each Borrowing of Revolving Credit Loans under this Agreement shall be granted by the Lenders pro rata on the basis of their then-applicable Revolving Credit Commitments. Each Borrowing of New Term Loans under this Agreement shall be granted by the Lenders pro rata on the basis of their then applicable New Term Loan Commitments. It is understood that no Lender shall be responsible for any default by any other Lender in its obligation to make Loans hereunder and that each Lender 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.

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 ABR Margin 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 Eurodollar Margin in effect from time to time plus the relevant Eurodollar Rate.

(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 (including post-petition interest in any proceeding under the Bankruptcy Code or other applicable bankruptcy laws) at a rate per annum that is (i) in the case of overdue principal, the rate that would otherwise be applicable thereto plus 2% or (ii) in the case of overdue interest, fees or other amounts due hereunder, to the extent permitted by Applicable Law, the rate described in Section 2.8(a) plus 2% from and including the date of such non-payment to but excluding the date on which such amount is paid in full (after as well as before judgment). All such interest shall be payable on demand.

(d) Interest on each Loan shall accrue from and including the date of any Borrowing to but excluding the date of any repayment thereof and shall be payable (i) in respect of each ABR Loan, quarterly in arrears on the last day of each March, June, September and December, (ii) in respect of each Eurodollar Loan, on the last day of each Interest Period applicable thereto and, in the case of an Interest Period in excess of three months, on each date occurring at three-month intervals after the first day of such Interest Period, and (iii) in respect of each Loan (except, other than in the case of prepayments, any ABR Loan), on any prepayment (on the amount prepaid), at maturity (whether by acceleration or otherwise) and, after such maturity, on demand.

(e) All computations of interest hereunder shall be made in accordance with Section 5.5.

(f) The Administrative Agent, upon determining the interest rate for any Borrowing of Eurodollar Loans, shall promptly notify the Borrower and the relevant Lenders thereof. Each such determination shall, absent clearly demonstrable error, be final and conclusive and binding on all parties hereto.

2.9 Interest Periods. At the time the Borrower gives a Notice of Borrowing or Notice of Conversion or Continuation in respect of the making of, or conversion into or continuation as, a Borrowing of Eurodollar Loans (in the case of the initial Interest Period applicable thereto) or prior to 1:00 p.m. (New York time) on the third Business Day prior to the expiration of an Interest Period applicable to a Borrowing of Eurodollar Loans, the Borrower

shall have the right to elect, by giving the Administrative Agent written notice (or telephonic notice promptly confirmed in writing), the Interest Period applicable to such Borrowing, which Interest Period shall, at the option of the Borrower, be a one, two, three, six or (if available to all the Lenders making such Loans as determined by such Lenders in good faith based on prevailing market conditions) a nine or twelve month period; provided, that the initial Interest Period may be for a period less than one month if agreed upon by the Borrower and the Administrative Agent. Notwithstanding anything to the contrary contained above:

(i) the initial Interest Period for any Borrowing of Eurodollar Loans shall commence on the date of such Borrowing (including the date of any conversion from a Borrowing of ABR Loans) and each Interest Period occurring thereafter in respect of such Borrowing shall commence on the day on which the next preceding Interest Period expires;

(ii) if any Interest Period relating to a Borrowing of Eurodollar Loans begins on the last Business Day of a calendar month or begins on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period, such Interest Period shall end on the last Business Day of the calendar month at the end of such Interest Period;

(iii) if any Interest Period would otherwise expire on a day that is not a Business Day, such Interest Period shall expire on the next succeeding Business Day, provided that if any Interest Period in respect of a Eurodollar Loan would otherwise expire on a day that is not a Business Day but is a day of the month after which no further Business Day occurs in such month, such Interest Period shall expire on the next preceding Business Day; and

(iv) the Borrower shall not be entitled to elect any Interest Period in respect of any Eurodollar Loan if such Interest Period would extend beyond the applicable Maturity Date of such Loan.

2.10 Increased Costs, Illegality, etc. (a) In the event that (x) in the case of clause (i) below, the Administrative Agent or (y) in the case of clauses (ii) and (iii) below, any Lender shall have reasonably determined (which determination shall, absent clearly demonstrable error, be final and conclusive and binding upon all parties hereto):

(i) on any date for determining the Eurodollar Rate for any Interest Period that (x) deposits in the principal amounts of the Loans comprising any Eurodollar Borrowing are not generally available in the relevant market or (y) by reason of any changes arising on or after the Closing Date affecting the interbank Eurodollar market, adequate and fair means do not exist for ascertaining the applicable interest rate on the basis provided for in the definition of Eurodollar Rate; or

(ii) at any time, that such Lender shall incur increased costs or reductions in the amounts received or receivable hereunder with respect to any Eurodollar Loans (other than any such increase or reduction attributable to taxes) because of (x) any change since the date hereof in any applicable law, governmental rule, regulation, guideline or order (or in the interpretation or administration thereof and including the introduction of any new law or governmental rule, regulation, guideline or order), such as, for example, without limitation, a

change in official reserve requirements, and/or (y) other circumstances affecting the interbank Eurodollar market or the position of such Lender in such market; or

(iii) at any time, that the making or continuance of any Eurodollar Loan has become unlawful by compliance by such Lender in good faith with any law, governmental rule, regulation, guideline or order (or would conflict with any such governmental rule, regulation, guideline or order not having the force of law even though the failure to comply therewith would not be unlawful), or has become impracticable as a result of a contingency occurring after the date hereof that materially and adversely affects the interbank Eurodollar market;

then, and in any such event, such Lender (or the Administrative Agent, in the case of clause (i) above) shall within a reasonable time thereafter give notice (if by telephone, confirmed in writing) to the Borrower and the Administrative Agent of such determination (which notice the Administrative Agent shall promptly transmit to each of the other Lenders). Thereafter (x) in the case of clause (i) above, Eurodollar Loans shall no longer be available until such time as the Administrative Agent notifies the Borrower and the Lenders that the circumstances giving rise to such notice by the Administrative Agent no longer exist (which notice the Administrative Agent agrees to give at such time when such circumstances no longer exist), and any Notice of Borrowing or Notice of Conversion given by the Borrower with respect to Eurodollar Loans that have not yet been incurred shall be deemed rescinded by the Borrower, (y) in the case of clause (ii) above, the Borrower shall pay to such Lender, promptly after receipt of written demand therefor such additional amounts (in the form of an increased rate of, or a different method of calculating, interest or otherwise as such Lender in its reasonable discretion shall determine) as shall be required to compensate such Lender for such increased costs or reductions in amounts receivable hereunder (it being agreed that a written notice as to the additional amounts owed to such Lender, showing in reasonable detail the basis for the calculation thereof, submitted to the Borrower by such Lender shall, absent clearly demonstrable error, be final and conclusive and binding upon all parties hereto) and (z) in the case of clause (iii) above, the Borrower shall take one of the actions specified in Section 2.10(b) as promptly as possible and, in any event, within the time period required by law.

(b) At any time that any Eurodollar Loan is affected by the circumstances described in Section 2.10(a)(ii) or (iii), the Borrower may (and in the case of a Eurodollar Loan affected pursuant to Section 2.10(a)(iii) shall) either (x) if the affected Eurodollar Loan is then being made pursuant to a Borrowing, cancel said Borrowing by giving the Administrative Agent telephonic notice (confirmed promptly in writing) thereof on the same date that the Borrower was notified by a Lender pursuant to Section 2.10(a)(ii) or (iii) or (y) if the affected Eurodollar Loan is then outstanding, upon at least three Business Days' notice to the Administrative Agent, require the affected Lender to convert each such Eurodollar Loan into an ABR Loan, if applicable; provided, that if more than one Lender is affected at any time, then all affected Lenders must be treated in the same manner pursuant to this Section 2.10(b).

(c) If, after the date hereof, the adoption of any applicable law, rule or regulation regarding capital adequacy, or any change therein, or any change in the interpretation or administration thereof by any governmental authority, the National Association of Insurance Commissioners, central bank or comparable agency charged with the interpretation or

administration thereof, or compliance by a Lender or its parent with any request or directive made or adopted after the date hereof regarding capital adequacy (whether or not having the force of law) of any such authority, association, central bank or comparable agency, has or would have the effect of reducing the rate of return on such Lender's or its parent's capital or assets as a consequence of such Lender's commitments or obligations hereunder to a level below that which such Lender or its parent could have achieved but for such adoption, effectiveness, change or compliance (taking into consideration such Lender's or its parent's policies with respect to capital adequacy), then from time to time, promptly after demand by such Lender (with a copy to the Administrative Agent), the Borrower shall pay to such Lender such additional amount or amounts as will compensate such Lender or its parent for such reduction, it being understood and agreed, however, that a Lender shall not be entitled to such compensation as a result of such Lender's compliance with, or pursuant to any request or directive to comply with, any such law, rule or regulation as in effect on the date hereof. Each Lender, upon determining in good faith that any additional amounts will be payable pursuant to this Section 2.10(c), will give prompt written notice thereof to the Borrower (on its own behalf) which notice shall set forth in reasonable detail the basis of the calculation of such additional amounts, although the failure to give any such notice shall not, subject to Section 2.13, release or diminish any of the Borrower's obligations to pay additional amounts pursuant to this Section 2.10(c) upon receipt of such notice.

(d) This Section 2.10 shall not apply to taxes to the extent duplicative of Section 5.4.

2.11 Compensation. If (a) any payment of principal of a Eurodollar Loan is made by the Borrower to or for the account of a Lender other than on the last day of the Interest Period for such Eurodollar Loan as a result of a payment or conversion pursuant to Section 2.5, 2.6, 2.10, 5.1, 5.2 or 13.7, as a result of acceleration of the maturity of the Loans pursuant to Section 11 or for any other reason, (b) any Borrowing of Eurodollar Loans is not made as a result of a withdrawn Notice of Borrowing, (c) any ABR Loan is not converted into a Eurodollar Loan as a result of a withdrawn Notice of Conversion or Continuation, (d) any Eurodollar Loan is not continued as a Eurodollar Loan as a result of a withdrawn Notice of Conversion or Continuation or (e) any prepayment of principal of a Eurodollar Loan is not made as a result of a withdrawn notice of prepayment pursuant to Section 5.1 or 5.2, the Borrower shall, after receipt of a written request by such Lender (which request shall set forth in reasonable detail the basis for requesting such amount), pay to the Administrative Agent for the account of such Lender any amounts required to compensate such Lender for any additional losses, costs or expenses that such Lender may reasonably incur as a result of such payment, failure to convert, failure to continue, failure to prepay, reduction or failure to reduce, including any loss, cost or expense (excluding loss of anticipated profits) actually incurred by reason of the liquidation or reemployment of deposits or other funds acquired by such Lender to fund or maintain such Eurodollar Loan.

2.12 Change of Lending Office. Each Lender agrees that, upon the occurrence of any event giving rise to the operation of Section 2.10(a)(ii), 2.10(a)(iii), 2.10(b), 3.5 or 5.4 with respect to such Lender, it will, if requested by the Borrower, use reasonable efforts (subject to overall policy considerations of such Lender) to designate another lending office for any Loans affected by such event; provided, that such designation is made on such

terms that such Lender and its lending office suffer no economic, legal or regulatory disadvantage, with the object of avoiding the consequence of the event giving rise to the operation of any such Section. Nothing in this Section 2.12 shall affect or postpone any of the obligations of the Borrower or the right of any Lender provided in Section 2.10, 3.5 or 5.4.

2.13 Notice of Certain Costs. Notwithstanding anything in this Agreement to the contrary, to the extent any notice required by Section 2.10, 2.11, 3.5 or 5.4 is given by any Lender more than 180 days after such Lender has knowledge (or should have had knowledge) of the occurrence of the event giving rise to the additional cost, reduction in amounts, loss, tax or other additional amounts described in such Sections, such Lender shall not be

entitled to compensation under Section 2.10, 2.11, 3.5 or 5.4, as the case may be, for any such amounts incurred or accruing prior to the giving of such notice to the Borrower.

2.14 Incremental Facilities. (a) The Borrower may, by written notice to the Administrative Agent, elect to request, (x) the establishment of one or more new term loan commitments (the "New Term Loan Commitments") and/or (y) prior to the Revolving Credit Maturity Date, an increase to the existing Revolving Credit Commitments (but not the Letter of Credit Commitment or the Swingline Commitment) (any such increase, a "Revolving Credit Increase" and, together with the New Term Loan Commitments, the "New Commitments"), to effect the incurrence of Indebtedness permitted to be incurred pursuant to Section 10.1(v) in an amount not in excess of $150,000,000 in the aggregate and not less than $25,000,000 individually (or such lesser amount which shall be approved by the Administrative Agent, and integral multiples of $5,000,000 in excess of that amount). Each such notice shall specify the date (each, an "Increased Amount Date") on which the Borrower proposes that the New Commitments shall be effective, which shall be a date not less than 10 days after the date on which such notice is delivered to the Administrative Agent; provided, that the Borrower shall first offer the Lenders under the applicable existing Credit Facility, on a pro rata basis, the opportunity to provide all of the New Commitments prior to offering such opportunity to any other Person that is an eligible assignee pursuant to Section 13.6(b); provided, further, that any Lender offered or approached to provide all or a portion of the New Commitments may elect or decline, in its sole discretion, to provide a New Commitment. Such New Commitments shall become effective, as of such Increased Amount Date; provided, that (i) no Default or Event of Default shall exist on such Increased Amount Date before or after giving effect to such New Commitments; (ii) both before and after giving effect to the making of any Series of New Term Loans or Revolving Credit Increase, each of the conditions set forth in Section 7 shall be satisfied; (iii) the Borrower and its Subsidiaries shall be in pro forma compliance with each of the covenants set forth in Sections 10.9 and 10.10 as of the last day of the most recently ended fiscal quarter after giving effect to such New Commitments and any investment to be consummated in connection therewith; (iv) the New Commitments shall be effected pursuant to one or more Joinder Agreements executed and delivered by the Borrower and the Administrative Agent, and each of which shall be recorded in the Register and shall be subject to the requirements set forth in Section 5.4(d); (v) the Borrower shall make any payments required pursuant to Section 2.11 in connection with the New Commitments, as applicable; and (vi) the Borrower shall deliver or cause to be delivered any legal opinions or other documents reasonably requested by the Administrative Agent in connection with any such transaction. Any New Term Loans made on an Increased Amount Date shall be designated as a separate series (a "Series") of New Term Loans for all purposes of this Agreement and the other Credit Documents.

(b) Upon each increase in the Revolving Credit Commitments pursuant to this Section, each Lender with a Revolving Credit Commitment immediately prior to such increase will automatically and without further act be deemed to have assigned to each Lender providing a portion of the Revolving Credit Increase (each a "Revolving Credit Increase Lender") in respect of such increase, and each such Revolving Credit Increase Lender will automatically and without further act be deemed to have assumed, a portion of such Lender's participations hereunder in outstanding Letters of Credit and Swingline Loans such that, after giving effect to each such deemed assignment and assumption of participations, the percentage of the aggregate outstanding (i) participations hereunder in Letters of Credit and (ii) participations hereunder in Swingline Loans held by each Lender with a Revolving Credit Commitment (including each such Revolving Credit Increase Lender) will equal the percentage of the aggregate Revolving Credit Commitments of all Lenders represented by such Lender's Revolving Credit Commitment. If, on the date of such increase, there are any Revolving Credit Loans outstanding, such Revolving Credit Loans shall on or prior to the effectiveness of such Revolving Commitment Increase be prepaid from the proceeds of additional Revolving Credit Loans made hereunder (reflecting such increase in Revolving Credit Commitments), which prepayment shall be accompanied by accrued interest on the Revolving Credit Loans being prepaid and any costs incurred by any Lender in accordance with Section 2.11. The Administrative Agent and the Lenders hereby agree that the minimum borrowing, pro rata borrowing and pro rata payment requirements contained elsewhere in this Agreement shall not apply to the transactions effected pursuant to the immediately preceding sentence.

(c) On any Increased Amount Date on which any New Term Loan Commitments of any Series are effective, subject to the satisfaction of the foregoing terms and conditions, (i) each Lender with a New Term Loan Commitment (each, a "New Term Loan Lender") of any Series shall make a loan to the Borrower (a "New Term Loan") in an amount equal to its New Term Loan Commitment of such Series, and (ii) each New Term Loan Lender of any Series shall become a Lender hereunder with respect to its New Term Loan Commitment of such Series and the New Term Loans of such Series made by such Lender pursuant thereto.

(d) The Administrative Agent shall notify the Lenders promptly upon receipt of the Borrower's notice of each Increased Amount Date and in respect thereof (i) the Series of New Term Loan Commitments and New Term Loan Lenders of such Series and the Revolving Credit Increase and Revolving Credit Increase Lenders and (ii) in the case of each notice to any Lender with Revolving Credit Exposure, the respective interests in such Lender's Revolving Credit Exposure subject to the assignments contemplated by clause (b) of this Section 2.14.

(e) The terms and provisions of the New Term Loans and New Term Loan Commitments of any Series shall be, except as otherwise set forth herein or in the Joinder Agreement, identical to the Tranche D Term Loans; provided, however, that (i) the New Term Loan Maturity Date for any Series shall be determined by the Borrower and the applicable New Term Loan Lenders and shall be set forth in the applicable Joinder Agreement; provided, that the applicable New Term Loan Maturity Date of each Series shall be no shorter than the final maturity of the Tranche D Term Loans and (ii) the rate of interest applicable to the New Term Loans of each Series shall be determined by the Borrower and the applicable New Term Loan Lenders and shall be set forth in the applicable Joinder Agreement.

(f) Each Joinder Agreement may, without the consent of any other Lenders, effect such amendments to this Agreement and the other Credit Documents as may be necessary or appropriate, in the opinion of the Administrative Agent, to effect the provisions of this Section 2.14.

SECTION 3. Letters of Credit

3.1 Issuance of Letters of Credit. (a) Subject to and upon the terms and conditions herein set forth, at any time and from time to time after the Closing Date and prior to the Revolving Credit Maturity Date, the Letter of Credit Issuer agrees to issue (or cause its Affiliate or other financial

institution with which the Letter of Credit Issuer shall have entered into an agreement regarding the issuance of letters of credit hereunder, to issue on its behalf), upon the request of and for the account of, the Borrower or any Restricted Subsidiary a standby letter of credit or standby letters of credit (each, a "Letter of Credit") in such form as may be approved by the Letter of Credit Issuer in its reasonable discretion; provided, that the Borrower shall be a co-applicant, and be jointly and severally liable, with respect to each Letter of Credit issued for the account of a Restricted Subsidiary. Each letter of credit issued pursuant to the 2005 Credit Agreement or the Original Credit Agreement and outstanding on the Effective Date shall continue to be outstanding and shall be deemed to be Letters of Credit hereunder, subject to the terms and conditions hereof. Notwithstanding the foregoing, (i) no Letter of Credit shall be issued the Stated Amount of which, when added to the Letters of Credit Outstanding at such time, would exceed the Letter of Credit Commitment then in effect, (ii) no Letter of Credit shall be issued the Stated Amount of which, when added to the Letters of Credit Outstanding and the Revolving Credit Loans and Swingline Loans outstanding at such time, would exceed the Total Revolving Credit Commitment then in effect and (iii) each Letter of Credit shall have an expiration date occurring no later than the earlier of (x) one year after the date of issuance thereof, unless otherwise agreed upon by the Administrative Agent and the Letter of Credit Issuer, and (y) the fifth Business Day prior to the Revolving Credit Maturity Date; provided, however, that any Letter of Credit may be renewed for additional 12-month periods (which in no event shall extend beyond the date referred to in clause (iii)(y) above).

(b) (i) Each Letter of Credit shall be denominated in Dollars, (ii) no Letter of Credit shall be issued if it would be illegal under any applicable law for the beneficiary of the Letter of Credit to have a Letter of Credit issued in its favor, and (iii) no Letter of Credit shall be issued after the Letter of Credit Issuer has received a written notice from the Borrower or any Lender stating that a Default or an Event of Default has occurred and is continuing until such time as the Letter of Credit Issuer shall have received a written notice of (x) rescission of such notice from the party or parties originally delivering such notice or (y) the waiver of such Default or Event of Default in accordance with the provisions of Section 13.1.

3.2 Letter of Credit Requests. (a) Whenever the Borrower desires that a Letter of Credit be issued for its account, it shall give the Administrative Agent and the Letter of Credit Issuer at least two (or such lesser number as may be agreed upon by the Administrative Agent and the Letter of Credit Issuer) Business Days' written notice thereof. Each notice shall be executed by the Borrower and shall be in the form of Exhibit F (each, a "Letter of Credit Request"). The Administrative Agent shall promptly transmit copies of each Letter of Credit Request to each Lender.

(b) The making of each Letter of Credit Request shall be deemed to be a representation and warranty by the Borrower that the Letter of Credit may be issued in accordance with, and will not violate the requirements of, Section 3.1.

3.3 Letter of Credit Participations. (a) Immediately upon the issuance by the Letter of Credit Issuer of any Letter of Credit, the Letter of Credit Issuer shall be deemed to have sold and transferred to each other Lender that has a Letter of Credit Commitment (each such other Lender, in its capacity under this Section 3.3(a), a "Letter of Credit Participant"), and each such Letter of Credit Participant shall be deemed irrevocably and unconditionally to have purchased and received from the Letter of Credit Issuer, without recourse or warranty, an undivided interest and participation (each, a "Letter of Credit Participation"), to the extent of such Letter of Credit Participant's Revolving Credit Commitment Percentage in such Letter of Credit, each substitute letter of credit, each drawing made thereunder and the obligations of the Borrower under this Agreement with respect thereto, and any security therefor or guaranty pertaining thereto (although Letter of Credit Fees will be paid directly to the Administrative Agent for the ratable account of the Letter of Credit Participants as provided in Section 4.1(c) and the Letter of Credit Participants shall have no right to receive any portion of any Fronting Fees).

(b) In determining whether to pay under any Letter of Credit, the Letter of Credit Issuer shall have no obligation relative to the Letter of Credit Participants other than to confirm that any documents required to be delivered under such Letter of Credit have been delivered and that they appear to comply on their face with the requirements of such Letter of Credit. Any action taken or omitted to be taken by the Letter of Credit Issuer under or in connection with any Letter of Credit issued by it, if taken or omitted in the absence of gross negligence or willful misconduct, shall not create for the Letter of Credit Issuer any resulting liability.

(c) Whenever the Letter of Credit Issuer receives a payment in respect of an unpaid reimbursement obligation as to which the Administrative Agent has received for the account of the Letter of Credit Issuer any payments from the Letter of Credit Participants, the Letter of Credit Issuer shall pay to the Administrative Agent and the Administrative Agent shall promptly pay to each Letter of Credit Participant that has paid its Letter of Credit Commitment Percentage of such reimbursement obligation, in Dollars and in immediately available funds, an amount equal to such Letter of Credit Participant's share (based upon the proportionate aggregate amount originally funded or deposited by such Letter of Credit Participant to the aggregate amount funded or deposited by all Letter of Credit Participants) of the principal amount of such reimbursement obligation and interest thereon accruing after the purchase of the respective Letter of Credit Participations.

(d) The obligations of the Letter of Credit Participants to purchase Letter of Credit Participations from the Letter of Credit Issuer and make payments to the Administrative Agent for the account of the Letter of Credit Issuer with respect to Letters of Credit shall be irrevocable and not subject to counterclaim, set-off or other defense or any other qualification or exception whatsoever and shall be made in accordance with the terms and conditions of this Agreement under all circumstances, including under any of the following circumstances:

(i) any lack of validity or enforceability of this Agreement or any of the other Credit Documents;

(ii) the existence of any claim, set-off, defense or other right that the Borrower may have at any time against a beneficiary named in a Letter of Credit, any transferee of any Letter of Credit (or any Person for whom any such transferee may be acting), the Administrative Agent, the Letter of Credit Issuer, any Lender or other Person, whether in connection with this Agreement, any Letter of Credit, the transactions contemplated herein or any unrelated transactions (including any underlying transaction between the Borrower and the beneficiary named in any such Letter of Credit);

(iii) any draft, certificate or any other document presented under any Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect;

(iv) the surrender or impairment of any security for the performance or observance of any of the terms of any of the Credit Documents; or

(v) the occurrence of any Default or Event of Default;

provided, however, that no Letter of Credit Participant shall be obligated to pay to the Administrative Agent for the account of the Letter of Credit Issuer its Letter of Credit Commitment Percentage of any unreimbursed amount arising from any wrongful payment made by the Letter of Credit Issuer under a Letter of Credit as a result of acts or omissions constituting willful misconduct or gross negligence on the part of the Letter of Credit Issuer.

3.4 Agreement to Repay Letter of Credit Drawings. (a) The Borrower hereby agrees to reimburse the Letter of Credit Issuer, by making payment to the Administrative Agent for the account of the Letter of Credit Issuer in immediately available funds, for any payment or disbursement made by the Letter of Credit Issuer under any Letter of Credit issued by it (each such amount so paid until reimbursed, an "Unpaid Drawing") (i) within one Business Day of the date of such payment or disbursement, if the Letter of Credit Issuer provides notice to the Borrower of such payment or disbursement prior to 10:00 a.m. (New York time) on such next succeeding Business Day after the date of such payment or disbursement or (ii) if such notice is received after such time, on the Business Day following the date of receipt of such notice (such required date for reimbursement under clause (i) or (ii), as applicable, the "Required Reimbursement Date"), with interest on the amount so paid or disbursed by such Letter of Credit Issuer, (A) from and including the date of such payment or disbursement to but excluding the Required Reimbursement Date, at the per annum rate for each day equal to (x) the Applicable Eurodollar Margin then in effect times (y) the amount of such Unpaid Drawing, and (B) to the extent not reimbursed prior to 5:00 p.m. (New York time) on the Required Reimbursement Date, from and including the Required Reimbursement Date to but excluding the date such Letter of Credit Issuer is reimbursed therefor, at a rate per annum that shall at all times be the relevant Applicable ABR Margin plus the ABR as in effect from time to time plus 2%; provided, that, notwithstanding anything contained in this Agreement to the contrary, with respect to any Letter of Credit, (i) unless the Borrower shall have notified the Administrative Agent and the Letter of Credit Issuer prior to 10:00 a.m. (New York time) on the Required Reimbursement Date that the

Borrower intends to reimburse the Letter of Credit Issuer for the amount of such drawing with funds other than the proceeds of Revolving Credit Loans, the Borrower shall be deemed to have given a Notice of Borrowing requesting that the Lenders with Revolving Credit Commitments make Revolving Credit Loans (which shall be ABR Loans) on the date on which such drawing is honored in an amount equal to the amount of such drawing, and (ii) the Administrative Agent shall promptly notify each Letter of Credit Participant of such drawing and the amount of its Revolving Credit Loan to be made in respect thereof, and each Letter of Credit Participant shall be irrevocably obligated to make a Revolving Credit Loan to the Borrower in the manner deemed to have been requested in the amount of its Revolving Credit Commitment Percentage of the applicable Unpaid Drawing by 1:00 p.m. (New York time) on such Business Day by making the amount of such Revolving Credit Loan available to the Administrative Agent. Such Revolving Credit Loans shall be made without regard to the Minimum Borrowing Amount. The Administrative Agent shall use the proceeds of such Revolving Credit Loans solely for purpose of reimbursing the Letter of Credit Issuer for the related Unpaid Drawing.

(b) The obligations of the Borrower under this Section 3.4 to reimburse the Letter of Credit Issuer with respect to Unpaid Drawings (including, in each case, interest thereon) shall be absolute and unconditional under any and all circumstances and irrespective of any set-off, counterclaim or defense to payment that the Borrower or any other Person may have or have had against the Letter of Credit Issuer, the Administrative Agent or any Lender (including in its capacity as a Letter of Credit Participant), including any defense based upon the failure of any drawing under a Letter of Credit (each a "Drawing") to conform to the terms of the Letter of Credit or any non-application or misapplication by the beneficiary of the proceeds of such Drawing; provided, that the Borrower shall not be obligated to reimburse the Letter of Credit Issuer for any wrongful payment made by the Letter of Credit Issuer under the Letter of Credit issued by it as a result of acts or omissions constituting willful misconduct or gross negligence on the part of the Letter of Credit Issuer.

3.5 Increased Costs. If, after the date hereof, the adoption of any applicable law, rule or regulation, or any change therein, or any change in the interpretation or administration thereof by any Governmental Authority, central bank or comparable agency charged with the interpretation or administration thereof, or actual compliance by the Letter of Credit Issuer or any Letter of Credit Participant with any request or directive made or adopted after the date hereof (whether or not having the force of law), by any such authority, central bank or comparable agency shall either (a) impose, modify or make applicable any reserve, deposit, capital adequacy or similar requirement against letters of credit issued by the Letter of Credit Issuer, or any Letter of Credit Participant's Letter of Credit Participation therein, or (b) impose on the Letter of Credit Issuer or any Letter of Credit Participant any other conditions affecting its obligations under this Agreement in respect of Letters of Credit or Letter of Credit Participations therein or any Letter of Credit or such Letter of Credit Participant's Letter of Credit Participation therein, and the result of any of the foregoing is to increase the cost to the Letter of Credit Issuer or such Letter of Credit Participant of issuing, maintaining or participating in any Letter of Credit, or to reduce the amount of any sum received or receivable by the Letter of Credit Issuer or such Letter of Credit Participant hereunder (other than any such increase or reduction attributable to taxes) in respect of Letters of Credit or Letter of Credit Participations therein, then, promptly after receipt of written demand to the Borrower by the Letter of Credit Issuer or such Letter of Credit Participant, as the case may be (a copy of which notice shall be sent by the

Letter of Credit Issuer or such Letter of Credit Participant to the Administrative Agent), the Borrower shall pay to the Letter of Credit Issuer or such Letter of Credit Participant such additional amount or amounts as will compensate the Letter of Credit Issuer or such Letter of Credit Participant for such increased cost or reduction, it being understood and agreed, however, that the Letter of Credit Issuer or a Letter of Credit Participant shall not be entitled to such compensation as a result of such Person's compliance with, or pursuant to any request or directive to comply with, any such law, rule or regulation as in effect on the date hereof. A certificate submitted to the Borrower by the Letter of Credit Issuer or a Letter of Credit Participant, as the case may be (a copy of which certificate shall be sent by the Letter of Credit Issuer or such Letter of Credit Participant to the Administrative Agent) setting forth in reasonable detail the basis for the determination of such additional amount or amounts necessary to compensate the Letter of Credit Issuer or such Letter of Credit Participant as aforesaid shall be conclusive and binding on the Borrower absent clearly demonstrable error.

3.6 New or Successor Letter of Credit Issuer. (a) The Letter of Credit Issuer may resign as a Letter of Credit Issuer upon 60 days' prior written notice to the Administrative Agent, the Lenders and the Borrower. The Borrower may replace the Letter of Credit Issuer for any reason upon

written notice to the Administrative Agent and the Letter of Credit Issuer. The Borrower may add a Letter of Credit Issuer at any time upon notice to the Administrative Agent. If the Letter of Credit Issuer shall resign, be replaced or a new Letter of Credit Issuer is added as a Letter of Credit Issuer under this Agreement, then the Borrower may appoint from among the Lenders a successor issuer or new issuer of Letters of Credit or, with the consent of the Administrative Agent (such consent not to be unreasonably withheld), another successor issuer or new issuer of Letters of Credit, whereupon such successor issuer or new issuer of Letters of Credit shall succeed to or be granted the rights, powers and duties of a Letter of Credit Issuer under this Agreement and the other Credit Documents (which in the case of any successor Letter of Credit Issuer, shall mean the rights, powers and duties of the relevant replaced or resigning Letter of Credit Issuer), and the term "Letter of Credit Issuer" shall mean such successor issuer or such new issuer of Letters of Credit effective upon such appointment. At the time such resignation or replacement shall become effective, the Borrower shall pay to the resigning or replaced Letter of Credit Issuer all accrued and unpaid fees pursuant to Sections 4.1(b). The acceptance of any appointment as a Letter of Credit Issuer hereunder whether as a successor issuer or new issuer of Letters of Credit in accordance with this Agreement, shall be evidenced by an agreement entered into by such new or successor issuer of Letters of Credit, in a form satisfactory to the Borrower and the Administrative Agent and, from and after the effective date of such agreement, such new or successor issuer of Letters of Credit shall have all the rights and obligations of a Letter of Credit Issuer under this Agreement and the other Credit Documents (which in the case of any successor Letter of Credit Issuer, shall mean the rights, powers and duties of the relevant replaced or resigning Letter of Credit Issuer). After the resignation or replacement of a Letter of Credit Issuer hereunder, the resigning or replaced Letter of Credit Issuer shall remain a party hereto and shall continue to have all the rights and obligations of a Letter of Credit Issuer under this Agreement and the other Credit Documents with respect to Letters of Credit issued by it prior to such resignation or replacement, but shall not be required to issue additional Letters of Credit. In connection with any resignation or replacement pursuant to this clause (a) (but, in case of any such resignation, only to the extent that a successor issuer of Letters of Credit shall have been appointed), either (i) the Borrower, the resigning or replaced Letter of Credit Issuer and the successor issuer of Letters of Credit shall arrange to have any

outstanding Letters of Credit issued by the resigning or replaced Letter of Credit Issuer replaced with Letters of Credit issued by the successor issuer of Letters of Credit or (ii) the Borrower shall cause the successor issuer of Letters of Credit, if such successor issuer is reasonably satisfactory to the replaced or resigning Letter of Credit Issuer, to issue "back-stop" Letters of Credit naming the resigning or replaced Letter of Credit Issuer as beneficiary for each outstanding Letter of Credit issued by the resigning or replaced Letter of Credit Issuer, which new Letters of Credit shall have a face amount equal to the Letters of Credit being back-stopped and the sole requirement for drawing on such new Letters of Credit shall be a drawing on the corresponding back-stopped Letters of Credit. After any resigning or replaced Letter of Credit Issuer's resignation or replacement as Letter of Credit Issuer, the provisions of this Agreement relating to a Letter of Credit Issuer shall inure to its benefit as to any actions taken or omitted to be taken by it (A) while it was a Letter of Credit Issuer under this Agreement or (B) at any time with respect to Letters of Credit issued by such Letter of Credit Issuer.

(b) To the extent that there are, at the time of any resignation or replacement as set forth in clause (a) above, any outstanding Letters of Credit, nothing herein shall be deemed to impact or impair any rights and obligations of any of the parties hereto with respect to such outstanding Letters of Credit (including, without limitation, any obligations related to the payment of Fees or the reimbursement or funding of amounts drawn), except that the Borrower, the resigning or replaced Letter of Credit Issuer and the successor issuer of Letters of Credit shall have the obligations regarding outstanding Letters of Credit described in clause (a) above.

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 Lender having a Revolving Credit Commitment, a commitment fee which shall accrue at percentage per annum set forth below of the daily average unused portion of the Revolving Credit Commitment of such Lender (which, for purposes of this Section 4.1 only, shall not include the incurrence of Swingline Loans) based upon the Status in effect on such date, and which shall be payable quarterly in arrears on the last day of each March, June, September and December and on the Final Date.

Status	Applicable Revolving Commitment Fee Percentage
Level I	0.50%
Level II	0.375%

(b) The Borrower agrees to pay to the Administrative Agent for the account of the Letter of Credit Issuer a fee in respect of each Letter of Credit issued hereunder (the "Fronting Fee"), for the period from and including the date of issuance of such Letter of Credit to but excluding the termination or expiration date of such Letter of Credit, computed at the rate for each day equal to such rate per annum as is agreed in a separate writing between the Letter of Credit Issuer and the Borrower. The Fronting Fee shall be due and payable quarterly in arrears on the last day of each March, June, September and December and on the Final Date.

(c) The Borrower agrees to pay to the Administrative Agent for the account of each Lender having a Revolving Credit Commitment, pro rata according to the Letter of Credit Exposure of such Lender, a fee in respect of each Letter of Credit (the "Letter of Credit Fee"), for the period from and including the date of issuance of such Letter of Credit to but excluding the termination or expiration date of such Letter of Credit, computed at the per annum rate for each day equal to (x) the Applicable Eurodollar Margin then in effect for Letters of Credit times (y) the average daily Stated Amount of such Letter of Credit. The Letter of Credit Fee shall be payable quarterly in arrears on the last day of each March, June, September and December and on the applicable Final Date.

(d) The Borrower agrees to pay directly to the Letter of Credit Issuer upon each issuance of, drawing under and/or amendment of a Letter of Credit issued by it such amount as the Letter of Credit Issuer and the Borrower shall have agreed upon for issuances of, drawings under or amendments of, letters of credit issued by it.

(e) Notwithstanding the foregoing, the Borrower shall not be obligated to pay any amounts to any Defaulting Lender pursuant to this Section 4.1 until the event or circumstances giving rise to such Lender being designated as a Defaulting Lender have been cured.

4.2 Voluntary Reduction of Commitments. Upon at least one Business Day's prior written notice (or telephonic notice promptly confirmed in writing) to the Administrative Agent at the Administrative Agent's Office (which notice the Administrative Agent shall promptly transmit to each of the Lenders), the Borrower shall have the right, without premium or penalty, on any day, permanently to terminate or reduce the Revolving Credit Commitments in whole or in part; provided, that (i) any partial reduction pursuant to this Section 4.2 shall be in the amount of at least $1,000,000 and (ii) 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 shall not exceed the Total Revolving Credit Commitment.

4.3 Mandatory Termination of Commitments. (a) The Total Tranche D Term Loan Commitment shall terminate at 5:00 p.m. (New York time) on the Effective Date.

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

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

(d) The New Term Loan Commitment for any Series shall terminate at 5:00 p.m. (New York time) on the Increased Amount Date for such Series.

SECTION 5 Payments

5.1 Voluntary Prepayments. (a) The Borrower shall have the right to prepay Term Loans, Revolving Credit Loans and Swingline Loans, without premium or penalty,

except as set forth in clause (b) below, 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 or Revolving Credit Loans, 1:00 p.m. (New York time) one Business Day prior to, or (ii) in the case of Swingline Loans, 1:00 p.m. (New York time) on, the date of such prepayment and shall promptly be transmitted by the Administrative Agent to each of the 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 Minimum Borrowing Amount for Eurodollar Loans; (c) any prepayment of Eurodollar Loans pursuant to this Section 5.1 on any day other than the last day of an Interest Period applicable thereto shall be subject to compliance by the Borrower with the applicable provisions of Section 2.11. Each prepayment in respect of any tranche of Term Loans pursuant to this Section 5.1 shall be applied to Term Loans in such manner as the Borrower may determine. At the Borrower's election in connection with any prepayment pursuant to this Section 5.1, such prepayment shall not be applied to any Loan of a Defaulting Lender.

(b) Any (i) amendment, amendment and restatement or other modification of this Agreement consummated within one (1) year after the Effective Date or (ii) voluntary prepayment of all but not less than all of the Tranche D Term Loans consummated within one (1) year after the Effective Date with the proceeds of a substantially concurrent issuance or incurrence of new bank loans (which voluntary prepayment shall be deemed to have occurred even if a portion of the Tranche D Term Loans are replaced or converted with, into or by such new loans so long as all but not less than all of the Tranche D Term Loans are so prepaid) the effect of which, in the case of either clause (i) or clause (ii), is primarily to decrease the Applicable Margin with respect to the Tranche D Term Loans, shall be accompanied by a fee payable to the Tranche D Term Lenders in an amount equal to 1.0% of the aggregate principal amount of the Tranche D Term Loans then outstanding only if such amendment, prepayment, replacement or conversion is not otherwise undertaken in connection with another material transaction or series of related material transactions.

5.2 Mandatory Prepayments. (a) Term Loan Prepayments. (i) On each occasion that a Prepayment Event occurs, the Borrower shall, within one Business Day after the occurrence of a Debt Incurrence Prepayment Event and within five Business Days after the receipt of Net Cash Proceeds in connection with the occurrence of any other Prepayment Event, prepay, in accordance with paragraphs (c) and (d) below, a principal amount of Term Loans in an amount equal to 100% of the Net Cash Proceeds from such Prepayment Event.

(ii) Not later than the date that is ninety days after the last day of any fiscal year (commencing with the fiscal year ending December 31, 2006), the Borrower shall prepay, in accordance with paragraphs (c) and (d) below, a principal of Term Loans in an amount equal to (x) 50% of Excess Cash Flow for such fiscal year (provided such percentage shall be

reduced to (i) 25% of Excess Cash Flow for such fiscal year so long as immediately prior to such prepayment, but without giving effect to such prepayment, the Borrower's ratio of Consolidated Total Debt on such prepayment date to Consolidated EBITDA for the most recent Test Period ended prior to such prepayment date is no greater than 5.00:1.00 and (ii) 0% of Excess Cash Flow for such fiscal year so long as immediately prior to such prepayment, but without giving effect to such prepayment, the Borrower's ratio of Consolidated Total Debt on such prepayment date to Consolidated EBITDA for the most recent Test Period ended prior to such prepayment date is no greater than 4.00:1.00, minus (y) the principal amount of Term Loans voluntarily prepaid pursuant to Section 5.1 during such fiscal year, other than the Original Term Loans prepaid on the Effective Date with the proceeds of the Tranche D Term Loans.

(b) Repayment of Revolving Credit Loans. If on any date the aggregate amount of the Lenders' Revolving Credit Exposures plus the aggregate principal amount of all Swingline Loans exceeds the Total Revolving Credit Commitment as then in effect, the Borrower shall forthwith repay on

such date the principal amount of Swingline Loans and, after all Swingline Loans have been paid in full, Revolving Credit Loans in an amount equal to such excess. If, after giving effect to the prepayment of all outstanding Swingline Loans and Revolving Credit Loans, the aggregate amount of the Lenders' Revolving Credit Exposures exceed the Total Revolving Credit Commitment then in effect, the Borrower shall pay to the Administrative Agent an amount in cash equal to such excess and the Administrative Agent shall hold such payment for the benefit of the Lenders as security for the obligations of the Borrower hereunder (including obligations in respect of Letter of Credit Outstandings) pursuant to a cash collateral agreement to be entered into in form and substance satisfactory to the Administrative Agent (which shall permit certain investments in Permitted Investments satisfactory to the Administrative Agent, until the proceeds are applied to the secured obligations).

(c) Application to Repayment Amounts. Each prepayment of Term Loans required by Sections 5.2(a)(i) and (ii) shall be applied to reduce Tranche D Term Loan Repayment Amounts to the extent not declined under subclause (ii) below in direct order to the remaining Tranche D Term Loan Repayment Amounts. With respect to each such prepayment, (i) the Borrower will, not later than the date specified in Section 5.2(a) for offering to make such prepayment, give the Administrative Agent telephonic notice (promptly confirmed in writing) requesting that the Administrative Agent provide notice of such prepayment to each Lender of Term Loans, (ii) the Administrative Agent shall promptly provide notice of such prepayment to each Lender of Term Loans, (iii) each Lender of Term Loans will have the right to refuse any such prepayment by giving written notice of such refusal to the Borrower within fifteen Business Days after such Lender's receipt of notice from the Administrative Agent of such prepayment (and the Borrower shall not prepay any such Term Loans until the date that is specified in the immediately following clause), (iv) the Borrower will make all such prepayments not so refused upon the earlier of (x) such fifteenth Business Day and (y) such time as the Borrower has received notice from each Lender that it consents to or refuses such prepayment and (v) any prepayment so refused may be retained by the Borrower; provided, that any prepayment so refused that relates to Net Cash Proceeds from a Debt Incurrence Prepayment Event in respect of the issuance of Permitted Additional Notes shall be allocated to the then outstanding Term Loans and shall be applied as set forth above in this paragraph (c).

(d) Application to Term Loans. With respect to each prepayment of Term Loans required by Section 5.2(a), the Borrower may designate the Types of Loans that are to be prepaid and the specific Borrowing(s) pursuant to which made; provided, that the Borrower pays any amounts, if any, required to be paid pursuant to Section 2.11 with respect to prepayments of Eurodollar Term Loans made on any date other than the last day of the applicable Interest Period. In the absence of a designation by the Borrower as described in the preceding sentence, the Administrative Agent shall, subject to the above, make such designation in its reasonable discretion with a view, but no obligation, to minimize breakage costs owing under Section 2.11.

(e) Application to Revolving Credit Loans. With respect to each prepayment of Revolving Credit Loans elected by the Borrower pursuant to Section 5.1 or required by Section 5.2(b), the Borrower may designate (i) the Types of Loans that are to be prepaid and the specific Borrowing(s) pursuant to which made and (ii) the Revolving Credit Loans to be prepaid; provided, that (x) Eurodollar Revolving Credit Loans may be designated for prepayment pursuant to this Section 5.2 only on the last day of an Interest Period applicable thereto unless all Eurodollar Loans with Interest Periods ending on such date of required prepayment and all ABR Loans have been paid in full; (y) each prepayment of any Loans made pursuant to a Borrowing shall be applied pro rata among such Loans; and (z) notwithstanding the provisions of the preceding clause (y), no prepayment made pursuant to Section 5.1 or Section 5.2(b) of Revolving Credit Loans shall be applied to the Revolving Credit Loans of any Defaulting Lender. In the absence of a designation by the Borrower as described in the preceding sentence, the Administrative Agent shall, subject to the above, make such designation in its reasonable discretion with a view, but no obligation, to minimize breakage costs owing under Section 2.11.

(f) Eurodollar Interest Periods. In lieu of making any payment pursuant to this Section 5.2 in respect of any Eurodollar Loan other than on the last day of the Interest Period therefor so long as no Default or Event of Default shall have occurred and be continuing, the Borrower at its option may deposit with the Administrative Agent an amount equal to the amount of the Eurodollar Loan to be prepaid and such Eurodollar Loan shall be repaid on the last day of the Interest Period therefor in the required amount. Such deposit shall be held by the Administrative Agent in a corporate time deposit account established on terms reasonably satisfactory to the Administrative Agent, earning interest at the then-customary rate for accounts of such type. Such deposit shall constitute cash collateral for the Specified Obligations, provided that the Borrower may at any time direct that such deposit be applied to make the applicable payment required pursuant to this Section 5.2.

(g) Minimum Amount. No prepayment shall be required pursuant to Section 5.2(a)(i) unless and until the amount at any time of Net Cash Proceeds from Prepayment Events required to be applied at or prior to such time pursuant to such Section and not yet applied at or prior to such time to prepay Term Loans pursuant to such Section exceeds (i) $5,000,000 for any single Prepayment Event or series of related Prepayment Events and (ii) $10,000,000 in the aggregate for all such Prepayment Events.

(h) Foreign Asset Sales. Notwithstanding any other provisions of this Section 5.2, (i) to the extent that any of or all the Net Cash Proceeds of any asset sale by a Restricted Foreign Subsidiary giving rise to an Asset Sale Prepayment Event (a "Foreign Asset Sale"), the Net Cash Proceeds of any Recovery Event from a Restricted Foreign Subsidiary (a

"Foreign Recovery Event"), or Excess Cash Flow are prohibited or delayed by applicable local law from being repatriated to the United States, the portion of such Net Cash Proceeds or Excess Cash Flow so affected will not be required to be applied to repay Term Loans at the times provided in this Section 5.2 but may be retained by the applicable Restricted Foreign Subsidiary so long, but only so long, as the applicable local law will not permit repatriation to the United States (the Borrower hereby agreeing to cause the applicable Restricted Foreign Subsidiary to promptly take all actions required by the applicable local law to permit such repatriation), and once such repatriation of any of such affected Net Cash Proceeds or Excess Cash Flow is permitted under the applicable local law, such repatriation will be immediately effected and such repatriated Net Cash Proceeds or Excess Cash Flow will be promptly (and in any event not later than two Business Days after such repatriation) applied (net of additional taxes payable or reserved against as a result thereof) to the repayment of the Term Loans pursuant to this Section 5.2 and (ii) to the extent that the Borrower has determined in good faith that repatriation of any of or all the Net Cash Proceeds of any Foreign Asset Sale, any Foreign Recovery Event or Excess Cash Flow would have a material adverse tax cost consequence with respect to such Net Cash Proceeds or Excess Cash Flow, the Net Cash Proceeds or Excess Cash Flow so affected may be retained by the applicable Restricted Foreign

Subsidiary; provided, that, in the case of this clause (ii), on or before the date on which any Net Cash Proceeds so retained would otherwise have been required to be applied to reinvestments or prepayments pursuant to Section 5.2(a) (or such Excess Cash Flow would have been so required if it were Net Cash Proceeds), (x) the Borrower applies an amount equal to such Net Cash Proceeds or Excess Cash Flow to such reinvestments or prepayments as if such Net Cash Proceeds or Excess Cash Flow had been received by the Borrower rather than such Restricted Foreign Subsidiary, less the amount of additional taxes that would have been payable or reserved against if such Net Cash Proceeds or Excess Cash Flow had been repatriated (or, if less, the Net Cash Proceeds or Excess Cash Flow that would be calculated if received by such Foreign Subsidiary) or (y) such Net Cash Proceeds or Excess Cash Flow are applied to the repayment of Indebtedness of a Restricted Foreign Subsidiary.

5.3 Method and Place of Payment. (a) Except as otherwise specifically provided herein, all payments under this Agreement shall be made by the Borrower, without set-off, counterclaim or deduction of any kind, to the Administrative Agent for the ratable account of the Lenders entitled thereto, the Letter of Credit Issuer or the Swingline Lender, as the case may be, not later than 1:00 p.m. (New York time) on the date when due and shall be made in immediately available funds in Dollars at the Administrative Agent's Office, it being understood that written or facsimile notice by the Borrower to the Administrative Agent to make a payment from the funds in the Borrower's account at the Administrative Agent's Office shall constitute the making of such payment to the extent of such funds held in such account. The Administrative Agent will thereafter cause to be distributed on the same day (if payment was actually received by the Administrative Agent prior to 2:00 p.m. (New York time) on such day) like funds relating to the payment of principal or interest or Fees ratably to the Lenders entitled thereto or to the Letter of Credit Issuer or the Swingline Lender, as applicable.

(b) For purposes of computing interest or fees, any payments under this Agreement that are made later than 2:00 p.m. (New York time) shall be deemed to have been made on the next succeeding Business Day. Whenever any payment to be made hereunder shall be stated to be due on a day that is not a Business Day, the due date thereof shall be extended to

the next succeeding Business Day and, with respect to payments of principal, interest shall be payable during such extension at the applicable rate in effect immediately prior to such extension.

5.4 Net Payments. (a) Subject to the following sentence, 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, excluding (i) net income taxes, branch profits taxes, and franchise taxes (imposed in lieu of net income taxes) and capital taxes imposed on the Administrative Agent or any Lender and (ii) any taxes imposed on the Administrative Agent or any Lender as a result of a current or former connection between the Administrative Agent or such Lender and the jurisdiction of the Governmental Authority imposing such tax or any political subdivision or taxing authority thereof or therein (other than any such connection arising solely from the Administrative Agent or such Lender having executed, delivered or performed its obligations or received a payment under, or enforced, this Agreement). If any such non-excluded taxes, levies, imposts, duties, charges, fees, deductions or withholdings ("Non-Excluded Taxes") are required to be withheld from any amounts payable under this Agreement, the Borrower 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) interest or any such other amounts payable hereunder at the rates or in the amounts specified in this Agreement; provided, however, that the Borrower shall not be required to increase any such amounts payable to any Lender that is not organized under the laws of the United States of America or a state thereof (a "Non-U.S. Lender") if such Lender fails to comply with the requirements of paragraph (b) of this Section 5.4. Whenever any Non-Excluded Taxes are payable by the Borrower, as promptly as possible thereafter the Borrower 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 (or other evidence acceptable to such Lender, acting reasonably) received by the Borrower showing payment thereof. If Non-Excluded Taxes are paid by any Lender, the Borrower shall indemnify such Lender for such Non-Excluded Taxes (including penalties, interest and reasonable expenses), whether or not such Non-Excluded Taxes are correctly or legally asserted; provided, however, that the Borrower shall not be obligated to indemnify any Lender for any interest, penalties or expenses arising from the indemnitee's gross negligence or willful misconduct. The agreements in this Section 5.4(a) shall survive the termination of this Agreement and the payment of the Loans and all other amounts payable hereunder.

(b) Each Non-U.S. Lender shall:

(i) deliver to the Borrower and the Administrative Agent two copies of either (x) in the case of Non-U.S. Lender claiming exemption from U.S. Federal withholding tax under Section 871(h) or 881(c) of the Code with respect to payments of "portfolio interest", United States Internal Revenue Service Form W-8BEN (together with a certificate representing that such Non-U.S. Lender is not a bank for purposes of Section 881(c) of the Code, is not a 10-percent shareholder (within the meaning of Section 871(h)(3)(B) of the Code) of the Borrower and is not a controlled foreign corporation related to the Borrower (within the meaning of

Section 864(d)(4) of the Code)), or (y) Internal Revenue Service Form W-8BEN or Form W-8ECI, in each case properly completed and duly executed by such Non-U.S. Lender claiming complete exemption from, or reduced rate of, U.S. Federal withholding tax on payments by the Borrower under this Agreement;

(ii) deliver to the Borrower and the Administrative Agent two further copies of any such form or certification (or any applicable successor form) on or before the date that any such form or certification expires or becomes obsolete and after the occurrence of any event requiring a change in the most recent form previously delivered by it to the Borrower; and

(iii) obtain such extensions of time for filing and complete such forms or certifications as may reasonably be requested by the Borrower or the Administrative Agent;

unless in any such case any change in treaty, law or regulation has occurred prior to the date on which any such delivery would otherwise be required that renders any such form inapplicable or would prevent such Lender from duly completing and delivering any such form with respect to it and such Lender so advises the Borrower and the Administrative Agent. Each Person that shall become a Participant pursuant to Section 13.6 or a Lender pursuant to

Section 13.6 shall, upon the effectiveness of the related transfer, be required to provide all the forms and statements required pursuant to this Section 5.4(b), provided that in the case of a Participant such Participant shall furnish all such required forms and statements to the Lender from which the related participation shall have been purchased.

(c) The Borrower shall not be required to indemnify any Non-U.S. Lender, or to pay any additional amounts to any Non-U.S. Lender, in respect of U.S. Federal withholding tax pursuant to paragraph (a) above to the extent that (i) the obligation to withhold amounts with respect to U.S. Federal withholding tax existed on the date such Non-U.S. Lender became a party to this Agreement (or, in the case of a Participant that is not organized under the laws of the United States of America or a state thereof (a "Non-U.S. Participant"), on the date such Non-U.S. Participant became a Participant hereunder); provided, however, that this clause (i) shall not apply to the extent that (x) the indemnity payments or additional amounts any Lender (or Participant) would be entitled to receive (without regard to this clause (i)) do not exceed the indemnity payment or additional amounts that the person making the assignment, participation or transfer to such Lender (or Participant) would have been entitled to receive in the absence of such assignment, participation or transfer, or (y) such assignment, participation or transfer had been requested by the Borrower or, (ii) the obligation to pay such additional amounts would not have arisen but for a failure by such Non-U.S. Lender or Non-U.S. Participant to comply with the provisions of paragraph (b) above or (iii) any of the representations or certifications made by a Non-U.S. Lender or Non-U.S. Participant pursuant to paragraph (b) above are incorrect at the time a payment hereunder is made, other than by reason of any change in treaty, law or regulation having effect after the date such representations or certifications were made.

(d) If the Borrower determines in good faith that a reasonable basis exists for contesting any taxes for which indemnification has been demanded hereunder, the relevant Lender or the Administrative Agent, as applicable, shall cooperate with such Borrower in challenging such taxes at Borrower's expense if so requested by Borrower. If any Lender or the Administrative Agent receives a refund of a tax for which a payment has been made by the

Borrower pursuant to this Agreement, which refund in the good faith judgment of such Lender or the Administrative Agent, as the case may be, is attributable to such payment made by such Borrower, then such Lender or the Administrative Agent, as the case may be, shall reimburse the Borrower for such amount (together with any interest received thereon) as such Lender or the Administrative Agent, as the case may be, reasonably determines to be the proportion of the refund as will leave it, after such reimbursement, in no better or worse position than it would have been in if the payment had not been required. Any Lender or the Administrative Agent shall claim any refund that it determines is available to it, unless it concludes in its reasonable discretion that it would be adversely affected by making such a claim. Neither any Lender nor the Administrative Agent shall be obliged to disclose any information regarding its tax affairs or computations to the Borrower in connection with this paragraph (d) or any other provision of this Section 5.4.

(e) Each Lender represents and agrees that, on the date hereof and at all times during the term of this Agreement, it is not and will not be a conduit entity participating in a conduit financing arrangement (as defined in Section 7701(1) of the Code and the regulations thereunder) with respect to the Borrowings hereunder unless the Borrower has consented to such arrangement prior thereto.

5.5 Computations of Interest and Fees. (a) Interest on Eurodollar Loans and, except as provided in the next succeeding sentence, ABR Loans shall be calculated on the basis of a 360-day year for the actual days elapsed. Interest on ABR Loans in respect of which the rate of interest is calculated on the basis of the Prime Rate and interest on overdue interest shall be calculated on the basis of a 365- (or 366-, as the case may be) day year for the actual days elapsed.

(b) Fees and Letters of Credit Outstanding shall be calculated on the basis of a 365- (or 366-, as the case may be) day year for the actual days elapsed.

5.6 Limit on Rate of Interest. (a) No Payment shall exceed Lawful Rate. Notwithstanding any other term of this Agreement, the Borrower shall not be obliged to pay any interest or other amounts under or in connection with this Agreement in excess of the amount or rate permitted under or consistent with any applicable law, rule or regulation.

(b) Payment at Highest Lawful Rate. If the Borrower is not obliged to make a payment which it would otherwise be required to make, as a result of Section 5.6(a), the Borrower shall make such payment to the maximum extent permitted by or consistent with applicable laws, rules and regulations.

(c) Adjustment if any Payment exceeds Lawful Rate. If any provision of this Agreement or any of the other Credit Documents would obligate the Borrower to make any payment of interest or other amount payable to any Lender in an amount or calculated at a rate which would be prohibited by any applicable law, rule or regulation, then notwithstanding such provision, such amount or rate shall be deemed to have been adjusted with retroactive effect to the maximum amount or rate of interest, as the case may be, as would not be so prohibited by law (in the case of the Borrower), such adjustment to be effected, to the extent necessary, as follows:

(i) firstly, by reducing the amount or rate of interest required to be paid by the Borrower to the affected Lender under Section 2.8; and

(ii) thereafter, by reducing any fees, commissions, premiums and other amounts required to be paid by the Borrower to the affected Lender.

Notwithstanding the foregoing, and after giving effect to all adjustments contemplated thereby, if any Lender shall have received from the Borrower an amount in excess of the maximum permitted by any applicable law, rule or regulation, then the Borrower shall be entitled, by notice in writing to the

Administrative Agent, to obtain reimbursement from such Lender in an amount equal to such excess, and pending such reimbursement, such amount shall be deemed to be an amount payable by such Lender to the Borrower.

SECTION 6. Conditions Precedent to Effective Date

The occurrence of the borrowing of Tranche D Term Loans under this Agreement is subject to the satisfaction of the following conditions precedent:

6.1 Credit Documents. The Administrative Agent shall have received:

(a) this Agreement, executed and delivered by (i) a duly authorized officer of each of Holdings and the Borrower, (ii) each Agent, (iii) each Term Lender that is not a Continuing Lender, (iv) the Administrative Agent on behalf of each Continuing Lender that has executed and delivered a Lender Consent Letter agreeing to the convert all or a portion of such Lender's Original Term Loans to Tranche D Term Loans; and

(b) the Second Restatement Reaffirmation Agreement, executed and delivered by a duly authorized officer of each of Holdings, the Borrower and each other Guarantor as of the Effective Date.

6.2 Collateral. All documents and instruments, including Uniform Commercial Code or other applicable personal property security financing statements, required to be filed, registered or recorded to continue the Liens intended to be continued by the Security Documents, and with the priority required by the Security Documents shall have been filed, registered or recorded or delivered to the Collateral Agent for filing, registration or recording.

6.3 Legal Opinions. The Administrative Agent shall have received the following executed legal opinions:

(a) the legal opinion of Simpson Thacher & Bartlett LLP, special New York counsel to Holdings, the Borrower and its Subsidiaries, substantially in the form of Exhibit G-1;

(b) the legal opinion of Ropes & Gray LLP, special Massachusetts counsel to LPL Holdings, Inc., substantially in the form of Exhibit G-2;

(c) the legal opinion of Kirkpatrick & Lockhart Preston Gates Ellis LLP, special HUD regulatory counsel to the Borrower and its Subsidiaries, substantially in the form of Exhibit G-4; and

(d) the legal opinion of Bingham McCutcheon LLP, special broker-dealer regulatory counsel to the Borrower and its Subsidiaries, substantially in the form of Exhibit G-5.

6.4 No Defaults; Representations and Warranties. After giving effect to each Credit Event occurring on the Effective Date, and the other transactions contemplated hereby to occur on or prior to the Effective Date, (a) no Default or Event of Default shall have occurred and be continuing and (b) all representations and warranties made on the Effective Date by any Credit Party contained herein or in the other Credit Documents shall be true and correct as of the Effective Date (except where such representations and warranties expressly relate to an earlier date, in which case such representations and warranties shall have been true and correct as of such earlier date).

6.5 Consent. (a) The Administrative Agent shall have received written consents from the Lenders (as defined in the Original Credit Agreement) which constitute Required Lenders (as defined in the Original Credit Agreement) under the Original Credit Agreement to the execution and delivery of this Agreement and the consummation of the transactions contemplated hereby (it being agreed that the entering into this Agreement by a Lender shall constitute such written consent); and

(b) the Administrative Agent shall have received reasonably satisfactory evidence that the outstanding principal amount of, and all accrued and unpaid interest and other amounts due and payable on, the Original Term Loans (except for continuing indemnity obligations which survive the prepayment of such Original Term Loans) shall have been paid in full with the proceeds of the Tranche D Term Loans or by the Borrower.

6.6 Effective Date Certificates. The Administrative Agent shall have received a certificate of each Person that is a Credit Party as of the Effective Date, dated the Effective Date, substantially in the form of Exhibit H, with appropriate insertions, executed by the President or any Vice President and the Secretary or any Assistant Secretary of such Credit Party, and attaching the documents referred to in Sections 6.7 and 6.8 (if applicable).

6.7 Corporate Proceedings. The Administrative Agent shall have received a copy of the resolutions, in form and substance reasonably satisfactory to the Administrative Agent, of the Board of Directors or other governing body, as applicable, of each Person that is a Credit Party as of the Effective Date (or a duly authorized committee thereof) authorizing (a) the execution, delivery and performance of the Credit Documents (and any agreements relating thereto) to which it is a party and (b) in the case of the Borrower, the extensions of credit contemplated hereunder; provided that, in lieu of delivery of each of the resolutions set forth in this Section 6.7, each applicable Credit Party may deliver a certificate executed by the President or any Vice President of such Credit Party certifying that there have been no material amendments to those resolutions previously delivered to the Administrative Agent on the First Restatement Effective Date pursuant to Section 6.10 of the Original Credit Agreement.

6.8 Corporate Documents. The Administrative Agent shall have received true and complete copies of the certificate of incorporation and by laws (or equivalent organizational documents) of each Person that is a Credit Party as of the Effective Date;

provided that, in lieu of delivery of each of the documents set forth in this Section 6.8, each applicable Credit Party may deliver a certificate executed by the President or any Vice President of such Credit Party certifying that there have been no material amendments to those documents previously delivered to the

Administrative Agent on the First Restatement Effective Date pursuant to Section 6.11 of the Original Credit Agreement.

6.9 Fees and Expenses. The fees in the amounts previously agreed in writing by the Agents and the Lenders to be received on the Effective Date and all reasonable out-of-pocket expenses (including the reasonable fees, disbursements and other charges of counsel) for which invoices have been presented on or prior to the Effective Date shall have been paid.

6.10 Solvency Certificate. The Administrative Agent shall have received a certificate from the chief financial officer of the Borrower in form, scope and substance reasonably satisfactory to Administrative Agent, with appropriate attachments and demonstrating that after giving effect to the transactions contemplated hereby, the Borrower and its Subsidiaries, taken as a whole, are Solvent.

SECTION 7. Additional Conditions Precedent

7.1 No Default; Representations and Warranties. The agreement of each Lender to make any Loan requested to be made by it on any date after the date of the initial Credit Event (excluding Mandatory Borrowings) and the obligation of the Letter of Credit Issuer to issue Letters of Credit on any date after the date of the Effective Date is subject to the satisfaction of the condition precedent that at the time of each such Credit Event and also after giving effect thereto (a) no Default or Event of Default shall have occurred and be continuing and (b) all representations and warranties made by any Credit Party contained herein or in the other Credit Documents shall be 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 date of such Credit Event (except where 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). The acceptance of the benefits of each Credit Event shall constitute a representation and warranty by each Credit Party to each of the Lenders that the conditions contained in this Section 7.1 have been met as of such date.

7.2 Notice of Borrowing; Letter of Credit Request. (a) Prior to the making of each Term Loan, each Revolving Credit Loan (other than any Revolving Credit Loan made pursuant to Section 3.4(a)) and each Swingline Loan, the Administrative Agent shall have received a Notice of Borrowing (whether in writing or by telephone) meeting the requirements of Section 2.3.

(b) Prior to the issuance of each Letter of Credit, the Administrative Agent and the Letter of Credit Issuer shall have received a Letter of Credit Request meeting the requirements of Section 3.2(a).

SECTION 8. Representations, Warranties and Agreements

In order to induce the Lenders to enter into this Agreement, make the Loans and issue or participate in Letters of Credit as provided for herein, each of Holdings and the Borrower make the following representations and warranties to, and agreements with, the Lenders, all of which shall survive the execution and delivery of this Agreement, the making of the Loans and the issuance of the Letters of Credit:

8.1 Corporate Status. Holdings, the Borrower and each Material Subsidiary (a) is a duly organized and validly existing corporation or other entity in good standing under the laws of the jurisdiction of its organization and has the corporate or other organizational power and authority to own its property and assets and to transact the business in which it is engaged and (b) has duly qualified and is authorized to do business and is in good standing in all jurisdictions where it is required to be so qualified, except where the failure to be so qualified could not reasonably be expected to result in a Material Adverse Effect.

8.2 Corporate Power and Authority. Each Credit Party has the corporate or other organizational power and authority to execute, deliver and carry out the terms and provisions of the Credit Documents to which it is a party and has taken all necessary corporate or other organizational action to authorize the execution, delivery and performance of the Credit Documents to which it is a party. Each Credit Party has duly executed and delivered each Credit Document to which it is a party and each such Credit Document constitutes the legal, valid and binding obligation of such Credit Party enforceable in accordance with its terms, subject to the effects of bankruptcy, insolvency, fraudulent conveyance, reorganization and other similar laws relating to or affecting creditors' rights generally and general principles of equity (whether considered in a proceeding in equity or law).

8.3 No Violation. None of (a) the execution, delivery and performance by any Credit Party of the Credit Documents to which it is a party and compliance with the terms and provisions thereof, or (b) the consummation of the other transactions contemplated hereby or thereby on the relevant dates therefor will (i) contravene any applicable provision of any material law, statute, rule, regulation, order, writ, injunction or decree of any court or governmental instrumentality, (ii) result in any breach of any of the terms, covenants, conditions or provisions of, or constitute a default under, or result in the creation or imposition of (or the obligation to create or impose) any Lien upon any of the property or assets of any of the Borrower or any of the Restricted Subsidiaries (other than Liens created under the Credit Documents) pursuant to, the terms of any material indenture (including the Senior Unsecured Subordinated Note Indenture), loan agreement, lease agreement, mortgage, deed of trust, agreement or other material instrument to which Holdings, the Borrower or any of their Restricted Subsidiaries is a party or by which they or any of their property or assets is bound or (iii) violate any provision of the certificate of incorporation, By-Laws or other constitutional documents of Holdings, the Borrower or any of their Restricted Subsidiaries.

8.4 Litigation. There are no actions, suits or proceedings (including Environmental Claims) pending or, to the knowledge of Holdings, threatened with respect to Holdings or any of its Subsidiaries that could reasonably be expected to result in a Material Adverse Effect.

8.5 Margin Regulations. Neither the making of any Loan hereunder nor the use of the proceeds thereof will violate the provisions of Regulation T, U or X of the Board.

8.6 Governmental Approvals. Except as set forth in Schedule 8.6, no order, consent, approval, license, authorization, or validation of, or filing, recording or registration with, or exemption by, any Governmental Authority is required to authorize or is required in connection with (a) the execution, delivery and performance of any Credit Document or (b) the legality, validity, binding effect or enforceability of any Credit Document, except, in

the case of either clause (a) or clause (b), the failure to obtain or make any of the foregoing could not reasonably be expected to have a Material Adverse Effect.

8.7 Investment Company Act. The Borrower is not an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

8.8 True and Complete Disclosure. (a) None of the factual information and data (taken as a whole) furnished by Holdings, any of its Subsidiaries or any of their respective authorized representatives in writing to any Agent or any Lender on or before the Effective Date (including (i) the Confidential Information Memorandum and (ii) all information contained in the Credit Documents) for purposes of or in connection with this Agreement or any transaction contemplated herein contained any untrue statement of material fact or omitted to state any material fact necessary to make such information and data (taken as a whole) not materially misleading at such time in light of the circumstances under which such information or data was furnished, it being understood and agreed that for purposes of this Section 8.8(a), such factual information and data shall not include projections and pro forma financial information.

(b) The projections and pro forma financial information contained in the information and data referred to in paragraph (a) above were prepared in good faith based upon assumptions believed by such Persons to be reasonable at the time made, it being recognized by the Lenders that such projections as to future events are not to be viewed as facts and that actual results during the period or periods covered by any such projections may differ from the projected results.

8.9 Financial Condition; Financial Statements. The Historical Financial Statements, in each case present or will, when provided, present fairly in all material respects the financial position and results of operations of the Borrower and its Subsidiaries at the respective dates of such information and for the respective periods covered thereby subject, in the case of the unaudited financial information, to changes resulting from audit, normal year end audit adjustments and the absence of footnotes. The Historical Financial Statements have been prepared in accordance with GAAP consistently applied except to the extent provided in the notes thereto. There has been no Material Adverse Change since December 31, 2004, other than solely as a result of changes in general economic conditions.

8.10 Tax Returns and Payments, etc. Holdings and its Subsidiaries have filed all Federal income tax returns and all other material tax returns, domestic and foreign, required to be filed by them and have paid all material taxes and assessments payable by them that have become due, other than those not yet delinquent or contested in good faith. Holdings

and its Subsidiaries have paid, or have provided adequate reserves (in the good faith judgment of the management of the Borrower) in accordance with GAAP for the payment of, all material Federal, state and foreign income taxes applicable for all prior fiscal years and for the current fiscal year to the Effective Date.

8.11 Compliance with ERISA. Each Plan is in compliance with ERISA, the Code and any Applicable Law; no Reportable Event has occurred (or is reasonably likely to occur) with respect to any Plan; no Plan is insolvent or in reorganization (or is reasonably likely to be insolvent or in reorganization), and no written notice of any such insolvency or reorganization has been given to any of the Borrower, any Subsidiary thereof or any ERISA Affiliate; no Plan (other than a multiemployer plan) has an accumulated or waived funding deficiency (or is reasonably likely to have such a deficiency); none of Holdings, any Subsidiary thereof or any ERISA Affiliate has incurred (or is reasonably likely expected to incur) any liability to or on account of a Plan pursuant to Section 409, 502(i), 502(l), 515, 4062, 4063, 4064, 4069, 4201 or 4204 of ERISA or Section 4971 or 4975 of the Code or has been notified in writing that it will incur any liability under any of the foregoing Sections with respect to any Plan; no proceedings have been instituted (or are reasonably likely to be instituted) to terminate or to reorganize any Plan or to appoint a trustee to administer any Plan, and no written notice of any such proceedings has been given to any of Holdings, any Subsidiary thereof or any ERISA Affiliate; and no lien imposed under the Code or ERISA on the assets of any of the Borrower, any Subsidiary thereof or any ERISA Affiliate exists (or is reasonably likely to exist) nor has Holdings, any Subsidiary thereof or any ERISA Affiliate been notified in writing that such a lien will be imposed on the assets of any of Holdings, any Subsidiary thereof or any ERISA Affiliate on account of any Plan, except to the extent that a breach of any of the representations, warranties or agreements in this Section 8.11 would not result, individually or in the aggregate, in an amount of liability that would be reasonably likely to have a Material Adverse Effect or relates to any matter disclosed in the financial statements of the Borrower contained in the Confidential Information Memorandum. No Plan (other than a multiemployer plan) has an Unfunded Current Liability that would, individually or when taken together with any other liabilities referenced in this Section 8.11, be reasonably likely to have a Material Adverse Effect. With respect to Plans that are multiemployer plans (as defined in Section 3(37) of ERISA), the representations and warranties in this Section 8.11, other than any made with respect to (a) liability under Section 4201 or 4204 of ERISA or (b) liability for termination or reorganization of such Plans under ERISA, are made to the best knowledge of the Borrower.

8.12 Subsidiaries. On the Effective Date, Holdings does not have any Subsidiaries other than the Subsidiaries listed on Schedule 8.12. Schedule 8.12 describes the direct and indirect ownership interest of Holdings in each Subsidiary as of the Effective Date. To the knowledge of Holdings, after due inquiry, each Material Subsidiary and Specified Subsidiary as of the Effective Date has been so designated on Schedule 8.12.

8.13 Patents, etc. The Borrower and each of the Restricted Subsidiaries have obtained all patents, trademarks, servicemarks, trade names, copyrights, licenses and other rights, free from burdensome restrictions, that are necessary for the operation of their respective businesses as currently conducted and as proposed to be conducted, except where the failure to obtain any such rights could not reasonably be expected to have a Material Adverse Effect.

8.14 Environmental Laws. (a) Except as could not reasonably be expected to have a Material Adverse Effect, (i) Holdings and each of its Subsidiaries are in compliance with all Environmental Laws in all jurisdictions in which Holdings and each of its Subsidiaries are currently doing business (including having obtained all material permits required under Environmental Laws) and (ii) neither Holdings nor any of its Subsidiaries has become subject to any Environmental Claim or any other liability under any Environmental Law.

(b) Neither Holdings nor any of its Subsidiaries has treated, stored, transported, released or disposed of Hazardous Materials at or from any currently or formerly owned Real Estate or facility relating to its business in a manner that could reasonably be expected to have a Material Adverse Effect.

8.15 Properties, Assets and Rights. Holdings and each of its Subsidiaries have good and marketable title to or valid leasehold interest in all properties that are necessary for the operation of their respective businesses as currently conducted and as proposed to be conducted, free and clear of all Liens (other than Liens permitted by Section 10.2) and except where the failure to have such good title could not reasonably be expected to have a Material Adverse Effect. As of the Effective Date, Holdings and each of its Subsidiaries possess or have the right to use, under contract or otherwise, all assets and rights that are material to the operation of their respective businesses as currently conducted and as proposed to be conducted.

8.16 Certain Fees. Except with respect to the Arranger and the Agents, no broker's or finder's fee or commission will be payable by any Credit Party with respect hereto or any of the transactions contemplated hereby.

8.17 Solvency. On the Effective Date after giving effect to the transactions contemplated hereby, the Credit Parties, on a consolidated basis, are Solvent.

8.18 Capital Stock. The Capital Stock of each of Holdings and its Domestic Subsidiaries has been duly authorized and validly issued and, with respect to Holdings, the Borrower and each Domestic Subsidiary that is a corporation, is fully paid and non-assessable. Except as set forth on Schedule 8.18, as of the Effective Date, there is no existing option, warrant, call, right, commitment or other agreement to which Holdings or any of its Subsidiaries is a party requiring, and there is no membership interest or other Capital Stock of Holdings or any of its Subsidiaries outstanding which upon conversion or exchange would require, the issuance by Holdings or any of its Subsidiaries of any additional membership interests or other Capital Stock of Holdings or any of its Subsidiaries or other Securities convertible into, exchangeable for or evidencing the right to subscribe for or purchase, a membership interest or other Capital Stock of Holdings or any of its Subsidiaries.

8.19 No Defaults. Neither Holdings nor any of its Subsidiaries is in default in the performance, observance or fulfillment of any of the obligations, covenants or conditions contained in any of its Contractual Obligations (other than Contractual Obligations in respect of Indebtedness), and no condition exists which, with the giving of notice or the lapse of time or both, could constitute such a default, except where the consequences, direct or indirect, of such default or defaults, if any, could not reasonably be expected to have a Material Adverse Effect.

Employee Matters. Except as, in the aggregate, could not reasonably be expected to have a Material Adverse Effect: (a) there are no strikes or other labor disputes against any of Holdings, the Borrower or its Subsidiaries pending or, to the knowledge of Holdings or the Borrower, threatened; (b) hours worked by and payment made to employees of each of Holdings, the Borrower or its Subsidiaries have not been in violation of the Fair Labor Standards Act or any other Applicable Laws dealing with such matters; and (c) all payments due from any of Holdings, the Borrower or its Subsidiaries on account of employee health and welfare insurance have been paid or accrued as a liability on the books of the relevant party.

Senior Indebtedness. The Obligations constitute "Senior Indebtedness" under and as defined in the Senior Unsecured Subordinated Indenture. The obligations of each Guarantor under the Guarantee constitute "Guarantor Senior Indebtedness" of such Guarantor under and as defined in the Senior Unsecured Subordinated Indenture.

8.22 Patriot Act. To the extent applicable, as of the Effective Date, each Credit Party is in compliance, in all material respects, with the (i) Trading with the Enemy Act, as amended, and each of the foreign assets control regulations of the United States Treasury Department (31 CFR, Subtitle B, Chapter V, as amended) and any other enabling legislation or executive order relating thereto, and (ii) Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism (USA Patriot Act of 2001). No part of the proceeds of the Loans will be used, directly or indirectly, for any payments to any governmental official or employee, political party, official of a political party, candidate for political office, or anyone else acting in an official capacity, in order to obtain, retain or direct business or obtain any improper advantage, in violation of the United States Foreign Corrupt Practices Act of 1977, as amended.

SECTION 9. Affirmative Covenants

Each of Holdings and the Borrower hereby covenants and agrees that on the Closing Date and thereafter, until the Commitments and all Letters of Credit have terminated (unless such Letters of Credit have been collateralized on terms and conditions satisfactory to the Letter of Credit Issuer following the termination of the Commitments) and the Loans and Unpaid Drawings, together with interest, Fees and all other Obligations (excluding contingent indemnification obligations or Obligations with respect to Hedging Agreements) incurred hereunder, are paid in full:

9.1 Information Covenants. The Borrower will furnish to the Administrative Agent for further delivery to each Lender:

(a) Annual Financial Statements. As soon as available and in any event on or before the date on which such financial statements are required to be filed with the SEC (or, if such financial statements are not required to be filed with the SEC, on or before the date that is 90 days after the end of each such fiscal year), the consolidated balance sheet of the Borrower and its Subsidiaries as at the end of such fiscal year, and the related consolidated statement of operations and cash flows for such fiscal year, setting forth comparative consolidated figures for the preceding fiscal year, and certified by independent certified public accountants of recognized national standing whose opinion shall not be qualified as to the scope of audit or as to the status

of the Borrower or any of the Material Subsidiaries as a going concern, together in any event with a certificate of such accounting firm stating that in the course of its regular audit of the business of the Borrower and the Material Subsidiaries, which audit was conducted in accordance with generally accepted

auditing standards, such accounting firm has obtained no knowledge of any Default or Event of Default relating to Section 10.9 or 10.10 that has occurred and is continuing or, if in the opinion of such accounting firm such a Default or Event of Default has occurred and is continuing, a statement as to the nature thereof. Notwithstanding the foregoing, the obligations in this clause (a) may be satisfied with respect to financial information of the Borrower and the Restricted Subsidiaries by furnishing (A) the applicable financial statements of Holdings (or any direct or indirect parent of Holdings) or (B) the Borrower's or Holdings' (or any direct or indirect parent thereof), as applicable, Form 10-K or 10-Q, as applicable, filed with the SEC; provided, that, with respect to each of clauses (A) and (B), to the extent such information relates to Holdings (or a parent thereof), such information is accompanied by consolidating information that explains in reasonable detail the differences between the information relating to Holdings (or such parent), on the one hand, and the information relating to the Borrower and the Restricted Subsidiaries on a standalone basis, on the other hand.

(b) Quarterly Financial Statements. As soon as available and in any event on or before the date on which such financial statements are required to be filed with the SEC with respect to each of the first three quarterly accounting periods in each fiscal year of the Borrower (or, if such financial statements are not required to be filed with the SEC, on or before the date that is 45 days after the end of each such quarterly accounting period), the consolidated balance sheet of the Borrower and its Subsidiaries as at the end of such quarterly period and the related consolidated statement of operations for such quarterly accounting period and for the elapsed portion of the fiscal year ended with the last day of such quarterly period, and the related consolidated statement of cash flows for the elapsed portion of the fiscal year ended with the last day of such quarterly period, and setting forth comparative consolidated figures for the related periods in the prior fiscal year or, in the case of such consolidated balance sheet, for the last day of the prior fiscal year, all of which shall be certified by an Authorized Officer of the Borrower, subject to changes resulting from audit, normal year-end audit adjustments and the absence of footnotes. Notwithstanding the foregoing, the obligations in this clause (b) may be satisfied with respect to financial information of the Borrower and the Restricted Subsidiaries by furnishing (A) the applicable financial statements of Holdings (or any direct or indirect parent of Holdings) or (B) the Borrower's or Holdings' (or any direct or indirect parent thereof), as applicable, Form 10-K or 10-Q, as applicable, filed with the SEC; provided, that, with respect to each of clauses (A) and (B), to the extent such information relates to Holdings (or a parent thereof), such information is accompanied by consolidating information that explains in reasonable detail the differences between the information relating to Holdings (or such parent), on the one hand, and the information relating to the Borrower and the Restricted Subsidiaries on a standalone basis, on the other hand.

(c) Budgets. Within 60 days after the commencement of each fiscal year of the Borrower, a budget of the Borrower and its Subsidiaries in reasonable detail for the fiscal year as customarily prepared by management of the Borrower for its internal use consistent in scope with the financial statements provided pursuant to Section 9.1(a), setting forth the principal assumptions upon which such budget is based.

(d) Officer's Certificates. At the time of the delivery of the financial statements provided for in Sections 9.1(a) and (b), a certificate of an Authorized Officer of the Borrower to the effect that no Default or Event of Default exists or, if any Default or Event of Default does exist, specifying the nature and extent thereof, which certificate shall set forth (i) the calculations required to establish whether the Borrower and its Subsidiaries were in compliance with the provisions of Sections 10.9 and 10.10 as at the end of such fiscal year or period, as the case may be, (ii) a specification of any change in the identity of the Restricted Subsidiaries, Unrestricted Subsidiaries and Foreign Subsidiaries as at the end of such fiscal year or period, as the case may be, from the Restricted Subsidiaries, Unrestricted Subsidiaries and Foreign Subsidiaries, respectively, provided to the Lenders on the Effective Date or the most recent fiscal year or period, as the case may be, (iii) the then applicable Status and (iv) 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), (i) a certificate of an Authorized Officer of the Borrower setting forth in reasonable detail the calculation of the Available Amount as at the end of the fiscal year to which such financial statements relate and (ii) a certificate of an Authorized Officer and the chief legal officer of the Borrower setting forth the information required pursuant to 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 subsection (d), as the case may be.

(e) Notice of Default or Litigation. Promptly after an Authorized Officer of the Borrower or any of its Subsidiaries obtains knowledge thereof, 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, and (ii) any litigation or governmental proceeding pending against the Borrower or any of its Subsidiaries that could reasonably be expected to result in a Material Adverse Effect.

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

(i) any pending or threatened Environmental Claim against Holdings or any of its Subsidiaries or any Real Estate;

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

(iii) any condition or occurrence on any Real Estate that could reasonably be anticipated to cause such Real Estate to be subject to any restrictions on the

ownership, occupancy, use or transferability of such Real Estate under any Environmental Law; and

(iv) the taking of any removal or remedial action in response to the actual or alleged presence of any Hazardous Material on any Real Estate.

All such notices shall describe in reasonable detail the nature of the claim, investigation, condition, occurrence or removal, remedial action and the response thereto. The term "Real Estate" shall mean land, buildings and improvements owned or leased by Holdings or any of its Subsidiaries, but excluding all operating fixtures and equipment, whether or not incorporated into improvements.

(g) Other Information. Promptly upon filing thereof, copies of any filings (including on Form 10-K, 10-Q or 8-K) or registration statements with, and reports to, the SEC or any analogous Government Authority in any relevant jurisdiction by Holdings or any of its Subsidiaries (other than amendments to any registration statement (to the extent such registration statement, in the form it becomes effective, is delivered to the Administrative Agent for further delivery to the Lenders), exhibits to any registration statement and, if applicable, any registration statements on Form S-8) and copies of all financial statements, proxy statements, notices and reports that Holdings or any of its Subsidiaries shall send to the holders of any publicly issued debt of Holdings and/or any of its Subsidiaries (including the Senior Unsecured Subordinated Notes (whether publicly issued or not)) in their capacity as such holders (in each case to the extent not theretofore delivered to the Administrative Agent for further delivery to the Lenders pursuant to this Agreement) and, with reasonable promptness, such other information (financial or otherwise) as the Administrative Agent on its own behalf or on behalf of any Lender may reasonably request in writing from time to time.

(h) Pro Forma Adjustment Certificate. Not later than any date on which financial statements are delivered with respect to any six-quarter period in which a Pro Forma Adjustment is made as a result of the consummation of the acquisition of any Acquired Entity or Business by the Borrower or any Restricted Subsidiary for which there shall be a Pro Forma Adjustment, a certificate of an Authorized Officer of the Borrower setting forth the amount of such Pro Forma Adjustment and, in reasonable detail, the calculations and basis therefor.

9.2 Books, Records and Inspections. Holdings and the Borrower will, and will cause each of their Subsidiaries to, conduct meetings with the Borrower (which meetings, unless an Event of Default has occurred and is continuing, shall only occur once per calendar year and may be conducted via teleconference), permit (to the extent that it is within such party's control to permit such inspection) officers and designated representatives of the Administrative Agent or the Required Lenders (coordinated through the Administrative Agent) to visit and inspect any of the properties or assets of Holdings, the Borrower and any such Subsidiary in whomsoever's possession, and to examine the books of account of Holdings, the Borrower and any such Subsidiary (other than materials protected by attorney-client privilege) and discuss the affairs, finances and accounts of Holdings, the Borrower and any such Subsidiary with, and be advised as to the same by, its and their officers and independent accountants (so long as the Borrower is afforded an opportunity to be present at such discussion with such

independent accountants), all at such reasonable times and intervals and to such reasonable extent as the Administrative Agent or the Required Lenders may reasonably request.

9.3 Maintenance of Insurance. Holdings and the Borrower will, and will cause each of the Material Subsidiaries to, at all times maintain in full force and effect, with insurance companies that the Borrower believes (in the good faith judgment of the management of the Borrower) are financially sound and responsible at the time the relevant coverage is placed or renewed, insurance in at least such amounts and against at least such risks (and with such risk retentions) as are usually insured against in the same general area by companies engaged in the same or similar business as that of the Borrower and its Subsidiaries; and will furnish to the Administrative Agent for further delivery to the Lenders, upon written request from the Administrative Agent, information presented in reasonable detail as to the insurance so carried.

9.4 Payment of Taxes. Holdings and the Borrower will pay and discharge, and will cause each of their respective Subsidiaries to pay and discharge, all material taxes, assessments and governmental charges or levies imposed upon it or upon its income or profits, or upon any properties belonging to it, prior to the date on which material penalties attach thereto, and all lawful material claims that, if unpaid, could reasonably be expected to become a material Lien upon any properties of Holdings, the Borrower or any of the Restricted Subsidiaries; provided, that neither Holdings, the Borrower nor any of their Subsidiaries shall be required to pay any such tax, assessment, charge, levy or claim that is being contested in good faith and by proper proceedings if it has maintained adequate reserves (in the good faith judgment of the management of the Borrower) with respect thereto in accordance with GAAP.

9.5 Consolidated Corporate Franchises. Holdings and the Borrower will do, and will cause each Material Subsidiary to do, or cause to be done, all things necessary to preserve and keep in full force and effect its existence, corporate rights and authority, except to the extent that the failure to do so could not reasonably be expected to have a Material Adverse Effect; provided, however, that Holdings, the Borrower and its Subsidiaries may consummate any transaction permitted under Section 10.3, 10.4 or 10.5.

9.6 Compliance with Statutes. Holdings and the Borrower will, and will cause each of their Subsidiaries to, comply with all applicable laws, rules, regulations and orders (including Environmental Laws and permits required thereunder), except to the extent the failure to do so could not reasonably be expected to have a Material Adverse Effect.

9.7 ERISA. Promptly after Holdings, the Borrower or any of their Subsidiaries or any ERISA Affiliate knows or has reason to know of the occurrence of any of the following events that, individually or in the aggregate (including in the aggregate such events previously disclosed or exempt from disclosure hereunder, to the extent the liability therefor remains outstanding), would be reasonably likely to have a Material Adverse Effect, the Borrower will deliver to each of the Lenders a certificate of an Authorized Officer or any other senior officer of the Borrower setting forth details as to such occurrence and the action, if any, that the Borrower, such Subsidiary or such ERISA Affiliate is required or proposes to take, together with any notices (required, proposed or otherwise) given to or filed with or by the Borrower, such Subsidiary, such ERISA Affiliate, the PBGC, a Plan participant (other than notices relating to an individual participant's benefits) or the Plan administrator with respect

thereto: that a Reportable Event has occurred; that an accumulated funding deficiency has been incurred or an application is to be made to the Secretary of the Treasury for a waiver or modification of the minimum funding standard (including any required installment payments) or an extension of any amortization period under Section 412 of the Code with respect to a Plan; that a Plan having an Unfunded Current Liability has been or is to be terminated, reorganized, partitioned or declared insolvent under Title IV of ERISA (including the giving of written notice thereof); that a Plan has an Unfunded Current Liability that

has or will result in a lien under ERISA or the Code; that proceedings will be or have been instituted to terminate a Plan having an Unfunded Current Liability (including the giving of written notice thereof); that a proceeding has been instituted against the Borrower, a Subsidiary thereof or an ERISA Affiliate pursuant to Section 515 of ERISA to collect a delinquent contribution to a Plan; that the PBGC has notified the Borrower, any Subsidiary thereof or any ERISA Affiliate of its intention to appoint a trustee to administer any Plan; that the Borrower, any Subsidiary thereof or any ERISA Affiliate has failed to make a required installment or other payment pursuant to Section 412 of the Code with respect to a Plan; or that the Borrower, any Subsidiary thereof or any ERISA Affiliate has incurred or will incur (or has been notified in writing that it will incur) any liability (including any contingent or secondary liability) to or on account of a Plan pursuant to Section 409, 502(i), 502(l), 515, 4062, 4063, 4064, 4069, 4201 or 4204 of ERISA or Section 4971 or 4975 of the Code.

9.8 Good Repair. Each of Holdings and the Borrower will, and will cause each of their Restricted Subsidiaries to, ensure that its properties and equipment used or useful in its business in whomsoever's possession they may be to the extent that it is within the control of such party to cause same, are kept in good repair, working order and condition, normal wear and tear excepted, and that from time to time there are made in such properties and equipment all needful and proper repairs, renewals, replacements, extensions, additions, betterments and improvements thereto, to the extent and in the manner customary for companies in the same or similar business as that of the Borrower and its Subsidiaries and consistent with third party leases, except in each case to the extent the failure to do so could not be reasonably expected to have a Material Adverse Effect.

9.9 Transactions with Affiliates. Holdings and the Borrower will conduct, and cause each of the Restricted Subsidiaries to conduct, all transactions with any of its Affiliates (other than the transactions between and among Holdings, the Borrower and the Restricted Subsidiaries or any Person that becomes a Restricted Subsidiary as a result of such transaction) on terms that are substantially as favorable to Holdings, the Borrower or such Restricted Subsidiary as it would obtain in a comparable arm's-length transaction with a Person that is not an Affiliate; provided, that the foregoing restrictions shall not apply to (a) the payment of fees and expenses related to the UVEST Acquisition, the Pacific Life Acquisition and, in each case, the transactions contemplated thereby, (b) the issuance of Capital Stock to the management of Holdings, the Borrower or any of its Subsidiaries in connection with the UVEST Acquisition, the Transactions (as defined in the 2005 Credit Agreement), the Pacific Life Acquisition and, in each case, the transactions contemplated thereby, (c) the payment of customary management, consulting and monitoring fees to the Sponsors in an aggregate amount in any fiscal year not to exceed $5,000,000 plus all reasonable out-of-pocket expenses and customary indemnities related to any such activities, (d) employment and severance arrangements between Holdings, the Borrower and the Restricted Subsidiaries and their respective directors, officers and employees.

in the ordinary course of business, (e) payments by Holdings (and any direct or indirect parent thereof), the Borrower and the Restricted Subsidiaries pursuant to any tax sharing agreements among Holdings (and any such parent thereof), the Borrower and the Restricted Subsidiaries on customary terms, (f) the payment of customary fees and reasonable out of pocket costs and expenses to, and indemnities provided on behalf of, directors, officers and employees of Holdings, the Borrower and the Restricted Subsidiaries, (g) transactions (i) with customers who are Affiliates in the ordinary course of business and consistent with past practice as of the date hereof and (ii) pursuant to permitted agreements in existence on the Closing Date and set forth on Schedule 9.9 or any amendment thereto to the extent such an amendment is not adverse to the Lenders in any material respect, (h) transactions permitted under Section 10.6, (i) in connection with the termination of management agreements with the Sponsors, the payment of up to $20,000,000 in termination fees thereunder to the Sponsors pursuant to the terms of such management agreement, (j) customary contractual arrangements with financial advisors to the extent any such financial advisor would be deemed to be an "Affiliate,"; (k) customary payments made by Holdings, the Borrower or any Restricted Subsidiary to the Sponsors for any financial advisory, financing, underwriting or placement services or in respect of other investment banking activities (including in connection with acquisitions or divestitures), which payments are approved by a majority of the disinterested members of the board of directors of Holdings or the Borrower, in good faith and (l) to the extent expressly permitted under Section 10, payments or loans (or cancellation of loans) to employees of the Borrower, Holdings or any Restricted Subsidiary.

9.10 End of Fiscal Years; Fiscal Quarters. The Borrower will, for financial reporting purposes, cause (a) each of its, and each of its Subsidiaries', fiscal years to end on December 31 of each year and (b) each of its, and each of its Subsidiaries', fiscal quarters to end on dates consistent with such fiscal year-end and the Borrower's past practice; provided, however, that the Borrower may, upon written notice to the Administrative Agent, change the financial reporting convention specified above to any other financial reporting convention reasonably acceptable to the Administrative Agent, in which case the Borrower and the Administrative Agent will, and are hereby authorized by the Lenders to, make any adjustments to this Agreement that are necessary in order to reflect such change in financial reporting.

9.11 Additional Guarantors and Grantors. Subject to any applicable limitations set forth in the Guarantee or the Security Agreement, as applicable, the Borrower will cause (i) any direct or indirect Domestic Subsidiary (other than any Unrestricted Subsidiary, any direct or indirect Domestic Subsidiary of a Foreign Subsidiary or any Excluded Subsidiary) formed or otherwise purchased or acquired after the Effective Date (including pursuant to a Permitted Acquisition), and (ii) any Subsidiary of the Borrower (other than any Unrestricted Subsidiary, any direct or indirect Domestic Subsidiary of a Foreign Subsidiary or any Excluded Subsidiary) that is not a Domestic Subsidiary on the Closing Date hereof but subsequently becomes a Domestic Subsidiary (other than any Unrestricted Subsidiary, any direct or indirect Domestic Subsidiary of a Foreign Subsidiary or any Excluded Subsidiary), in each case to execute a supplement to each of the Guarantee and the Security Agreement, substantially in the form of Annex B or Annex 1, as applicable, to the respective agreement in order to become a Guarantor under the Guarantee and a grantor under the Security Agreement.

9.12 Pledges of Additional Stock and Evidence of Indebtedness. Subject to any applicable limitations set forth in the Pledge Agreement, Holdings and the Borrower will pledge, and, if applicable, will cause each Domestic Subsidiary (other than any Unrestricted Subsidiary, any direct or indirect Domestic Subsidiary of a Foreign Subsidiary or any Excluded Subsidiary) to pledge, to the Collateral Agent for the benefit of the Secured Parties, (i) all the Capital Stock of each Domestic Subsidiary (other than any Unrestricted Subsidiary, any direct or indirect Domestic Subsidiary of a Foreign Subsidiary, PTC Holdings, Inc. or The Private Trust Company, N.A.) and 65% of the issued and outstanding Capital Stock of each Foreign Subsidiary directly held by any Credit Party, in each case, formed or otherwise purchased or acquired after the Effective Date, in each case pursuant to a supplement to the Pledge Agreement substantially in the form of Annex A thereto, (ii) all evidences of Indebtedness in excess of $5,000,000 received by any Credit Party in connection with any disposition of assets pursuant to Section 10.4(d), in each case pursuant to a supplement to the Pledge Agreement substantially in the form of Annex A thereto, and (iii) any global promissory notes executed after the Closing Date evidencing Indebtedness of Holdings and the Borrower and each of its Subsidiaries that is owing to any Credit Party, in each case pursuant to a supplement to the Pledge Agreement in the form of Annex A thereto.

9.13 Changes in Business. The Borrower and its Subsidiaries, taken as a whole, will not fundamentally and substantively alter the character of their business, taken as a whole, from the business conducted by the Borrower and its Subsidiaries, taken as a whole, on the Closing Date and other business activities incidental or related to any of the foregoing.

9.14 Further Assurances. (a) Holdings and the Borrower will, and will cause each other Credit Party to, execute any and all further documents, financing statements, agreements and instruments, and take all such further actions (including the filing and recording of financing statements, fixture filings, mortgages, deeds of trust and other documents), which may be required under any applicable law, or which the Administrative Agent, the Collateral Agent or the Required Lenders may reasonably request, in order to grant, preserve, protect and perfect the validity and priority of the security interests created or intended to be created by the Security Agreement, the Pledge Agreement or any Mortgage, all at the expense of Holdings and its Subsidiaries.

(b) Subject to any applicable limitations set forth in the Security Agreement or any Mortgage, if any assets (including any real estate or improvements thereto or any interest therein) with a book value or fair market value in excess of $3,000,000 are acquired by the Borrower or any other Credit Party after the Closing Date (other than assets constituting Collateral under the Security Agreement that become subject to the Lien of the Security Agreement upon acquisition thereof or assets subject to a Lien granted pursuant to Section 10.2(c)) that are of the nature secured by the Security Agreement or any Mortgage, as the case may be, the Borrower will notify the Administrative Agent (who shall thereafter notify the Lenders) and the Collateral Agent thereof, and, if requested by the Administrative Agent, the Collateral Agent or the Required Lenders, the Borrower will cause such assets to be subjected to a Lien securing the applicable Obligations and will take, and cause the other Credit Parties to take, such actions as shall be necessary or reasonably requested by the Administrative Agent or the Collateral Agent to grant and perfect such Liens consistent with the applicable requirements of the Security Documents, including actions described in paragraph (a) of this Section, all at the

expense of the Credit Parties. Any Mortgage delivered to the Collateral Agent in accordance with the preceding sentence shall be accompanied by (x) a policy or policies of title insurance issued by a nationally recognized title insurance company insuring the Lien of each Mortgage as a valid Lien (with the priority described therein) on the Mortgaged Property described therein, free of any other Liens except as expressly permitted by Section 10.2, together with such endorsements and reinsurance as the Administrative Agent or the Collateral Agent may reasonably request and (y) an opinion of local counsel to the Borrower (or in the event a Subsidiary of the Borrower is the Mortgagor, to such Subsidiary) substantially in the form of the local counsel opinion delivered on the Closing Date pursuant to Section 6.3(c) of the 2005 Credit Agreement.

SECTION 10. Negative Covenants

Each of Holdings and the Borrower hereby covenants and agrees that on the Closing Date and thereafter, until the Commitments and all Letters of Credit have terminated (unless such Letters of Credit have been collateralized on terms and conditions satisfactory to the Letter of Credit Issuer following the termination of the Commitments) and the Loans and Unpaid Drawings, together with interest, Fees and all other Obligations (excluding contingent indemnification obligations or Obligations with respect to Hedging Agreements) incurred hereunder, are paid in full:

10.1 Limitation on Indebtedness. Holdings and the Borrower will not, and will not permit any of the Restricted Subsidiaries to, create, incur, assume or suffer to exist any Indebtedness, except:

(a) Indebtedness arising under the Credit Documents;

(b) Indebtedness of (i) Holdings, the Borrower or any Subsidiary who is a Guarantor owing to Holdings, the Borrower or any Subsidiary, (ii) any Subsidiary who is not a Guarantor owing to any other Subsidiary who is not a Guarantor and (iii) subject to Section 10.5, any Subsidiary who is not a Guarantor owing to Holdings, the Borrower or any Subsidiary who is a Guarantor;

(c) Indebtedness in respect of any bankers' acceptance, bank guarantees, letter of credit, warehouse receipt or similar facilities entered into in the ordinary course of business and not in respect of Hedging Agreements;

(d) Guarantee Obligations incurred by (i) any Restricted Subsidiary in respect of Indebtedness of Holdings, the Borrower or any other Restricted Subsidiary that is permitted to be incurred under this Agreement and (ii) Holdings or the Borrower in respect of Indebtedness of Holdings, the Borrower or any Restricted Subsidiary that is permitted to be incurred under this Agreement;

(e) Guarantee Obligations incurred in the ordinary course of business in respect of obligations to suppliers, customers, franchisees, lessors and licensees;

(f) (i) Indebtedness (including Indebtedness arising under Capital Leases) the proceeds of which are used to finance the acquisition, construction or improvement of fixed or

capital assets, or otherwise incurred in respect of Capital Expenditures, (ii) Indebtedness arising under Capital Leases entered into in connection with Permitted Sale Leasebacks, (iii) Indebtedness arising under Capital Leases, other than Capital Leases in effect on the Closing Date (and set forth on Schedule 10.1) and Capital Leases entered into pursuant to subclauses (i) and (ii) above; provided, that the aggregate amount of Indebtedness incurred pursuant to this subclause (iii) shall not exceed $10,000,000 at any time outstanding (excluding the aggregate amount of any operating leases which are subsequently reclassified or recharacterized as Capital Leases under GAAP), and (iv) any modification, replacement, refinancing, refunding, renewal or extension of any Indebtedness specified in subclause (i), (ii) or (iii) above, provided that, except to the extent otherwise expressly permitted hereunder, the principal amount of any Indebtedness, modified, replaced, refinanced, refunded, renewed or extended pursuant to this clause (iv) does not exceed the principal amount thereof outstanding immediately prior to such modification, replacement, refinancing, refunding, renewal or extension, except by an amount equal to the unpaid accrued interest and premium thereon plus other reasonable amounts paid and fees and expenses incurred in connection with such modification, replacement, refinancing, refunding, renewal or extension;

(g) Closing Date Indebtedness (other than the Senior Unsecured Subordinated Notes) and any modification, replacement, refinancing, refunding, renewal or extension thereof, provided that, except to the extent otherwise expressly permitted hereunder, (i) the principal amount of any Indebtedness, modified, replaced, refinanced, refunded, renewed or extended pursuant to this clause (g) does not exceed the principal amount thereof outstanding immediately prior to such modification, replacement, refinancing, refunding, renewal or extension except by an amount equal to the unpaid accrued interest and premium thereon plus other reasonable amounts paid and fees and expenses incurred in connection with such modification, replacement, refinancing, refunding, renewal or extension and (ii) the direct and contingent obligors with respect to such Indebtedness are not changed;

(h) Indebtedness in respect of Hedging Agreements;

(i) (i) Indebtedness in respect of Senior Unsecured Subordinated Notes and any refinancing, refunding, renewal or extension thereof; provided, that, except to the extent otherwise expressly permitted hereunder, (x) the principal amount thereof does not exceed the sum of (A) the principal amount thereof outstanding immediately prior to such refinancing, refunding, renewal or extension plus (B) the amount of any interest, premiums or penalties required to be paid thereon plus (C) reasonable fees and expenses, associated thereof, (y) the direct and contingent obligors with respect to such Indebtedness are not changed and (z) such Indebtedness has terms material to the interests of the Lenders not materially less advantageous to the Lenders, taken as a whole, than those of the Senior Unsecured Subordinated Notes being refinanced (such refinancing, refunding, renewed or extended Indebtedness, "Refinanced Senior Unsecured Subordinated Notes"), and (ii) Indebtedness in respect of Permitted Additional Notes to the extent the Net Cash Proceeds therefrom are, immediately after the receipt thereof, applied to the prepayment of Term Loans in accordance with Section 5.2(a)(i);

(j) (i) Indebtedness of a Person or Indebtedness attaching to assets of a Person that, in either case, becomes a Restricted Subsidiary or Indebtedness attaching to assets that are acquired by the Borrower or any Restricted Subsidiary, in each case after the Closing Date as the

result of a Permitted Acquisition; provided, that (x) such Indebtedness existed at the time such Person became a Restricted Subsidiary or at the time such assets were acquired and, in each case, was not created in anticipation thereof, (y) such Indebtedness is not guaranteed in any respect by Holdings, the Borrower or any Restricted Subsidiary (other than any such person that so becomes a Restricted Subsidiary) and (z)(A) the Capital Stock of such Person is pledged to the Collateral Agent to the extent required under Section 9.12 and (B) such Person executes a supplement to each of the Guarantee, the Security Agreement and the Pledge Agreement (or alternative guarantee and security arrangements in relation to the Obligations) to the extent required under Section 9.11 or 9.12, as applicable (provided that the assets covered by such pledges and securing interests may, to the extent permitted under Section 10.2, equally and ratably secure such Indebtedness assumed), and (ii) any modification, replacement, refinancing, refunding, renewal or extension of any Indebtedness specified in subclause (i) above; provided that, except to the extent otherwise expressly permitted hereunder, the principal amount of any Indebtedness modified, replaced, refinanced, refunded, renewed or extended pursuant to this clause (ii) does not exceed the principal amount thereof outstanding immediately prior to such modification, replacement, refinancing, refunding, renewal or extension except by an amount equal to the unpaid accrued interest and premium thereon plus other reasonable amounts paid and fees and expenses incurred in connection with such modification, replacement, refinancing, refunding, renewal or extension;

(k) (i) Indebtedness of Holdings, the Borrower or any Restricted Subsidiary incurred to finance a Permitted Acquisition; provided, that (x) if such Indebtedness is incurred by a Restricted Subsidiary that is not a Guarantor, such Indebtedness is not guaranteed in any respect by Holdings, the Borrower or any other Guarantor except as permitted under Section 10.5 and (y)(A) the Borrower or such other relevant Credit Party pledges the Capital Stock of any Person acquired in such Permitted Acquisition (the "acquired Person") to the Collateral Agent to the extent required under Section 9.12 and (B) such acquired Person executes a supplement to the Guarantee, the Security Agreement and the Pledge Agreement (or alternative guarantee and security arrangements in relation to the Obligations) to the extent required under Sections 9.11 or 9.12, as applicable, (provided that the assets covered by such pledges and securing interests may, to the extent permitted by Section 10.2, equally and ratably secure such Indebtedness incurred) and (ii) any modification, replacement, refinancing, refunding, renewal or extension of any Indebtedness specified in subclause (i) above; provided that, except to the extent otherwise expressly permitted hereunder, the principal amount of any Indebtedness modified, replaced, refinanced, refunded, renewed or extended pursuant to this clause (ii) does not exceed the principal amount thereof outstanding immediately prior to such modification, replacement, refinancing, refunding, renewal or extension except by an amount equal to the unpaid accrued interest and premium thereon plus other reasonable amounts paid and fees and expenses incurred in connection with such modification, replacement, refinancing, refunding, renewal or extension;

(l) (i) Indebtedness incurred in connection with any Permitted Sale Leaseback and (ii) any refinancing, refunding, renewal or extension of any Indebtedness specified in subclause (i) above; provided, that, except to the extent otherwise expressly permitted hereunder, the principal amount of any such Indebtedness does not exceed the sum of (x) the principal amount thereof outstanding immediately prior to such refinancing, refunding, renewal or extension plus (y) the amount of any interest, premiums or penalties required, to be paid thereon plus (z) reasonable fees associated therewith;

(m) unsecured Indebtedness in respect of obligations of the Borrower or any Restricted Subsidiary to pay the deferred purchase price of goods or services or progress payments in connection with such goods and services; provided, that such obligations are incurred in connection with open accounts extended by suppliers on customary trade terms (which require that all such payments be made within 60 days after the incurrence of the related obligation) in the ordinary course of business and not in connection with the borrowing of money or any Hedging Agreements;

(n) Indebtedness arising from agreements of Holdings, the Borrower or any Restricted Subsidiary providing for indemnification, adjustment of purchase price or similar obligations, in each case incurred or assumed in connection with Permitted Acquisitions and the disposition of any business, assets or Capital Stock permitted hereunder, other than Guarantee Obligations incurred by any Person acquiring all or any portion of such business, assets or Capital Stock for the purpose of financing such acquisition; provided, that (i) such Indebtedness is not reflected on the balance sheet of the Borrower or any Restricted Subsidiary (contingent obligations referred to in a footnote to financial statements and not otherwise reflected on the balance sheet will not be deemed to be reflected on such balance sheet for purposes of this clause (i)) and (ii) the maximum assumable liability in respect of all such Indebtedness shall at no time exceed the gross proceeds, including non-cash proceeds (the fair market value of such non-cash proceeds being measured at the time received and without giving effect to any subsequent changes in value), actually received by the Borrower and the Restricted Subsidiaries in connection with such disposition;

(o) Indebtedness in respect of performance bonds, bid bonds, appeal bonds, surety bonds, performance and completion guarantees and similar obligations incurred in the ordinary course of business and not in connection with the borrowing of money or Hedging Agreements;

(p) Indebtedness of Holdings, the Borrower or any Restricted Subsidiary consisting of obligations to pay insurance premiums arising in the ordinary course of business and not in connection with the borrowing of money or Hedging Agreements;

(q) Indebtedness in respect of Margin Lines of Credit and Warehouse Lines of Credit;

(r) Indebtedness representing deferred compensation to employees, consultants and independent contractors of Holdings, the Borrower and the Restricted Subsidiaries incurred in the ordinary course of business;

(s) subordinated Indebtedness consisting of promissory notes issued by any Credit Party to current or former officers, directors, managers, consultants and employees, their respective successors, executors, administrators, heirs, legatees or distributees to finance the retirement, acquisition, repurchase or redemption of Capital Stock permitted by Section 10.6;

(t) cash management obligations and other Indebtedness in respect of netting services, overdraft protections, automatic clearinghouse arrangements, employee credit cards and

similar arrangements in each case in the ordinary course of business and consistent with past business practices;

(u) all customary premiums (if any), interest (including post-petition interest), fees, expenses, charges and additional or contingent interest on obligations described in each of the clauses of this Section 10.1;

(v) New Term Loans, Revolving Credit Increases and Permitted Additional Notes and any refinancing, refunding, renewal or extension thereof; provided, that the aggregate principal amount of Indebtedness outstanding at any time pursuant to this clause (v) shall not at any time exceed $150,000,000; and

(w) additional Indebtedness and any refinancing, refunding, renewal or extension thereof; provided, that the aggregate principal amount of Indebtedness outstanding at any time pursuant to this clause (w) shall not at any time exceed $25,000,000; provided that the Borrower and the Restricted Subsidiary may incur additional Indebtedness under this clause (w) in an aggregate principal amount not to exceed the product of (1) (x) 7.5% multiplied by (y) the Consolidated EBITDA Growth Factor multiplied by (2) $1,300,000,000.

10.2 Limitation on Liens. Holdings and the Borrower will not, and will not permit any of the Restricted Subsidiaries to, create, incur, assume or suffer to exist any Lien upon any property or assets of any kind (real or personal, tangible or intangible) of Holdings, the Borrower or any Restricted Subsidiary, whether now owned or hereafter acquired, except:

(a) Liens securing the Obligations;

(b) Permitted Liens;

(c) Liens securing Indebtedness permitted pursuant to Section 10.1(f); provided, that such Liens attach at all times only to the assets financed with such Indebtedness;

(d) Liens existing on the Closing Date and listed on Schedule 10.2;

(e) the replacement, extension, modification or renewal of any Lien permitted by clauses (a) through (d) above and clauses (f) and (g) of this Section 10.2 upon or in the same assets theretofore subject to such Lien (other than after-acquired property that is affixed or incorporated into the property covered by such lien or financed by Indebtedness permitted under Section 10.1 and proceeds and products thereof) or the replacement, extension, modification or renewal (without increase in the amount except to the extent otherwise expressly permitted hereunder) of the Indebtedness secured thereby;

(f) Liens existing on the assets of any Person that becomes a Restricted Subsidiary, or existing on assets acquired, pursuant to a Permitted Acquisition to the extent the Liens on such assets secure Indebtedness permitted by Section 10.1(j); provided, that such Liens attach at all times only to the same assets that such Liens (other than after-acquired property that is affixed or incorporated into the property covered by such lien or financed by Indebtedness permitted under Section 10.1 and proceeds and products thereof) attached to, and secure only the same Indebtedness that such Liens secured, immediately prior to such Permitted Acquisition;

(g) (i) Liens placed upon the Capital Stock of any Restricted Subsidiary acquired pursuant to a Permitted Acquisition to secure Indebtedness incurred pursuant to Section 10.1(k) in connection with such Permitted Acquisition and (ii) Liens placed upon the assets of such Restricted Subsidiary to secure a guarantee by such Restricted Subsidiary of any such Indebtedness of Holdings, the Borrower or any other Restricted Subsidiary;

(h) Liens securing Indebtedness or other obligations of Holdings, the Borrower or a Subsidiary in favor of Holdings, the Borrower or any Subsidiary that is a Guarantor and Liens securing Indebtedness or other obligations of any Subsidiary that is not a Guarantor in favor of any Subsidiary that is not a Guarantor;

(i) Liens of a collection bank arising under Section 4-210 of the Uniform Commercial Code on items in the course of collection and (ii) in favor of a banking institution arising as a matter of law encumbering deposits (including the right to set off) and which are within the general parameters customary in the banking industry;

(j) Liens (i) on cash advances in favor of the seller of any property to be acquired in an Investment permitted pursuant to Sections 10.5 to be applied against the purchase price for such Investment, and (ii) consisting of an agreement to sell, transfer, lease or otherwise dispose of any property in a transaction permitted under Section 10.4, in each case, solely to the extent such Investment or sale, disposition, transfer or lease, as the case may be, would have been permitted on the date of the creation of such Lien;

(k) Liens arising out of conditional sale, title retention, consignment or similar arrangements for sale of goods entered into by the Borrower or any of the Restricted Subsidiaries in the ordinary course of business permitted by this Agreement;

(l) Liens deemed to exist in connection with Investments in repurchase agreements permitted under Section 10.5;

(m) Liens encumbering reasonable customary initial deposits and margin deposits and similar Liens attaching to commodity trading accounts or other brokerage accounts incurred in the ordinary course of business and not for speculative purposes;

(n) Liens that are contractual rights of set-off (i) relating to the establishment of depository relations with banks not given in connection with the issuance of Indebtedness, (ii) relating to pooled deposit, automatic clearinghouse or sweep accounts of Holdings, the Borrower or any Restricted Subsidiary to permit satisfaction of overdraft or similar obligations incurred in the ordinary course of business of Holdings, the Borrower and the Restricted Subsidiaries or (iii) relating to purchase orders and other agreements entered into with customers of Holdings, the Borrower or any Restricted Subsidiary in the ordinary course of business;

(o) Liens solely on any cash earnest money deposits made by Holdings, the Borrower or any of the Restricted Subsidiaries in connection with any letter of intent or purchase agreement permitted hereunder;

(p) Liens on insurance policies and the proceeds thereof securing the financing of the premiums with respect thereto;

(q) Liens securing Indebtedness under any Margin Line of Credit or Warehouse Line of Credit; and

(r) other Liens not otherwise permitted by this Section 10.2 so long as the aggregate amount of obligations secured thereby does not exceed $10,000,000.

10.3 Limitation on Fundamental Changes. Except as expressly permitted by Section 10.4 or 10.5, Holdings and the Borrower will not, and will not permit any of the Restricted Subsidiaries to, enter into any merger, consolidation or amalgamation, or liquidate, wind up or dissolve itself (or suffer any liquidation or dissolution), or convey, sell, lease, assign, transfer or otherwise dispose of all or substantially all its business units, assets or other properties, except that:

(a) any Subsidiary of the Borrower or any other Person may be merged, amalgamated or consolidated with or into the Borrower; provided, that (i) the Borrower shall be the continuing or surviving corporation or the Person formed by or surviving any such merger, amalgamation or consolidation (if other than the Borrower) shall be an entity organized or existing under the laws of the United States, any state thereof, the District of Columbia or any territory thereof (the Borrower or such Person, as the case may be, being herein referred to as the "Successor Borrower"), (ii) the Successor Borrower (if other than the Borrower) shall expressly assume all the obligations of the Borrower under this Agreement and the other Credit Documents pursuant to a supplement hereto or thereto in form reasonably satisfactory to the Administrative Agent, (iii) no Default or Event of Default would result from the consummation of such merger, amalgamation or consolidation, (iv) the Successor Borrower shall be in compliance, on a pro forma basis after giving effect to such merger, amalgamation or consolidation, with the covenants set forth in Sections 10.9 and 10.10, as such covenants are recomputed as at the last day of the most recently ended Test Period under such Section as if such merger, amalgamation or consolidation had occurred on the first day of such Test Period, (v) each Guarantor, unless it is the other party to such merger or consolidation or unless the Successor Borrower is the Borrower, shall have by a supplement to the Guarantee confirmed that its Guarantee shall apply to the Successor Borrower's obligations under this Agreement, (vi) each Subsidiary grantor and each Subsidiary pledgor, unless it is the other party to such merger, amalgamation or consolidation or unless the Successor Borrower is the Borrower, shall have by a supplement to the Security Agreement and the Pledge Agreement confirmed that its obligations thereunder shall apply to the Successor Borrower's obligations under this Agreement, (vii) each mortgagor of a Mortgaged Property, unless it is the other party to such merger or consolidation or unless the Successor Borrower is the Borrower, shall have by an amendment to or restatement of the applicable Mortgage confirmed that its obligations thereunder shall apply to the Successor Borrower's obligations under this Agreement, (viii) the Borrower shall have delivered to the Administrative Agent an officer's certificate stating that such merger, amalgamation or consolidation and any supplements to this Agreement or any Security Document preserve the enforceability of the Guarantee and the perfection and priority of the Liens under the Security Documents and (ix) if reasonably requested by the Administrative Agent, an opinion of counsel to the effect that such merger, amalgamation or consolidation does not violate this Agreement or any other Credit Document; provided further that if the foregoing are satisfied, the Successor Borrower (if other than the Borrower) will succeed to, and be substituted for, the Borrower under this Agreement;

(b) any Subsidiary of the Borrower or any other Person may be merged, amalgamated or consolidated with or into any one or more Subsidiaries of the Borrower; provided, that (i) in the case of any merger, amalgamation or consolidation involving one or more Restricted Subsidiaries, (A) a Restricted Subsidiary shall be the continuing or surviving corporation or (B) the Borrower shall take all steps necessary to cause the Person formed by or surviving any such merger, amalgamation or consolidation (if other than a Restricted Subsidiary) to become a Restricted Subsidiary, (ii) in the case of any merger, amalgamation or consolidation involving one or more Guarantors, a Guarantor shall be the continuing or surviving corporation or the Person formed by or surviving any such merger, amalgamation or consolidation (if other than a Guarantor) shall execute a supplement to the Guarantee, the Security

Agreement, the Pledge Agreement and any applicable Mortgage in form and substance reasonably satisfactory to the Administrative Agent in order for such surviving corporation to become a Guarantor and pledgor, mortgagor and grantor of Collateral for the benefit of the Secured Parties, (iii) no Default or Event of Default would result from the consummation of such merger, amalgamation or consolidation, (iv) the Borrower shall be in compliance, on a pro forma basis after giving effect to such merger, amalgamation or consolidation, with the covenants set forth in Sections 10.9 and 10.10, as such covenants are recomputed as at the last day of the most recently ended Test Period under such Section as if such merger, consolidation or amalgamation had occurred on the first day of such Test Period, and (v) the Borrower shall have delivered to the Administrative Agent an officer's certificate stating that such merger, amalgamation or consolidation and such supplements to any Security Document preserve the enforceability of the Guarantee and the perfection and priority of the Liens under the Security Agreement;

(c) any Restricted Subsidiary that is not a Guarantor may sell, lease, transfer or otherwise dispose of any or all of its assets (upon voluntary liquidation or otherwise) to the Borrower, a Guarantor or any other Restricted Subsidiary of the Borrower;

(d) any Guarantor may sell, lease, transfer or otherwise dispose of any or all of its assets (upon voluntary liquidation or otherwise) to the Borrower or any other Guarantor; and

(e) any Restricted Subsidiary may liquidate or dissolve if (x) the Borrower determines in good faith that such liquidation or dissolution is in the best interests of the Borrower and is not materially disadvantageous to the Lenders and (y) to the extent such Restricted Subsidiary is a Credit Party, any assets or business not otherwise disposed of or transferred in accordance with Section 10.4 or 10.5, or, in the case of any such business, discontinued, shall be transferred to, or otherwise owned or conducted by, another Credit Party after giving effect to such liquidation or dissolution.

10.4 Limitation on Sale of Assets. Holdings and the Borrower will not, and will not permit any of the Restricted Subsidiaries to, (i) convey, sell, lease, assign, transfer or otherwise dispose of any of its property, business or assets (including receivables and leasehold interests), whether now owned or hereafter acquired (other than any such sale, transfer, assignment or other disposition resulting from a Recovery Event), or (ii) sell to any Person (other than the Borrower or a Guarantor) any shares owned by it of any Restricted Subsidiary's Capital Stock, except that:

(a) Holdings, the Borrower and the Restricted Subsidiaries may sell, transfer or otherwise dispose of the following in the ordinary course of business: (i) obsolete, worn-out, used or surplus assets to the extent such assets are not necessary for the operation of the Borrower's and its Subsidiaries' business; (ii) inventory, securities and goods held for sale; and (iii) cash and Permitted Investments;

(b) Holdings, the Borrower and the Restricted Subsidiaries may lease, license (on a non-exclusive basis with respect to intellectual property), or sublease or sublicense (on a non-exclusive basis with respect to intellectual property) real or personal property in the ordinary course of business;

(c) Holdings, the Borrower and the Restricted Subsidiaries may sell, transfer or otherwise dispose of other assets (other than accounts receivable) for fair value; provided, that (i) the aggregate amount of such sales, transfers and disposals by Holdings, the Borrower and the Restricted Subsidiaries, taken as a whole, pursuant to this clause (c) shall not exceed in the aggregate an amount equal to 10% of Consolidated Total Net Tangible Assets, (ii) any consideration in excess of $5,000,000 received by Holdings, the Borrower or any Guarantor in connection with such sales, transfers and other dispositions of assets pursuant to this clause (c) that is in the form of Indebtedness shall be pledged to the Administrative Agent pursuant to Section 9.12, (iii) with respect to any such sale, transfer or disposition (or series of related sales, transfers or dispositions) in an aggregate amount in excess of $20,000,000, the Borrower shall be in compliance, on a pro forma basis after giving effect to such sale, transfer or disposition, with the covenants set forth in Sections 10.9 and 10.10, as such covenants are recomputed as at the last day of the most recently ended Test Period under such Sections as if such sale, transfer or disposition had occurred on the first day of such Test Period and (iv) after giving effect to any such sale, transfer or disposition, no Default or Event of Default shall have occurred and be continuing;

(d) Holdings, the Borrower and the Restricted Subsidiaries may (i) sell or discount without recourse accounts receivable arising in the ordinary course of business in connection with the compromise or collection thereof and (ii) sell or transfer accounts receivable and related rights pursuant to customary receivables financing facilities so long as, in each case, the Net Cash Proceeds thereof to Holdings, the Borrower and the Restricted Subsidiaries are promptly applied to the prepayment of Term Loans pursuant to Section 5.2;

(e) Holdings, the Borrower and the Restricted Subsidiaries may sell, transfer or otherwise dispose of property or assets to Holdings, the Borrower or to a Restricted Subsidiary; provided, that if the transferor of such property is a Guarantor or the Borrower (i) the transferee thereof must either be the Borrower or a Guarantor or (ii) to the extent such transaction constitutes an Investment, such transaction is permitted under Section 10.5;

(f) the Borrower and the Restricted Subsidiaries may effect any transaction permitted by Section 10.3 and Holdings, the Borrower and the Restricted Subsidiaries may effect any transaction permitted by Section 10.6, 10.8 or Liens permitted by Section 10.2;

(g) the Borrower and the Restricted Subsidiaries may sell, transfer, sale leaseback, separately develop or otherwise dispose of the property listed on Schedule 1.1(a) (it

being understood that in any of such events the Mortgage will be released by the Collateral Agent upon the request made by the Borrower); and

(h) Holdings, the Borrower and the Restricted Subsidiaries may exchange or "swap" assets for other assets of another Person other than Holdings, the Borrower or any Restricted Subsidiary; provided, that (i) the assets received by Holdings, the Borrower or such Restricted Subsidiary will be used or useful in the business of Holdings, the Borrower and their Subsidiaries, (ii) Holdings, the Borrower or such Restricted Subsidiary shall receive reasonably equivalent value for such assets, (iii) such assets shall be received by Holdings, the Borrower or such Restricted Subsidiary substantially concurrently with the delivery of the existing assets of Holdings, the Borrower or such Restricted Subsidiary to such other Person, (iv) Holdings, the Borrower and such Restricted Subsidiaries shall account for such exchange or swap in accordance with GAAP and (v) any cash or Permitted Investments received in any such swap shall be treated as asset sale proceeds subject to the limitations of Section 10.4(c) and not this Section 10.4(h).

10.5 Limitation on Investments. Holdings and the Borrower will not, and will not permit any of the Restricted Subsidiaries to, make any advance, loan, extensions of credit or capital contribution to, or purchase any stock, bonds, notes, debentures or other securities of or any assets of, or make any other investment in, any Person (all of the foregoing, "Investments"), except:

(a) extensions of trade credit, asset purchases (including purchases of inventory, supplies and materials) and the licensing or contribution of intellectual property pursuant to joint marketing arrangements with other Persons, in each case in the ordinary course of business;

(b) Permitted Investments;

(c) loans and advances to officers, directors and employees of Holdings, the Borrower or any of its Subsidiaries (i) to finance the purchase of Capital Stock of Holdings (or any direct or indirect parent thereof; provided, that the amount of such loans and advances used to acquire such Capital Stock shall be contributed to Holdings or the Borrower, as applicable, in cash as common equity) or the Borrower, (ii) for reasonable and customary business related travel expenses, moving expenses and similar expenses, in each case incurred in the ordinary course of business, and (iii) for additional purposes not contemplated by subclause (i) or (ii) above in an aggregate principal amount at any time outstanding with respect to this clause (iii) not exceeding $10,000,000;

(d) Investments existing on the Closing Date and listed on Schedule 10.5 and any extensions, renewals or reinvestments thereof, so long as the aggregate amount of all Investments pursuant to this clause (d) is not increased at any time above the amount of such Investments existing on the Closing Date;

(e) Investments in Hedging Agreements permitted by Section 10.1(h);

(f) Investments received in connection with the bankruptcy or reorganization of supplier or customers and in settlement of delinquent obligations of, and other disputes with,

customers arising in the ordinary course of business or upon the foreclosure with respect to any secured Investment or other transfer of title with respect to any secured Investment;

(g) Investments to the extent that payment for such investments is made solely with Capital Stock of Holdings (or any direct or indirect parent thereof) or the Borrower;

(h) Investments constituting non-cash proceeds of sales, transfers and other dispositions of assets to the extent permitted by Section 10.4;

(i) Investments in the Borrower or any Guarantor and Investments by any Subsidiary that is not a Guarantor in any other Subsidiary;

(j) Investments constituting Permitted Acquisitions, provided, that the aggregate amount of any such Investment, as valued at the fair market value of such Investment at the time each such Investment is made, made by the Borrower or any Restricted Subsidiary in any Subsidiary that shall not be, or after giving effect to such Investment, shall not become a Guarantor shall not exceed (i) $250,000,000 plus (ii) the Available Amount plus (iii) an amount equal to any repayments, interest, returns, profits, distributions, income and similar amounts actually received in cash in respect of any such Investment (which amount shall not exceed the amount of such Investment valued at the fair market value of such Investment at the time such Investment was made);

(k) Investments in the equity interests of one or more newly formed Persons that are received in consideration of the contribution by Holdings, the Borrower or the applicable Restricted Subsidiaries of assets (including Capital Stock) to such person or persons; provided, that (i) the fair market value of such assets, determined on an arms-length basis, so contributed pursuant to this paragraph (k) shall not in the aggregate exceed $10,000,000 and (ii) in respect of each such contribution, an Authorized Officer of the Borrower shall certify, in a form to be agreed upon by the Borrower and the Administrative Agent (x) after giving effect to such contribution, no Default or Event of Default shall have occurred and be continuing, (y) the fair market value of the assets so contributed and (z) that the requirements of clause (i) of this proviso remain satisfied;

(l) Investments made to repurchase or retire Capital Stock of Holdings (or any direct or indirect parent thereof) or the Borrower owned by any employee stock ownership plan or key employee stock ownership plan of Holdings (or any direct or indirect parent thereof) or the Borrower;

(m) Investments in the business of the Borrower and its Restricted Subsidiaries made by the Borrower or any of its Restricted Subsidiaries with the proceeds of any Asset Sale Prepayment Event or Recovery Event prior to the end of the Reinvestment Period or pursuant to an Acceptable Reinvestment Commitment or Restoration Certification;

(n) the Borrower may make a loan to Holdings that could otherwise be made as a Dividend permitted under Section 10.6;

(o) Investments in the ordinary course of business consisting of Article 3 endorsements for collection or deposit and Article 4 customary trade arrangements with customers consistent with past practices;

(p) advances of payroll payments to employees, consultants and independent contractors in the ordinary course of business;

(q) Investments of a Restricted Subsidiary acquired after the Closing Date or of a corporation merged into the Borrower or merged or consolidated with a Restricted Subsidiary in accordance with Section 10.3 after the Closing Date to the extent that such Investments were not made in contemplation of, or in connection with, such acquisition, merger or consolidation and were in existence on the date of such acquisition, merger or consolidation;

(r) Guarantees by Holdings, the Borrower or any Restricted Subsidiary of leases (other than Capital Leases) or of other obligations that do not constitute Indebtedness, in each case entered into in the ordinary course of business;

(s) Investments of any OCC-Regulated Subsidiary in the Capital Stock of the Federal Reserve Bank in the district in which such Subsidiary is located in accordance with the provisions of the Federal Reserve Act;

(t) Investments in "seed investment portfolios" for the purpose of testing and determining model portfolios in the ordinary course of business and consistent with past business practice; provided, that such Investments as valued at the fair market value of such Investments at the time each such Investment is made, would not exceed (i) $10,000,000 plus (ii) the Available Amount plus (iii) an amount equal to any repayments, interest, returns, profits, distributions, income and similar amounts actually received in cash in respect of any such Investment (which amount shall not exceed the amount of such Investment valued at the fair market value of such Investment at the time such Investment was made);

(u) intercompany Investments by Holdings, the Borrower or any Guarantor in any Person that, prior to such investment, is an Excluded Subsidiary; provided, that the amount of such Investment, as valued at the fair market value of such Investment at the time such Investment is made, shall not exceed (i) $10,000,000 plus (ii) the Available Amount plus (iii) an amount equal to any repayments, interest, returns, profits, distributions, income and similar amounts actually received in cash in respect of any such Investment (which amount shall not exceed the amount of such Investment valued at the fair market value of such Investment at the time such Investment was made);

(v) (i) Investments permitted under Section 10.6 or the proviso to Section 9.9 and (ii) Guarantee Obligations permitted under Section 10.1;

(w) intercompany Investments in the form of loans, advances or extensions of credit by any Credit Party to any Excluded Subsidiary in the ordinary course of business for working capital purposes; provided, that such loans, advances or extensions of credit shall be evidenced by one global promissory note that shall be pledged to the Collateral Agent for the benefit of the Secured Parties and which shall be executed by each Excluded Subsidiary which shall receive such loan, advance or extension of credit;

(x) to the extent constituting an Investment, Margin Loans, mortgage and warehouse loans and other similar advances and extensions of credit made by the Borrower or any Restricted Subsidiary in the ordinary course of business to their respective customers;

(y) Investments made by the Borrower within 10 Business Days after the Closing Date in PTC Holdings, Inc. and The Private Trust Company, N.A. in an aggregate amount as valued at the fair market value of such Investment at the time made not to exceed $7,000,000;

(z) Securities Owned (as set forth on the balance sheet of the Broker-Dealer Regulated Subsidiary) for a period no longer than 10 Business Days following a securities trade from a customer account and constituting securities transactions entered into by the Broker-Dealer Regulated Subsidiary for the purpose of making adjustments to such Subsidiary's customer accounts with respect to such securities trade, with the fair market value of all such Securities Owned (as set forth on the balance sheet of the Broker-Dealer Regulated Subsidiary), not to exceed $10,000,000 in the aggregate at any time outstanding;

(aa) (i) any additional Investments (including Investments in Minority Investments and Unrestricted Subsidiaries and in joint ventures or similar entities that do not constitute Restricted Subsidiaries) as valued at the fair market value of such Investment at the time each such Investment is made and (ii) Investments in respect of loans and advances to licensed financial advisors to facilitate the transfer of such advisors' businesses to the Borrower and its Subsidiaries or to platforms utilized by the Borrower and its Subsidiaries, for the purchase of other financial advisors' businesses and for incidental and working capital purposes; provided, that the aggregate amount of all such additional Investments made pursuant to this clause (aa) shall not exceed an aggregate amount that, at the time each such Investment is made, would not exceed the sum of (x) $125,000,000 plus (y) the Available Amount plus (z) an amount equal to any repayments, interest, returns, profits, distributions, income and similar amounts actually received in cash in respect of all such Investments (which amount shall not exceed the amount of all Investments valued at the fair market value of all such Investments at the time each respective Investment was made), provided that the amount in clause (x) shall be permanently increased to $250,000,000 upon the earliest to occur of (1) the Borrower's corporate family rating by Moody's is Ba3 or better or (2) the Consolidated Total Debt to Consolidated EBITDA Ratio is less than or equal to 4.00:1.00;

(bb) Investments in connection with the UVEST Acquisition; and

(cc) Investments in connection with the Pacific Life Acquisition.

10.6 Limitation on Dividends. Neither Holdings nor the Borrower will declare or pay any dividends (other than (a) in respect of Holdings, dividends payable solely in respect of its Capital Stock and (b) in respect of the Borrower, dividends payable solely in respect of its Capital Stock) or return any capital to its stockholders or make any other distribution, payment or delivery of property or cash to its stockholders as such, or redeem, retire, purchase or otherwise acquire, directly or indirectly, for consideration, any shares of any class of its Capital Stock or the Capital Stock of any direct or indirect parent now or hereafter outstanding (or any options or warrants or stock appreciation rights issued with respect to any of

its Capital Stock), or set aside any funds for any of the foregoing purposes, or permit any of the Restricted Subsidiaries to purchase or otherwise acquire for consideration (other than in connection with an investment permitted by Section 10.5) any shares of any class of the Capital Stock of Holdings or the Capital

Stock of the Borrower, now or hereafter outstanding (or any options or warrants or stock appreciation rights issued with respect to any of its Capital Stock) (all of the foregoing "Dividends"):

(a) Holdings or the Borrower may (i) redeem in whole or in part any of its Capital Stock for another class of Capital Stock or rights to acquire its Capital Stock or with proceeds from substantially concurrent equity contributions or issuances of new shares of its Capital Stock; provided, that any terms and provisions material to the interests of the Lenders contained in such other class of Capital Stock be at least as advantageous to the Lenders, taken as a whole, as those contained in the Capital Stock redeemed thereby or (ii) so long as no Default or Event of Default has occurred and is continuing, declare and pay dividends or make distributions in the amount of proceeds of equity contributions or issuances of new shares of Capital Stock (other than Equity Contributions, issuances of Permitted Cure Securities or other equity contributions to the extent utilized in connection with other transactions permitted pursuant to Section 10.5 or 10.6);

(b) Holdings or the Borrower may redeem, acquire, retire or repurchase (and the Borrower and its Subsidiaries may declare and pay Dividends to Holdings, the proceeds of which are used to so redeem, acquire, retire or repurchase) Capital Stock (including related stock appreciation rights or similar securities) (or to allow any of Holdings' direct or indirect parent companies to so redeem, acquire, retire or repurchase its Capital Stock) from present or former officers, managers, consultants, employees and directors (or their respective successors, executors, administrators, heirs, legatees or distributees) of Holdings (or any direct or indirect parent thereof), the Borrower and its Subsidiaries, with the proceeds of Dividends from, seriatim, Holdings or the Borrower, 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; provided, that except with respect to non-discretionary repurchases, acquisitions, retirement, or redemptions pursuant to the terms of any such agreement, the aggregate amount of all cash paid in respect of all such shares so redeemed, acquired, retired or repurchased in any calendar year does not exceed the sum of (i) $5,000,000 plus (ii) all amounts obtained by Holdings or the Borrower during such calendar year from the sale of such Capital Stock to other present or former officers, consultants, employees and directors in connection with any permitted compensation and incentive arrangements plus (iii) all amounts obtained from any key-man life insurance policies received during such calendar year; notwithstanding the foregoing, 100% of the unused amount of payments in respect of this clause (b) may be carried forward to the next succeeding fiscal year and utilized to make payments pursuant to this clause (b);

(c) Holdings, the Borrower and the Restricted Subsidiaries may make Investments permitted by Section 10.5;

(d) to the extent constituting Dividends, Holdings may enter into and consummate transactions expressly permitted by Section 10.3 or the proviso to Section 9.9;

(e) Holdings may pay Dividends on the First Restatement Effective Date to consummate the UVEST Acquisition;

(f) Holdings may pay Dividends on the Effective Date to consummate the Pacific Life Acquisition; and

(g) the Borrower may make and pay Dividends to Holdings:

(i) the proceeds of which will be used to pay (or to make Dividends to allow any direct or indirect parent of Holdings to pay) the tax liability to each relevant jurisdiction in respect of consolidated, combined, unitary or affiliated returns for the relevant jurisdiction of Holdings (or such parent) attributable to Holdings, the Borrower or its Subsidiaries;

(ii) the proceeds of which shall be used by Holdings to pay (or to make Dividends to allow any direct or indirect parent of Holdings 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 Holdings (or any parent thereof);

(iii) the proceeds of which shall be used by Holdings to pay franchise taxes and other fees, taxes and expenses required to maintain its (or any of its direct or indirect parents') corporate existence;

(iv) the proceeds of which shall be used by Holdings to make Restricted Payments permitted by Section 10.6; and

(v) the proceeds of which shall be used by Holdings to pay (or to make Dividends to allow any direct or indirect parent thereof to pay) fees and expenses (other than to Affiliates) related to any unsuccessful equity or debt offering permitted by this Agreement;

(h) Holdings may declare and make distributions or pay dividends on its Capital Stock; provided, that (i) the aggregate amount of such distributions paid or made by Holdings pursuant to this Section 10.6(g) shall not at any time exceed 50% of cumulative Consolidated Net Income at such time and (ii) at the time of payment of such dividends or the making of such distributions, and after giving effect thereto, the Borrower's ratio of Consolidated Total Debt on the date of such payment of dividends or making of such distributions to Consolidated EBITDA for the most recent Test Period ended prior to the date of such payment of dividends or the making of such distributions and calculated as if such payment of dividends or making of such distributions had occurred on the first day of such Test Period, shall be less than 3.50:1.00.

10.7 Limitations on Debt Payments and Amendments. (a) The Borrower will not prepay, repurchase or redeem or otherwise defease any Senior Unsecured Subordinated Notes or Refinanced Senior Unsecured Subordinated Notes (it being understood that any payment of principal prior to the Senior Unsecured Subordinated Note Maturity Date shall be deemed a prepayment for purposes of this Section 10.7(a)) or other subordinated

Indebtedness permitted hereunder; provided, however, that so long as no Default or Event of Default has occurred and is continuing, the Borrower or any Restricted Subsidiary may prepay, repurchase or redeem any Senior Unsecured Subordinated Notes or Refinanced Senior Unsecured Subordinated Notes (i) for an aggregate price which will not exceed, when taken together with prepayments permitted by subclause (b) below, (x) $25,000,000 plus (y) the Available Amount at the time of such prepayment, repurchase or redemption or (ii) with the proceeds of Refinanced Senior Unsecured Subordinated Notes or Indebtedness subordinated to the Obligations that is permitted by Section 10.1 and that has terms that, taken as a whole, are not materially less favorable to the Lenders than the Senior Unsecured Subordinated Notes.

(b) The Borrower will not prepay, repurchase or redeem or otherwise defease any Permitted Additional Notes (it being understood that any payment of principal prior to the Senior Unsecured Subordinated Note Maturity Date shall be deemed a prepayment for purposes of this Section 10.7(b)); provided, however, that so long as no Default or Event of Default has occurred and is continuing, the Borrower or any Restricted Subsidiary may prepay, repurchase or redeem any Permitted Additional Notes (i) for an aggregate price which will not exceed, when taken together with prepayments permitted by subclause (a) above, (x) $25,000,000 plus (y) the Available Amount at the time of such prepayment, repurchase or redemption or (ii) with the proceeds of other Permitted Additional Notes or other Indebtedness subordinated to the Obligations that is permitted by Section 10.1 and that has terms that, taken as a whole, are not materially less favorable to the Lenders than the Permitted Additional Notes being refinanced.

(c) The Borrower will not waive, amend, modify or terminate the Senior Unsecured Subordinated Note Indenture or any indenture governing Refinanced Senior Unsecured Subordinated Notes to the extent that any such waiver, amendment, modification, or termination would be adverse to the Lenders in any material respect.

10.8 Limitations on Sale Leasebacks. The Borrower will not, and will not permit any of the Restricted Subsidiaries to, enter into or effect any Sale Leasebacks, other than Permitted Sale Leasebacks.

10.9 Consolidated Total Debt to Consolidated EBITDA Ratio. The Borrower will not permit the Consolidated Total Debt to Consolidated EBITDA Ratio for any Test Period ending during any period set forth below to be greater than the ratio set forth below opposite such period:

Period	Ratio
October 1, 2006 through March 31, 2007	7.90 to 1.00
April 1, 2007 through June 30, 2007	7.40 to 1.00
July 1, 2007 through September 30, 2007	6.90 to 1.00
October 1, 2007 through December 31, 2007	6.70 to 1.00
January 1, 2008 through March 31, 2008	6.50 to 1.00
April 1, 2008 through June 30, 2008	6.25 to 1.00
July 1, 2008 through September 30, 2008	5.90 to 1.00
October 1, 2008 through December 31, 2008	5.60 to 1.00
January 1, 2009 through March 31, 2009	5.40 to 1.00
April 1, 2009 through June 30, 2009	5.10 to 1.00
July 1, 2009 through September 30, 2009	4.90 to 1.00
October 1, 2009 through December 31, 2009	4.60 to 1.00
January 1, 2010 through March 31, 2010	4.40 to 1.00
April 1, 2010 through June 30, 2010	4.10 to 1.00
July 1, 2010 through September 30, 2010	3.90 to 1.00
October 1, 2010 through December 31, 2010	3.70 to 1.00
January 1, 2011 through March 31, 2011	3.50 to 1.00
April 1, 2011 through June 30, 2011	3.25 to 1.00
Thereafter	3.00 to 1.00

10.10 Consolidated EBITDA to Consolidated Interest Expense Ratio. The Borrower will not permit the Consolidated EBITDA to Consolidated Interest Expense Ratio for any Test Period ending during any period set forth below to be less than the ratio set forth below opposite such period:

Period	Ratio
October 1, 2006 through March 31, 2007	1.30 to 1.00
April 1, 2007 through June 30, 2007	1.40 to 1.00
July 1, 2007 through September 30, 2007	1.50 to 1.00
October 1, 2007 through December 31, 2007	1.55 to 1.00
January 1, 2008 through March 31, 2008	1.60 to 1.00
April 1, 2008 through June 30, 2008	1.65 to 1.00
July 1, 2008 through September 30, 2008	1.75 to 1.00
October 1, 2008 through December 31, 2008	1.85 to 1.00
January 1, 2009 through March 31, 2009	1.90 to 1.00
April 1, 2009 through June 30, 2009	2.00 to 1.00
July 1, 2009 through September 30, 2009	2.05 to 1.00
October 1, 2009 through December 31, 2009	2.15 to 1.00
January 1, 2010 through March 31, 2010	2.25 to 1.00
April 1, 2010 through June 30, 2010	2.35 to 1.00
July 1, 2010 through September 30, 2010	2.50 to 1.00
October 1, 2010 through December 31, 2010	2.60 to 1.00

January 1, 2011 through March 31, 2011	2.75 to 1.00
April 1, 2011 through June 30, 2011	2.95 to 1.00
Thereafter	3.00 to 1.00

10.11 **[**Reserved**]**.

10.12 Burdensome Agreements. Holdings and the Borrower, will not, nor shall they permit any of their Restricted Subsidiaries to, enter into or permit to exist any agreement (other than this Agreement or any other Credit Document) that limits the ability of (a) any Restricted Subsidiary of the Borrower that is not a Guarantor to pay Dividends to Holdings, the Borrower or any Guarantor or (b) the Borrower or any Credit Party to create, incur, assume or suffer to exist Liens on property of such Person for the benefit of the Secured Parties with respect to the Obligations or under the Credit Documents; provided, that the foregoing clauses (a) and (b) shall not apply to agreements which (i) (x) exist on the date hereof and (to the extent not otherwise permitted by this Section 10.12) are listed on Schedule 10.12 hereto and (y) to the extent any such agreements permitted by clause (x) are set forth in an agreement evidencing Indebtedness, any agreement evidencing any permitted renewal, extension or refinancing of such

Indebtedness so long as such renewal, extension or refinancing does not expand the scope of such agreement, (ii) are binding on a Restricted Subsidiary at the time such Restricted Subsidiary first becomes a Restricted Subsidiary of the Borrower, so long as such agreement was not entered into solely in contemplation of such Person becoming a Restricted Subsidiary of the Borrower, (iii) represents Indebtedness of a Restricted Subsidiary of the Borrower which is not a Credit Party and which is permitted by Section 10.1, (iv) arise pursuant to agreements entered into with respect to any sale, transfer, lease or other disposition permitted by Section 10.4, (v) are customary provisions in joint venture agreements and other similar agreements applicable to joint ventures permitted under Section 10.5 and applicable solely to such joint venture entered into in the ordinary course of business, (vi) are negative pledges and restrictions on Liens in favor of any holder of Indebtedness permitted under Section 10.1, but solely to the extent any negative pledge relates to the property financed by or the subject of such Indebtedness, (vii) are customary restrictions on leases, subleases, licenses or Capital Stock or asset sale agreements otherwise permitted hereby so long as such restrictions relate to the Capital Stock or assets subject thereto, (viii) comprise restrictions imposed by any agreement relating to secured Indebtedness permitted pursuant to Section 10.1 to the extent that such restrictions apply only to the property or assets securing such Indebtedness, (ix) are customary provisions restricting subletting or assignment of any lease governing a leasehold interest of the Borrower or any Restricted Subsidiary, (x) are customary provisions restricting assignment of any agreement entered into in the ordinary course of business, (xi) are restrictions on cash or other deposits imposed by customers under contracts entered into in the ordinary course of business, and (xii) are imposed by law.

10.13 Permitted Activities of Holdings. Holdings shall not conduct, transact or otherwise engage in any business or operations other than (i) the ownership of the Capital Stock of the Borrower, (ii) the maintenance of its legal existence, including the ability to incur fees, costs and expenses relating to such maintenance, (iii) participating in tax, accounting and other administrative matters as a member of the consolidated group of Holdings and Borrower, (iv) the performance of the Credit Documents, (v) any public offering of its common stock or any other issuance of its Capital Stock not prohibited by Article 10, including the costs, fees and expenses related thereto, (vi) any transaction that Holdings is permitted to enter into or consummate under this Article 10, including making any Dividend permitted by Section 10.6 or holding any cash received in connection with Dividends made by the Borrower in accordance with Section 10.6 pending application thereof by Holdings in the manner contemplated by Section 10.6, (vii) incurring fees, costs and expenses relating to overhead and general operating including, without limitation, professional fees for legal, tax and accounting issues, (viii) providing indemnification to officers and directors and as otherwise permitted in Section 9 and 10 and (ix) activities incidental to the businesses or activities described in clauses (i) to (viii) of this Section 10.13. Holdings will not own or acquire any assets (other than shares of Capital Stock of the Borrower, cash and Permitted Investments) or incur any liabilities (other than liabilities under the Credit Documents, liabilities under its guarantee of the Senior Unsecured Subordinated Notes (or Refinanced Senior Unsecured Subordinated Notes or Permitted Additional Notes) and liabilities imposed by law, including tax liabilities, and other liabilities incidental to its existence and business and activities permitted by this Agreement).

SECTION 11. Events of Default

Upon the occurrence of any of the following specified events (each an "Event of Default"):

11.1 Payments. The Borrower shall (a) default in the payment when due of any principal of the Loans or (b) default, and such default shall continue for five or more days, in the payment when due of any interest on the Loans or any Fees or any Unpaid Drawings or of any other amounts owing hereunder or under any other Credit Document; or

11.2 Representations, etc. Any representation, warranty or statement made or deemed made by any Credit Party herein or in any other Credit Document or any certificate, statement, report or other document delivered or required to be delivered pursuant hereto or thereto shall prove to be untrue in any material respect on the date as of which made or deemed made; or

11.3 Covenants. Any Credit Party shall (a) default in the due performance or observance by it of any term, covenant or agreement contained in Section 9.1(e) or Section 10 or (b) default in the due performance or observance by it of any term, covenant or agreement (other than those referred to in Section 11.1 or 11.2 or clause (a) of this Section 11.3) contained in this Agreement or any other Credit Document and such default shall continue unremedied for a period of at least 30 days after receipt of written notice by the Borrower from the Administrative Agent or the Required Lenders; or

11.4 Default Under Other Agreements. The Borrower or any of the Restricted Subsidiaries shall (i) default in any payment with respect to any Indebtedness (other than pursuant to Section 11.1) in excess of $20,000,000 in the aggregate for the Borrower and such Subsidiaries, beyond the period of grace, if any, provided in the instrument or agreement under which such Indebtedness was created or (ii) default in the observance or performance of any agreement or condition relating to any such Indebtedness or contained in any instrument or agreement evidencing, securing or relating thereto, or any other event shall occur or condition exist (other than, with respect to Indebtedness consisting of any Hedging Agreements, termination events or equivalent events pursuant to the terms of such Hedging Agreements), the effect of which default or other event or condition is to cause, or to permit the holder or holders of such Indebtedness (or a trustee or agent on behalf of such holder or holders) to cause, any such Indebtedness to become due prior to its stated maturity; or (b) without limiting the provisions of clause (a) above, any such Indebtedness shall be declared to be due and payable, or required to be

prepaid other than by a regularly scheduled required prepayment or as a mandatory prepayment (and, with respect to Indebtedness consisting of any Hedging Agreements, other than due to a termination event or equivalent event pursuant to the terms of such Hedging Agreements), prior to the stated maturity thereof; or

11.5 Bankruptcy, etc. The Borrower or any Specified Subsidiary shall commence a voluntary case, proceeding or action concerning itself under Title 11 of the United States Code entitled "Bankruptcy,"; or an involuntary case, proceeding or action is commenced against the Borrower or any Specified Subsidiary and the petition is not controverted within 10 days after commencement of the case, proceeding or action; or an involuntary case, proceeding

or action is commenced against the Borrower or any Specified Subsidiary and the petition is not dismissed within 60 days after commencement of the case, proceeding or action; or a custodian (as defined in the Bankruptcy Code) receiver, receiver manager, trustee or similar person is appointed for, or takes charge of, all or substantially all of the property of the Borrower or any Specified Subsidiary; or the Borrower or any Specified Subsidiary commences any other proceeding or action under any reorganization, arrangement, adjustment of debt, relief of debtors, dissolution, insolvency or liquidation or similar law of any jurisdiction whether now or hereafter in effect relating to the Borrower or any Specified Subsidiary; or there is commenced against the Borrower or any Specified Subsidiary any such proceeding or action that remains undismissed for a period of 60 days; or the Borrower or any Specified Subsidiary is adjudicated insolvent or bankrupt; or any order of relief or other order approving any such case or proceeding or action is entered; or the Borrower or any Specified Subsidiary suffers any appointment of any custodian receiver, receiver manager, trustee or the like for it or any substantial part of its property to continue undischarged or unstayed for a period of 60 days; or the Borrower or any Specified Subsidiary makes a general assignment for the benefit of creditors; or any corporate action is taken by the Borrower or any Specified Subsidiary for the purpose of effecting any of the foregoing; or

11.6 ERISA. Any Plan shall fail to satisfy the minimum funding standard required for any plan year or part thereof or a waiver of such standard or extension of any amortization period is sought or granted under Section 412 of the Code; any Plan is or shall have been terminated or is the subject of termination proceedings under ERISA (including the giving of written notice thereof); an event shall have occurred or a condition shall exist in either case entitling the PBGC to terminate any Plan or to appoint a trustee to administer any Plan (including the giving of written notice thereof); any Plan shall have an accumulated funding deficiency (whether or not waived); any of the Borrower, any Subsidiary thereof or any ERISA Affiliate has incurred or is likely to incur a liability to or on account of a Plan under Section 409, 502(i), 502(l), 515, 4062, 4063, 4064, 4069, 4201 or 4204 of ERISA or Section 4971 or 4975 of the Code (including the giving of written notice thereof); (b) there could result from any event or events set forth in clause (a) of this Section 11.6 the imposition of a lien, the granting of a security interest, or a liability, or the reasonable likelihood of incurring a lien, security interest or liability; and (c) such lien, security interest or liability will or would be reasonably likely to have a Material Adverse Effect; or

11.7 Guarantee. The Guarantee or any material provision thereof shall cease to be in full force or effect or any Guarantor thereunder or any Credit Party shall deny or disaffirm in writing any Guarantor's obligations under the Guarantee; or

11.8 Security Documents. Any Security Document or any material provision thereof shall cease to be in full force or effect (other than pursuant to the terms hereof or thereof or as a result of acts or omissions of the Administrative Agent, the Collateral Agent or any Lender) or any grantor, pledgor or mortgagor thereunder or any Credit Party shall deny or disaffirm in writing any grantor's, pledgor's or mortgagor's obligations under such Security Document; or

11.9 Subordination. The Specified Obligations or the obligations of Holdings or the Restricted Subsidiaries pursuant to the Guarantee shall cease to constitute senior

indebtedness under the subordination provisions of any document or instrument evidencing any permitted subordinated Indebtedness or such subordination provisions shall be invalidated or otherwise cease to be legal, valid and binding obligations of the parties thereto, enforceable in accordance with their terms; or

11.10 Judgments. One or more judgments or decrees shall be entered against the Borrower or any of the Restricted Subsidiaries involving a liability of $20,000,000 or more in the aggregate for all such judgments and decrees for the Borrower and the Restricted Subsidiaries (to the extent not paid or fully covered by insurance provided by a carrier not disputing coverage) and any such judgments or decrees shall not have been satisfied, vacated, discharged, stayed or bonded pending appeal within 60 days from the entry thereof; or

11.11 Change of Control. A Change of Control shall occur;

then, and in any such event, and at any time thereafter, if any Event of Default shall then be continuing, the Administrative Agent shall, upon the written request of the Required Lenders, by written notice to the Borrower, take any or all of the following actions, without prejudice to the rights of the Administrative Agent or any Lender to enforce its claims against the Borrower, except as otherwise specifically provided for in this Agreement (provided that, if an Event of Default specified in Section 11.5 shall occur with respect to the Borrower or any Specified Subsidiary, the result that would occur upon the giving of written notice by the Administrative Agent as specified in clauses (i), (ii), (iii) and (v) below shall occur automatically without the giving of any such notice): (i) declare the Total Revolving Credit Commitment or the Total Swingline Commitment terminated and whereupon any such Commitment, if any, of each Lender or the Swingline Lender, as the case may be, shall forthwith terminate immediately and any Fees theretofore accrued shall forthwith become due and payable without any other notice of any kind, (ii) declare the principal of and any accrued interest and fees in respect of all Loans and all Obligations owing hereunder and thereunder to be, whereupon the same shall become, forthwith due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrower; (iii) terminate any Letter of Credit that may be terminated in accordance with its terms; and/or (iv) direct the Borrower to pay (and the Borrower agrees that upon receipt of such notice, or upon the occurrence of an Event of Default specified in Section 11.5 with respect to the Borrower or any Specified Subsidiary, it will pay) to the Administrative Agent at the Administrative Agent's Office such additional amounts of cash, to be held as security for the Borrower's reimbursement obligations for Drawings that may subsequently occur thereunder, equal to the aggregate Stated Amount of all Letters of Credit issued and then outstanding.

11.12 Borrower's Right to Cure.

(a) Financial Performance Covenants. Notwithstanding anything to the contrary contained in this Section 11, in the event that the Borrower fails to comply with the requirements of any Financial Performance Covenant, until the expiration of the 10th day subsequent to the date the certificate calculating such Financial Performance Covenant is required to be delivered pursuant to Section 9.1(d), Holdings or the Borrower shall have the right to issue Permitted Cure Securities for cash or otherwise receive cash contributions to the capital of Holdings or the Borrower (collectively, the "Cure Right"), and upon the receipt by the

Borrower of such cash (the "Cure Amount") pursuant to the exercise by the Borrower of such Cure Right such Financial Performance Covenant shall be recalculated giving effect to the following pro forma adjustments:

(i) Consolidated EBITDA shall be increased, solely for the purpose of measuring the Financial Performance Covenants and not for any other purpose under this Agreement, by an amount equal to the Cure Amount; and

(ii) If, after giving effect to the foregoing recalculations, the Borrower shall then be in compliance with the requirements of all Financial Performance Covenants, the Borrower shall be deemed to have satisfied the requirements of the Financial Performance Covenants as of the relevant date of determination with the same effect as though there had been no failure to comply therewith at such date, and the applicable breach or default of the Financial Performance Covenants that had occurred shall be deemed cured for this purposes of this Agreement.

(b) Limitation on Exercise of Cure Right. Notwithstanding anything herein to the contrary, (a) in each four fiscal-quarter period there shall be at least two consecutive fiscal quarters during which the Cure Right is not exercised and (b) the Cure Amount shall be no greater than the amount required for purposes of complying with the Financial Performance Covenants.

SECTION 12. The Administrative Agent

12.1 Appointment. Each Lender hereby irrevocably designates and appoints the Administrative Agent as the agent of such Lender under this Agreement and the other Credit Documents, and each such Lender irrevocably authorizes the Administrative Agent, in such capacity, to take such action on its behalf under the provisions of this Agreement and the other Credit Documents and to exercise such powers and perform such duties as are expressly delegated to the Administrative Agent by the terms of this Agreement and the other Credit Documents, together with such other powers as are reasonably incidental thereto. Notwithstanding any provision to the contrary elsewhere in this Agreement, the Administrative Agent shall not have any duties or responsibilities, except those expressly set forth herein, or any fiduciary relationship with any Lender, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or any other Credit Document or otherwise exist against the Administrative Agent. The Syndication Agent, in its capacity as such, shall have no obligations, duties or responsibilities under this Agreement but shall be entitled to all benefits of this Section 12.

12.2 Delegation of Duties. The Administrative Agent may execute any of its duties under this Agreement and the other Credit Documents by or through agents or attorneys-in-fact and shall be entitled to advice of counsel concerning all matters pertaining to such duties. The Administrative Agent shall not be responsible for the negligence or misconduct of any agents or attorneys-in-fact selected by it with reasonable care.

12.3 Exculpatory Provisions. Neither the Administrative Agent nor any of its officers, directors, employees, agents, attorneys-in-fact or Affiliates shall be (a) liable for

any action lawfully taken or omitted to be taken by it or such Person under or in connection with this Agreement or any other Credit Document (except for its or such Person's own gross negligence or willful misconduct) or (b) responsible in any manner to any of the Lenders for any recitals, statements, representations or warranties made by the Borrower, any Guarantor, any other Credit Party or any officer thereof contained in this Agreement or any other Credit Document or in any certificate, report, statement or other document referred to or provided for in, or received by the Administrative Agent under or in connection with, this Agreement or any other Credit Document or for the value, validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement or any other Credit Document or for any failure of the Borrower, any Guarantor or any other Credit Party to perform its obligations hereunder or thereunder. The Administrative Agent shall not be under any obligation to any Lender to ascertain or to inquire as to the observance or performance of any of the agreements contained in, or conditions of, this Agreement or any other Credit Document, or to inspect the properties, books or records of the Borrower.

12.4 Reliance by Administrative Agent. The Administrative Agent shall be entitled to rely, and shall be fully protected in relying, upon any writing, resolution, notice, consent, certificate, affidavit, letter, telecopy, telex or teletype message, statement, order or other document or conversation believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons and upon advice and statements of legal counsel (including counsel to the Borrower), independent accountants and other experts selected by the Administrative Agent. The Administrative Agent may deem and treat the Lender specified in the Register with respect to any amount owing hereunder as the owner thereof for all purposes unless a written notice of assignment, negotiation or transfer thereof shall have been filed with the Administrative Agent. The Administrative Agent shall be fully justified in failing or refusing to take any action under this Agreement or any other Credit Document unless it shall first receive such advice or concurrence of the Required Lenders as it deems appropriate or it shall first be indemnified to its satisfaction by the Lenders against any and all liability and expense that may be incurred by it by reason of taking or continuing to take any such action. The Administrative Agent shall in all cases be fully protected in acting, or in refraining from acting, under this Agreement and the other Credit Documents in accordance with a request of the Required Lenders, and such request and any action taken or failure to act pursuant thereto shall be binding upon all the Lenders and all future holders of the Loans.

12.5 Notice of Default. The Administrative Agent shall not be deemed to have knowledge or notice of the occurrence of any Default or Event of Default hereunder unless the Administrative Agent has received notice from a Lender or the Borrower referring to this Agreement, describing such Default or Event of Default and stating that such notice is a "notice of default". In the event that the Administrative Agent receives such a notice, the Administrative Agent shall give notice thereof to the Lenders. The Administrative Agent shall take such action with respect to such Default or Event of

Default as shall be reasonably directed by the Required Lenders, provided that unless and until the Administrative Agent shall have received such directions, the Administrative Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Default or Event of Default as it shall deem advisable in the best interests of the Lenders (except to the extent that this Agreement requires that such action be taken only with the approval of the Required Lenders or each of the Lenders, as applicable).

12.6 Non-Reliance on Administrative Agent and Other Lenders. Each Lender expressly acknowledges that neither the Administrative Agent nor any of its officers, directors, employees, agents, attorneys-in-fact or Affiliates has made any representations or warranties to it and that no act by the Administrative Agent hereinafter taken, including any review of the affairs of the Borrower, any Guarantor or any other Credit Party, shall be deemed to constitute any representation or warranty by the Administrative Agent to any Lender. Each Lender represents to the Administrative Agent that it has, independently and without reliance upon the Administrative Agent or any other Lender, and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, operations, property, financial and other condition and creditworthiness of the Borrower, any Guarantor and any other Credit Party and made its own decision to make its Loans hereunder and enter into this Agreement. Each Lender also represents that it will, independently and without reliance upon the Administrative Agent or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit analysis, appraisals and decisions in taking or not taking action under this Agreement and the other Credit Documents, and to make such investigation as it deems necessary to inform itself as to the business, operations, property, financial and other condition and creditworthiness of the Borrower, any Guarantor and any other Credit Party. Except for notices, reports and other documents expressly required to be furnished to the Lenders by the Administrative Agent hereunder, the Administrative Agent shall not have any duty or responsibility to provide any Lender with any credit or other information concerning the business, assets, operations, properties, financial condition, prospects or creditworthiness of the Borrower, any Guarantor or any other Credit Party that may come into the possession of the Administrative Agent or any of its officers, directors, employees, agents, attorneys-in-fact or Affiliates.

12.7 Indemnification. The Lenders agree to indemnify the Administrative Agent in its capacity as such (to the extent not reimbursed by the Borrower and without limiting the obligation of the Borrower to do so), ratably according to their respective portions of the Total Credit Exposure in effect on the date on which indemnification is sought (or, if indemnification is sought after the date upon which the Commitments shall have terminated and the Loans shall have been paid in full, ratably in accordance with their respective portions of the Total Credit Exposure in effect immediately prior to such date), from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind whatsoever that may at any time (including at any time following the payment of the Loans) be imposed on, incurred by or asserted against the Administrative Agent in any way relating to or arising out of, the Commitments, this Agreement, any of the other Credit Documents or any documents contemplated by or referred to herein or therein or the transactions contemplated hereby or thereby or any action taken or omitted by the Administrative Agent under or in connection with any of the foregoing, provided that no Lender shall be liable for the payment of any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from the Administrative Agent's gross negligence or willful misconduct. The agreements in this Section 12.7 shall survive the payment of the Loans and all other amounts payable hereunder.

12.8 Administrative Agent in its Individual Capacity. The Administrative Agent and its Affiliates may make loans to, accept deposits from and generally

engage in any kind of business with the Borrower, any Guarantor and any other Credit Party as though the Administrative Agent were not the Administrative Agent hereunder and under the other Credit Documents. With respect to the Loans made by it, the Administrative Agent shall have the same rights and powers under this Agreement and the other Credit Documents as any Lender and may exercise the same as though it were not the Administrative Agent, and the terms "Lender" and "Lenders" shall include the Administrative Agent in its individual capacity.

12.9 Successor Agent. The Administrative Agent may resign as Administrative Agent upon 20 days' prior written notice to the Lenders and the Borrower. If the Administrative Agent shall resign as Administrative Agent under this Agreement and the other Credit Documents, then the Required Lenders shall appoint from among the Lenders a successor agent for the Lenders, which successor agent shall be approved by the Borrower (which approval shall not be unreasonably withheld), whereupon such successor agent shall succeed to the rights, powers and duties of the Administrative Agent, and the term "Administrative Agent" shall mean such successor agent effective upon such appointment and approval, and the former Administrative Agent's rights, powers and duties as Administrative Agent shall be terminated, without any other or further act or deed on the part of such former Administrative Agent or any of the parties to this Agreement or any Lenders or other holders of the Loans. After any retiring Administrative Agent's resignation as Administrative Agent, the provisions of this Section 12 shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent under this Agreement and the other Credit Documents.

12.10 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.

12.11 Collateral Agent. Each Lender hereby further authorizes the Administrative Agent to appoint the Collateral Agent to act on behalf of the Lenders, and authorizes the Collateral Agent, on behalf of and for the benefit of Lenders, to be the agent for and representative of the Lenders with respect to the Collateral and the Security Documents.

SECTION 13. Miscellaneous

13.1 Amendments and Waivers. Neither this Agreement nor any other Credit Document, nor any terms hereof or thereof may be amended, supplemented or modified except in accordance with the provisions of this Section 13.1. The Required Lenders may, or,

with the written consent of the Required Lenders, the Administrative Agent may, from time to time, (a) enter into with the relevant Credit Party or Credit Parties written amendments, supplements or modifications hereto and to the other Credit Documents for the purpose of adding any provisions to this Agreement or the other Credit Documents or changing in any manner the rights of the Lenders or the Credit Parties hereunder or thereunder or (b) waive, on such terms and conditions as the Required Lenders or the Administrative Agent, as the case may be, may specify in such instrument, any of the requirements of this Agreement or the other Credit Documents or any Default or Event of Default and its consequences; provided, however, that no such waiver, amendment, supplement or modification shall directly (i) forgive any portion of any Loan or extend the final scheduled maturity date of any Loan or reduce the stated rate, or forgive any portion, or extend the date for the payment, of any interest or fee payable hereunder (other than as a result of waiving the applicability of any post-default increase in interest rates), or reduce or extend the date for payment of any Unpaid Drawings, or extend the final expiration date of any Lender's Commitment or extend the final expiration date of any Letter of Credit beyond the date specified in Section 3.1(a), or increase the aggregate amount of any Commitment of any Lender, or amend or modify any provisions of Section 13.8(a) or any other provision that provides for the pro rata nature of disbursements by or payments to Lenders, in each case without the written consent of each Lender directly and adversely affected thereby, or (ii) amend, modify or waive any provision of this Section 13.1 or reduce the percentages specified in the definitions of the terms "Required Term Loan Lenders", "Required Revolving Credit Lenders", and "Required Lenders" or consent to the assignment or transfer by the Borrower of its rights and obligations under any Credit Document to which it is a party (except as permitted pursuant to Section 10.3), in each case without the written consent of each Lender directly and adversely affected thereby, or (iii) amend, modify or waive any provision of Section 12 without the written consent of the then-current Administrative Agent, or (iv) amend, modify or waive any provision of Section 3 without the written consent of the Letter of Credit Issuer, or (v) amend, modify or waive any provisions hereof relating to Swingline Loans without the written consent of the Swingline Lender, or (vi) change any Commitment to a Commitment of a different Class in each case without the prior written consent of each Lender directly and adversely affected thereby, or (vii) release all or substantially all of the Guarantors under the Guarantee (except as expressly permitted by the Guarantee), or release all or substantially all of the Collateral under the Security Agreement, the Pledge Agreement and the Mortgages, in each case without the prior written consent of each Lender, or (viii) amend Section 2.9(a) so as to permit Interest Period intervals greater than six months without regard to availability to Lenders, without the written consent of each Lender directly and adversely affected thereby, or (ix) decrease any Tranche D Term Loan Repayment Amount, extend any scheduled Tranche D Term Loan Repayment Date or decrease the allocation of any mandatory prepayment to be received by any Lender holding any Tranche D Term Loans, in each case without the written consent of the Required Term Loan Lenders, or (x) amend, modify or waive any provision of any Credit Document that would disproportionately affect the obligation of the Borrower to make payments with respect to any Credit Facility without the written consent of the Required Tranche D Term Loan Lenders or the Required Tranche D Term Loan Lenders or the Revolving Credit Lenders, as applicable. Any such waiver and any such amendment, supplement or modification shall apply equally to each of the affected Lenders and shall be binding upon the Borrower, such Lenders, the Administrative Agent and all future holders of the affected Loans. In the case of any waiver, the Borrower, the Lenders and the Administrative Agent shall be restored to their

former positions and rights hereunder and under the other Credit Documents, and any Default or Event of Default waived shall be deemed to be cured and not continuing, it being understood that no such waiver shall extend to any subsequent or other Default or Event of Default or impair any right consequent thereon. Notwithstanding the foregoing, (A) each Joinder Agreement may, without the input or consent of the other Lenders, effect such amendments to this Agreement and the other Credit Documents as may be necessary or appropriate in the opinion of the Administrative Agent, to effect the provisions of Section 2.14 and (B) the Administrative Agent and the Borrower may effect such amendments to this Agreement as may be necessary or appropriate to effect the provisions set forth in the proviso to the definition of Required Cash.

In addition, notwithstanding the foregoing, this Agreement may be amended with the written consent of the Administrative Agent, the Borrower and the Lenders providing the relevant Replacement Term Loans (as defined below) to permit the refinancing, replacement or modification of all outstanding Term Loans ("Refinanced Term Loans") with a replacement term loan tranche hereunder ("Replacement Term Loans"), provided that (a) the aggregate principal amount of such Refinanced Term Loans shall not exceed the aggregate principal amount of such Refinanced Term Loans, (b) the Applicable Margin for such Replacement Term Loans shall not be higher than the Applicable Margin for such Refinanced Term Loans, (c) the weighted average life to maturity of such Replacement Term Loans shall not be shorter than the weighted average life to maturity of such Refinanced Term Loans at the time of such refinancing (except to the extent of nominal amortization for periods where amortization has been eliminated as a result of the prepayment of applicable Term Loans) and (d) all other terms applicable to such Replacement Term Loans shall be substantially identical to, or no less favorable to the Lenders providing such Replacement Term Loans than those applicable to such Refinanced Term Loans, except to the extent necessary to provide for covenants and other terms applicable to any period after the latest final maturity of the Term Loans of such Class in effect immediately prior to such refinancing.

13.2 Notices. (a) All notices, requests and demands to or upon the respective parties hereto to be effective shall be in writing (including by facsimile transmission or other electronic transmission) and, unless otherwise expressly provided herein, shall be deemed to have been duly given or made when delivered, or three days after being deposited in the mail, postage prepaid, or, in the case of telecopy notice, when received, addressed as follows in the case of the Borrower and the Administrative Agent, and as set forth on Schedule 1.1(b) in the case of the other parties hereto, or to such other address as may be hereafter notified by the respective parties hereto:

The Borrower:

LPL Holdings, Inc.
9785 Towne Centre Drive
San Diego, California 92121-1968
Attention: Chief Financial Officer
Telecopier: 858-642-7455

With a copy to:
LPL Holdings, Inc.

1 Beacon Street, 22nd Floor
Boston, Massachusetts 02108-3100
Attention: General Counsel
Telecopier: 617-536-2811

The Administrative Agent and the Collateral Agent:

Morgan Stanley Senior Funding, Inc.
One Pierrepont Plaza, 7th Floor
300 Cadman Plaza West
Brooklyn, New York 11201
Attention: Larry Benison
Eric De Santis
Telephone: 718-754-7299 / 7290
Telecopier: 718-754-7249 / 7250
E-mail: larry.benison@morganstanley.com
Eric.desantis@morganstanley.com

provided, that any notice, request or demand to or upon the Administrative Agent or the Lenders pursuant to Sections 2.3, 2.6, 2.9, 4.2 and 5.1 shall not be effective until received.

(B) Notices and other communications to the Lenders and the Letter of Credit Issuer hereunder may be delivered or furnished by electronic communication (including e-mail and Internet or intranet websites) pursuant to procedures approved by Administrative Agent and the Borrower; provided, that the foregoing shall not apply to notices to any Lender or the Letter of Credit Issuer pursuant to Section 2 if such Lender or the Letter of Credit Issuer, as applicable, has notified the Administrative Agent that it is incapable of receiving notices under such Section by electronic communication. The Administrative Agent or the Borrower may, in its discretion, agree to accept notices and other communications to it hereunder by electronic communications pursuant to procedures approved by it; provided, that approval of such procedures may be limited to particular notices or communications. Unless Administrative Agent otherwise prescribes, (i) notices and other communications sent to an e-mail address shall be deemed received upon the sender's receipt of an acknowledgement from the intended recipient (such as by the "return receipt requested" function, as available, return e-mail or other written acknowledgement); provided, that if such notice or other communication is not sent during the normal business hours of the recipient, such notice or communication shall be deemed to have been sent at the opening of business on the next Business Day for the recipient, and (ii) notices or communications posted to an Internet or intranet website shall be deemed received upon the deemed receipt by the intended recipient at its e-mail address as described in the foregoing clause (i) of notification that such notice or communication is available and identifying the website address therefor.

13.3 No Waiver; Cumulative Remedies. No failure to exercise and no delay in exercising, on the part of the Administrative Agent or any Lender, any right, remedy, power or privilege hereunder or under the other Credit Documents shall operate as a waiver thereof, nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The rights, remedies, powers and privileges herein provided are cumulative and not exclusive of any rights, remedies, powers and privileges provided by law.

13.4 Survival of Representations and Warranties. All representations and warranties made hereunder, in the other Credit Documents and in any document, certificate or statement delivered pursuant hereto or in connection herewith shall survive the execution and delivery of this Agreement and the making of the Loans hereunder.

13.5 Payment of Expenses and Taxes; Indemnification. (a) The Borrower agrees (i) to pay or reimburse the Agents for all their reasonable out-of-pocket costs and expenses incurred in connection with the development, preparation and execution of, and any consent, waiver, amendment, supplement or modification to, this Agreement and the other Credit Documents and any other documents prepared in connection herewith or therewith, and the consummation and administration of the transactions contemplated hereby and thereby, including the reasonable fees, disbursements and other charges of one counsel to the Agents with statements with respect to the foregoing to be submitted to the Borrower prior to the Effective Date (in the case of amounts to be paid on the Effective Date and from time to time thereafter on a quarterly basis), (ii) to pay or reimburse each Lender and the Administrative Agent and the Collateral Agent for all their reasonable and documented costs and expenses incurred in connection with the enforcement or preservation of any rights under this Agreement, the other Credit Documents and any such other documents, including the reasonable fees, disbursements and other charges of one counsel to the Administrative Agent and the Collateral Agent (unless there is an actual or perceived conflict of interest in which case each such Person may retain its own counsel), and one counsel for the Lenders (unless there is an actual or perceived conflict of interest in which case each Lender affected thereby may retain its own counsel), (iii) to pay, indemnify, and hold harmless each Lender and each Agent from any and all reasonable out-of-pocket costs and expenses of creating and perfecting Liens in favor of the Collateral Agent, for the benefit of the Secured Parties including recording and filing fees, UCC search fees, title insurance premiums (to the extent not directly paid to the applicable insurer) and any and all liabilities with respect to, or resulting from, any delay in paying, stamp, excise and other similar taxes, if any, that may be payable or determined to be payable in connection with the execution and delivery of, or consummation or administration of any of the transactions contemplated by, or any amendment, supplement or modification of, or any waiver or consent under or in respect of, this Agreement, the other Credit Documents and any such other documents, and (iv) to pay, indemnify and hold harmless each Lender, the Collateral Agent and the Administrative Agent and their respective Affiliates, directors, officers, employees, trustees, attorneys, advisors and agents from and against any and all other liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses

or disbursements of any kind or nature whatsoever, including reasonable and documented fees, disbursements and other charges of one counsel to the Administrative Agent and the Collateral Agent (unless there is an actual or perceived conflict of interest in which case each such Person may retain its own counsel) and one counsel for the Lenders (unless there is an actual or perceived conflict of interest in which case each Lender

affected thereby may retain its own counsel), with respect to the execution, delivery, enforcement, performance and administration of this Agreement, the other Credit Documents and any such other documents, including any of the foregoing relating to the violation of, noncompliance with or liability under, any Environmental Law or any actual or alleged presence of Hazardous Materials applicable to the operations of the Borrower, any of its Subsidiaries or any of the Real Estate (all the foregoing in this clause (iv), collectively, the "indemnified liabilities"); provided, that the Borrower shall have no obligation hereunder to the Agents or any Lender nor any of their respective Affiliates, directors, officers, employees, trustees and agents with respect to indemnified liabilities arising from the gross negligence or willful misconduct of the party to be indemnified or disputes among the Agents, the Lenders and/or their transferees not arising from any act or omission of the Borrower or any other Credit Party. If for any reason the foregoing indemnification is unavailable to any Agent or Lender or insufficient to hold it harmless, then the Borrower shall contribute to the amount paid or payable by such Agent or such Lender as a result of such loss, claim, damage or liability in such proportion as is appropriate to reflect the relative economic interests of (i) Holdings, the Borrower and its Subsidiaries on the one hand and (ii) such Agent or such Lender on the other hand in the matters contemplated by the Credit Documents as well as the relative fault of (i) Holdings, the Borrower and its Subsidiaries and (ii) such Agent or such Lender with respect to such loss, claim, damage or liability and any other relevant equitable considerations.

(b) No Credit Party nor any Person indemnified pursuant to clause (iv) of Section 13.5(a) shall have any liability for any punitive, indirect or consequential damages resulting from this Agreement or any other Credit Document or arising out of its activities in connection herewith or therewith (whether before or after the Closing Date).

(c) The agreements in this Section 13.5 shall survive repayment of the Loans and all other amounts payable hereunder.

13.6 Successors and Assigns; Participations and Assignments. (a) The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby (including any Affiliate of the Letter of Credit Issuer that issues any Letter of Credit), except that (i) the Borrower may not assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of each Lender (and any attempted assignment or transfer by the Borrower without such consent shall be null and void) and (ii) no Lender may assign or otherwise transfer its rights or obligations hereunder except in accordance with this Section. Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby (including any Affiliate of the Letter of Credit Issuer that issues any Letter of Credit), Participants (to the extent provided in paragraph (c) of this Section) and, to the extent expressly contemplated hereby, the Related Parties of each of the Administrative Agent, the Letter of Credit Issuer and the Lenders) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b) (i) Subject to the conditions set forth in paragraph (b)(ii) below, any Lender may assign to one or more assignees all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitments and the Loans at the time owing to it) with the prior written consent (such consent not be unreasonably withheld or delayed; it being

understood that, without limitation, the Borrower shall have the right to withhold its 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, other than routine filings or registrations) of:

(A) the Borrower; provided, that no consent of the Borrower shall be required for an assignment to a Lender, an Affiliate of a Lender (unless increased costs would result therefrom, except if an Event of Default under Section 11.1 or Section 11.5 has occurred and is continuing), an Approved Fund or, if an Event of Default under Section 11.1 or Section 11.5 has occurred and is continuing, any other assignee; and

(B) the Administrative Agent, and, in the case of Revolving Credit Commitments or Revolving Credit Loans, the Swingline Lender, and in the case of Revolving Credit Commitments, the Letter of Credit Issuer; provided, that no consent of the Administrative Agent, the Swingline Lender or the Letter of Credit Issuer shall be required for an assignment of (x) any Commitment to an assignee that is a Lender with a Commitment of the same Class immediately prior to giving effect to such assignment or (y) any Term Loan to a Lender, an Affiliate of a Lender or an Approved Fund.

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

(A) except in the case of an assignment to a Lender, an Affiliate of a Lender or an Approved Fund or an assignment of the entire remaining amount of the assigning Lender's Commitments or Loans of any Class, 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 Commitments or Revolving Loans, $5,000,000, or in the case of a Tranche D Term Loan Commitment, a New Term Loan Commitment or Term Loans, $1,000,000 (provided that for purposes of calculating such minimum amounts of Term Loans, any assignment of a Tranche D Term Loan Commitment or a New Term Loan Commitment shall be aggregated), 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 11.1 or Section 11.5 has occurred and is continuing; and provided, further, that contemporaneous assignments to a single assignee made by affiliated Lenders or Approved Funds and contemporaneous assignments by a single assignor made to affiliated Lenders or Approved Funds shall be aggregated for purposes of meeting the minimum assignment amount requirements stated above;

(B) 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; provided that this paragraph shall not be construed to prohibit the

assignment of a proportionate part of all the assigning Lender's rights and obligations in respect of one Class of Commitments or Loans;

(C) the parties to each assignment shall execute and deliver to the Administrative Agent an Assignment and Acceptance; and

(D) the assignee, if it shall not be a Lender, shall deliver to the Administrative Agent an administrative questionnaire in a form approved by the Administrative Agent.

For the purpose of this Section 13.6(b), the term "Approved Fund" has the following meaning:

"Approved Fund" means any Person (other than a natural person) that is engaged in making, purchasing, holding or investing in bank loans and similar extensions of credit in the ordinary course and that is administered, advised or managed by (a) a Lender, (b) an Affiliate of a Lender or (c) an entity or an Affiliate of an entity that administers, advises or manages a Lender.

(iii) Subject to acceptance and recording thereof pursuant to paragraph (b)(v) of this Section, 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 of Sections 2.10, 2.11, 3.5, 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 paragraph (c) of this Section.

(iv) The Administrative Agent, acting for this purpose as an agent of the Borrower, shall maintain at the Administrative Agent's Office a copy of each Assignment and Acceptance delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Commitments of, and principal amount of the Loans and any payment made by the Letter of Credit Issuer under any Letter of Credit owing to, each Lender pursuant to the terms hereof from time to time (the "Register"). Further, the Register shall contain the name and address of the Administrative Agent and the lending office through which each such Person acts under this Agreement. The entries in the Register shall be conclusive, and the Borrower, the Administrative Agent, the Letter of Credit Issuer and the Lenders may treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement, notwithstanding notice to the contrary. The Register, as in effect at the close of business on the preceding Business Day, shall be available for inspection by the Borrower, the Letter of Credit Issuer and any Lender, at any reasonable time and from time to time upon reasonable prior notice.

(v) Upon its receipt of a duly completed Assignment and Acceptance executed by an assigning Lender and an assignee, the assignee's completed administrative questionnaire (unless the assignee shall already be a Lender hereunder) and any written consent to such assignment required by paragraph (b)(i) of this Section, the Administrative Agent shall accept such Assignment and Acceptance and record the information contained therein in the Register. No assignment shall be effective for purposes of this Agreement unless and until it has been recorded in the Register as provided in this paragraph.

(c) (i) Any Lender may, without the consent of the Borrower, the Administrative Agent, the Letter of Credit Issuer or the Swingline Lender, sell participations to one or more banks or other entities (each, a "Participant") in all or a portion of such Lender's rights and obligations under this Agreement (including all or a portion of its Commitments and the Loans owing to it), provided that (A) such Lender's obligations under this Agreement shall remain unchanged, (B) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations and (C) the Borrower, the Administrative Agent, the Letter of Credit Issuer and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement. Any agreement or instrument pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement or any other Credit Document, provided that such agreement or instrument may provide that such Lender will not, without the consent of the Participant, agree to any amendment, modification or waiver described in the first proviso to Section 13.1 that affects such Participant. Subject to paragraph (c)(ii) of this Section, the Borrower agrees that each Participant shall be entitled to the benefits of Sections 2.10, 2.11 and 5.4 to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to paragraph (b) of this Section. To the extent permitted by law, each Participant also shall be entitled to the benefits of Section 13.8(b) as though it were a Lender, provided such Participant agrees to be subject to Section 13.8(a) as though it were a Lender.

(ii) A Participant shall not be entitled to receive any greater payment under Section 2.10, 2.11, 3.5 or 5.4 than the applicable Lender would have been entitled to receive with respect to the participation sold to such Participant, unless the sale of the participation to such Participant is made with the Borrower's prior written consent. A Participant that would be a Non-U.S. Lender if it were a Lender shall not be entitled to the benefits of Section 5.4 unless the Borrower is notified of the participation sold to such Participant and such Participant agrees, for the benefit of the Borrower, to comply with Section 5.4(b) as though it were a Lender.

(d) Any Lender may, without the consent of the Borrower or the Administrative Agent, at any time pledge or assign a security interest in all or any portion of its rights under this Agreement to secure obligations of such Lender, including any pledge or assignment to secure obligations to a Federal Reserve Bank, and this Section shall not apply to any such pledge or assignment of a security interest, provided that no such pledge or assignment of a security interest shall release a Lender from any of its obligations hereunder or substitute any such pledgee or assignee for such Lender as a

party hereto. In order to facilitate such pledge or assignment, the Borrower hereby agrees that, upon request of any Lender at any time and from time to time after the Borrower has made its initial borrowing hereunder, the Borrower, as the

case may be, shall provide to such Lender, at the Borrower's own expense, a promissory note, substantially in the form of Exhibit I-1, I-2 or I-3, as the case may be, evidencing Tranche D Term Loans, New Term Loans and Revolving Credit Loans and Swingline Loans, respectively, owing to such Lender.

(e) Subject to Section 13.16, the Borrower authorizes each Lender to disclose to any Participant, secured creditor of such Lender or assignee (each, a "Transferee") and any prospective Transferee any and all financial information in such Lender's possession concerning the Borrower and its Affiliates that has been delivered to such Lender by or on behalf of the Borrower and its Affiliates pursuant to this Agreement or which has been delivered to such Lender by or on behalf of the Borrower and its Affiliates in connection with such Lender's credit evaluation of the Borrower and its Affiliates prior to becoming a party to this Agreement.

13.7 Replacements of Lenders under Certain Circumstances. (a) The Borrower shall be permitted to replace any Lender (or any Participant) that (a) requests reimbursement for amounts owing pursuant to Section 2.10, 2.11, 3.5 or 5.4, (b) is affected in the manner described in Section 2.10(a)(iii) and as a result thereof any of the actions described in such Section is required to be taken or (c) becomes a Defaulting Lender, with a replacement bank or other financial institution; provided, that (i) such replacement does not conflict with any Applicable Law, (ii) no Event of Default shall have occurred and be continuing at the time of such replacement, (iii) the Borrower shall repay (or the replacement bank or institution shall purchase, at par) all Loans and other amounts (other than any disputed amounts) pursuant to Section 2.10, 2.11, 3.5 or 5.4, as the case may be, owing to such replaced Lender prior to the date of replacement, (iv) the replacement bank or institution, if not already a Lender, and the terms and conditions of such replacement, shall be reasonably satisfactory to the Administrative Agent, (v) the replaced Lender shall be obligated to make such replacement in accordance with the provisions of Section 13.6 and (vi) any such replacement shall not be deemed to be a waiver of any rights that the Borrower, the Administrative Agent or any other Lender shall have against the replaced Lender or that the replaced Lender shall have against the Borrower and the other parties for indemnity, contribution, payment of disputed and other unpaid amounts and otherwise.

(b) If any Lender (such Lender a "Non-Consenting Lender") has failed to consent to a proposed amendment, waiver, discharge or termination, which pursuant to the terms of Section 13.1 requires the consent of all of the Lenders affected and with respect to which the Required Lenders shall have granted their consent, then provided no Default or Event of Default then exists, the Borrower shall have the right (unless such Non-Consenting Lender grants such consent) to replace such Non-Consenting Lender by requiring such Non-Consenting Lender to assign its Loans and Commitments to one or more assignees reasonably acceptable to the Administrative Agent, provided that: (i) all Obligations of the Borrower owing to such Non-Consenting Lender (including any fee owed to such Non-Consenting Lender pursuant to Section 5.1(b)) being replaced shall be paid in full to such Non-Consenting Lender concurrently with such assignment, and (ii) the replacement Lender shall purchase the foregoing by paying to such Non-Consenting Lender a price equal to the principal amount thereof plus accrued and unpaid interest thereon. In connection with any such assignment, the Borrower, the Administrative Agent, such Non-Consenting Lender and the replacement Lender shall otherwise comply with Section 13.6.

13.8 Adjustments; Set-off. (a) If any Lender (a "benefited Lender") shall at any time receive any payment of all or part of its Loans, or interest thereon, or receive any collateral in respect thereof (whether voluntarily or involuntarily, by set-off, pursuant to events or proceedings of the nature referred to in Section 10.5, or otherwise), in a greater proportion than any such payment to or collateral received by any other Lender, if any, in respect of such other Lender's Loans or interest thereon, such benefited Lender shall purchase for cash from the other Lenders a participating interest in such portion of each such other Lender's Loans, or shall provide such other Lenders with the benefits of any such collateral, or the proceeds thereof, as shall be necessary to cause such benefited Lender to share the excess payment or benefits of such collateral or proceeds ratably with each of the Lenders; provided, however, that if all or any portion of such excess payment or benefits is thereafter recovered from such benefited Lender, such purchase shall be rescinded, and the purchase price and benefits returned, to the extent of such recovery, but without interest.

(b) After the occurrence and during the continuance of an Event of Default, in addition to any rights and remedies of the Lenders provided by law, each Lender shall have the right, without prior notice to the Borrower, any such notice being expressly waived by the Borrower to the extent permitted by applicable law, upon any amount becoming due and payable by the Borrower hereunder (whether at the stated maturity, by acceleration or otherwise) to set-off and appropriate and apply against such amount any and all deposits (general or special, time or demand, provisional or final), in any currency, and any other credits, indebtedness or claims, in any currency, in each case whether direct or indirect, absolute or contingent, matured or unmatured, at any time held or owing by such Lender or any branch or agency thereof to or for the credit or the account of the Borrower, as the case may be. Each Lender agrees promptly to notify the Borrower, as the case may be, and the Administrative Agent after any such set-off and application made by such Lender, provided that the failure to give such notice shall not affect the validity of such set-off and application.

13.9 Counterparts. This Agreement may be executed by one or more of the parties to this Agreement on any number of separate counterparts (including by facsimile or other electronic transmission), and all of said counterparts taken together shall be deemed to constitute one and the same instrument. A set of the copies of this Agreement signed by all the parties shall be lodged with the Borrower and the Administrative Agent.

13.10 Severability. Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

13.11 Integration. This Agreement and the other Credit Documents represent the agreement of Holdings, the Borrower, the Administrative Agent, the Collateral Agent and the Lenders with respect to the subject matter hereof, and there are no promises, undertakings, representations or warranties by the Collateral Agent, the Administrative Agent or any Lender relative to subject matter hereof not expressly set forth or referred to herein or in the other Credit Documents.

13.12 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.

13.13 Submission to Jurisdiction; Waivers. The Borrower hereby irrevocably and unconditionally:

(a) submits for itself and its property in any legal action or proceeding relating to this Agreement and the other Credit Documents to which it is a party, or for recognition and enforcement of any judgment in respect thereof, to the non-exclusive general jurisdiction of the courts of the State of New York, the courts of the United States of America for the Southern District of New York and appellate courts from any thereof; provided, that the Borrower agrees that it shall not commence any actions or proceedings against any Lender or any Agent relating to this Agreement and the other Credit Documents in the State of California;

(b) consents that any such action or proceeding may be brought in such courts and waives any objection that it may now or hereafter have to the venue of any such action or proceeding in any such court or that such action or proceeding was brought in an inconvenient court and agrees not to plead or claim the same;

(c) agrees that service of process in any such action or proceeding may be effected by mailing a copy thereof by registered or certified mail (or any substantially similar form of mail), postage prepaid, to the Borrower at its address set forth in Section 13.2 or at such other address of which the Administrative Agent shall have been notified pursuant thereto;

(d) agrees that nothing herein shall affect the right to effect service of process in any other manner permitted by law or shall limit the right to sue in any other jurisdiction; and

(e) waives, to the maximum extent not prohibited by law, any right it may have to claim or recover in any legal action or proceeding referred to in this Section 13.13 any special, exemplary, punitive or consequential damages.

13.14 Acknowledgments. The Borrower hereby acknowledges that:

(a) it has been advised by counsel in the negotiation, execution and delivery of this Agreement and the other Credit Documents;

(b) neither the Administrative Agent nor any Lender has any fiduciary relationship with or duty to Holdings or the Borrower arising out of or in connection with this Agreement or any of the other Credit Documents, and the relationship between Administrative Agent and Lenders, on one hand, and Holdings or the Borrower, on the other hand, in connection herewith or therewith is solely that of debtor and creditor; and

(c) no joint venture is created hereby or by the other Credit Documents or otherwise exists by virtue of the transactions contemplated hereby among the Lenders or among Holdings, the Borrower and the Lenders.

13.15 WAIVERS OF JURY TRIAL. **HOLDINGS, THE BORROWER, THE ADMINISTRATIVE AGENT, THE COLLATERAL AGENT AND THE LENDERS HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVE TRIAL BY JURY IN ANY LEGAL ACTION OR PROCEEDING RELATING TO THIS AGREEMENT OR ANY OTHER CREDIT DOCUMENT AND FOR ANY COUNTERCLAIM THEREIN.**

13.16 Confidentiality. The Collateral Agent, the Administrative Agent and each Lender shall hold all non-public information (other than non-public information that becomes public other than by reason of a breach of this Section by a Person or from a known breach of any confidentiality obligations owing to Holdings, the Borrower or any of their Subsidiaries) furnished by or on behalf of Holdings and the Borrower in connection with such Lender's evaluation of whether to become a Lender hereunder or obtained by such Lender, the Collateral Agent or the Administrative Agent pursuant to the requirements of this Agreement ("Confidential Information") confidential in accordance with its customary procedure for handling confidential information of this nature and (in the case of a Lender that is a bank) in accordance with safe and sound banking practices and in any event may make disclosure as required or requested by any governmental agency or representative thereof or pursuant to legal or regulatory process or to such Lender's, the Collateral Agent's, or the Administrative Agent's attorneys, professional advisors or independent auditors or Affiliates; provided, that unless specifically prohibited by applicable law or court order, each Lender, the Collateral Agent and the Administrative Agent shall notify Holdings and the Borrower of any request by any governmental agency or representative thereof (other than any such request in connection with an examination of the financial condition of such Lender by such governmental agency) for disclosure of any such non-public information prior to disclosure of such information; and provided, further, that in no event shall any Lender, the Collateral Agent or the Administrative Agent be obligated or required to return any materials furnished by Holdings, the Borrower or any Subsidiary of the Borrower. Each Lender, the Collateral Agent and the Administrative Agent agrees that it will not provide to prospective Transferees or to any pledgee referred to in Section 13.6(d) or to prospective direct or indirect contractual counterparties under Interest Rate Hedging Agreements to be entered into in connection with Loans made hereunder any of the Confidential Information unless such Person is advises of and agrees to be bound by the provisions of (or provisions substantially similar to) this Section 13.16.

13.17 USA PATRIOT Act. Each Lender hereby notifies the Borrower that pursuant to the requirements of the USA Patriot Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) (the "Patriot Act"), it is required to obtain, verify and record 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 Effect of Amendment and Restatement of the Original Credit Agreement. On the Effective Date, the Original Credit Agreement shall be amended, restated and superseded in its entirety. The parties hereto acknowledge and agree that (a) this Agreement and the other Credit Documents, whether executed and delivered in connection herewith or otherwise, do not constitute a novation, payment and reborrowing, or termination of the Original Obligations under the Original Credit Agreement as in effect prior to the Effective Date, (b) such

Original Obligations are in all respects continuing (as amended and restated hereby) as Indebtedness and Obligations outstanding under this Agreement and (c) this Agreement shall supersede and replace in its entirety the Original Credit Agreement, and such Original Credit Agreement shall be of no further force and effect.

13.19 Consent of Required Lenders. By its execution hereof, each Tranche D Term Loan Lender party to this Agreement consents to the amendment and restatement of the Original Credit Agreement, as set forth herein , and the amendment, amendment and restatement, replacement or other modification to any other Credit Documents, in each case, as so amended, amended and restated, replaced or otherwise modified on the Effective Date in the form entered into by the Credit Parties and the applicable Agent. Upon the receipt of written consents from the Required Lenders (as defined in the Original Credit Agreement) pursuant to this Section 13.19 and Section 6.5(a), and notwithstanding any provision to the contrary contained in the Original Credit Agreement, the Original Credit Agreement may be amended and restated in its entirety so long as the Original Term Loans of each Original Lender not consenting to the amendment and restatement as provided for herein receives payment in full of the principal of, and interest accrued on, each Original Term Loan made by it and all other amounts owing to it or accrued for its account (other than contingent indemnification obligations) under the Original Credit Agreement.

[SIGNATURE PAGE FOLLOWS**]**

IN WITNESS WHEREOF, each of the parties hereto has caused a counterpart of this Agreement to be duly executed and delivered as of the date first above written.

LPL HOLDINGS, INC.

By: _____
Name:
Title:

LPL INVESTMENT HOLDINGS INC.

By: _____
Name:
Title:

INDEPENDENT ADVISERS GROUP CORPORATION

By: _____
Name:
Title:

GLENOAK, LLC

By: _____
Name:
Title:

LINSCO/PRIVATE LEDGER INSURANCE ASSOCIATES, INC.

By: _____
Name:
Title:

GOLDMAN SACHS CREDIT PARTNERS L.P., as Sole Lead Arranger, Sole Bookrunner, Syndication Agent and a Lender

By: _____
Authorized Signatory

MORGAN STANLEY SENIOR FUNDING, INC., as Administrative Agent and a Lender

By: _____
Name:
Title:

MORGAN STANLEY & CO., as Collateral Agent

By: _____
Name:
Title:

SCHEDULE 1.1(B)
TO AMENDED AND RESTATED CREDIT AGREEMENT

Tranche D Term Loan Commitments

Lender		Tranche D Term Loan Commitment	Pro Rata Share
Goldman Sachs Credit Partners L.P.	$	231,233,866.49	27.45%
All Continuing Lenders	$	611,155,196.01	72.55%
Total	**$**	**842,389,062.50**	**100%**

Exhibit 21.1

List of Subsidiaries

	Subsidiary*	Jurisdiction of Incorporation	Name Under Which the Subsidiary Does Business
1.	LPL Holdings, Inc.**	Massachusetts	LPL
2.	PTC Holdings, Inc.**	Ohio	PTC
3.	The Private Trust Company	Ohio	PTC
4.	Innovex Mortgage, Inc.	California	Innovex
5.	Linsco/Private Ledger Corp.	California	LPL
6.	Independent Advisors Group Corp.	Delaware	IAG
7.	UVEST Financial Services Group, Inc.	North Carolina	UVEST
8.	LPL Insurance Associates, Inc.	Delaware	LPL
9.	UVEST Financial Services Group, Inc	North Carolina	UVEST
10.	LPL Independent Advisor Services Group LLC**	Delaware	LPL
11.	Mutual Service Corporation	Michagan	MSC
12.	Waterstone Financial Group, Inc.	Illinois	Waterstone
13.	Associated Financial Group, Inc.	California	Associated
14.	Mutual Services Mortgage, LLC	Delaware	MSC
15.	MSC Insurance & Securities, Inc.	Arizona	MSC
16.	Mutual Services Corporation	Nevada	MSC
17.	Contemporary Financial Solutions, Inc.	Delaware	CFS
18.	Associated Securities Corp.	California	Associated Securities
19.	Associated Planners Investment Advisory, Inc.	California	Associated
20.	IFMG Securities, Inc.	Delaware	Independent Financial
21.	Independent Financial Marketing Group, Inc.	Delaware	Independent Financial
22.	LSC Agency of Arizona, Inc.	Arizona	Independent Financial
23.	IFS Agencies, Inc.	New York	Independent Financial
24.	IFS Agencies of Alabama, Inc.	Alabama	Independent Financial
25.	IFS Agencies of New Mexico, Inc.	New Mexico	Independent Financial

* All subsidiaries are wholly owned, directly or indirectly, by the Registrant.

** Holding companies.

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Exhibit 31.1

CERTIFICATION OF THE PRINCIPAL EXECUTIVE OFFICER

I, Mark S. Casady, certify that:

1. I have reviewed this Annual Report on Form 10-K of LPL Investment 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: March 31, 2008

/s/ MARK S. CASADY

Mark S. Casady
Chief Executive Officer
(principal executive officer)

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Exhibit 31.2

CERTIFICATION OF THE PRINCIPAL FINANCIAL OFFICER

I, C. William Maher, certify that:

1. I have reviewed this Annual Report on Form 10-K of LPL Investment 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: March 31, 2008

/s/ C. WILLIAM MAHER

C. William Maher
Chief Financial Officer
(principal financial officer)

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Exhibit 32.1

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

In connection with the Annual Report on Form 10-K of LPL Holdings Inc. (the "Company") for the period ending December 31, 2007 as filed with the Securities and Exchange Commission 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; and

2) The information contained in the Report fairly presents, in all material respects, the financial condition and result 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: March 31, 2008

/s/ MARK S. CASADY

Mark S. Casady
Chief Executive Officer

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Exhibit 32.2

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

In connection with the Annual Report on Form 10-K of LPL Holdings Inc. (the "Company") for the period ending December 31, 2007 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, C. William Maher, 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; and

2) The information contained in the Report fairly presents, in all material respects, the financial condition and result 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: March 31, 2008

/s/ C. WILLIAM MAHER

C. William Maher
Chief Financial Officer

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