LPL Investment Holdings Inc.
Form 424B7
May 02, 2012
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CALCULATION OF REGISTRATION FEE

Title of Securities to be Registered	Amount to be Registered	Proposed Maximum Offering Price Per Share	Proposed Maximum Aggregate Offering Price(1)	Amount of Registration Fee(1)
Common stock, par value $0.001 per share	15,950,000 shares	$34.50	$550,275,000	$63,062

(1) Calculated in accordance with Rule 457(r) of the Securities Act of 1933, as amended.

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Filed Pursuant to Rule 424(b)(7)
File Number 333-173703

Prospectus Supplement to Prospectus dated April 25, 2011.

14,500,000 Shares

LPL Investment Holdings Inc.

Common Stock

The selling stockholders named in this prospectus are offering 14,500,000 shares of our common stock. We will not receive any of the proceeds from the shares of common stock sold in this offering.

Our common stock is listed on The NASDAQ Global Select Market under the symbol LPLA. On April 27, 2012, the last sale price of our common stock as reported on The NASDAQ Global Select Market was $36.98 per share.

Investing in our common stock involves risks. See Risk Factors beginning on page S-5 of this prospectus supplement.

Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

	Per Share	Total
Public offering price	$ 34.50000	$ 500,250,000
Underwriting discount	$ 1.12125	$ 16,258,125
Proceeds, before expenses, to the selling stockholders	$ 33.37875	$ 483,991,875

The selling stockholders named in this prospectus supplement have granted the underwriters the right to purchase up to an additional 1,450,000 shares of our common stock. We will not receive any of the proceeds from the sale of shares by these selling stockholders if the underwriters exercise their option to purchase additional shares of common stock.

The shares will be ready for delivery against payment in New York, New York on or about May 7, 2012.

Joint Book-Running Managers

Morgan Stanley **BofA Merrill Lynch**

Goldman, Sachs & Co. **J.P. Morgan**

Senior Co-Managers

Citigroup **SunTrust Robinson Humphrey** **Wells Fargo Securities**

Co-Managers

Sanford C. Bernstein **William Blair** **Blaylock Robert Van, LLC** **Drexel Hamilton**

Keefe, Bruyette & Woods **Macquarie Capital** **Sandler O Neill + Partners, L.P.**

Prospectus Supplement dated May 1, 2012.

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We have not authorized anyone to provide any information or to make any representations other than those contained in or incorporated by reference into this prospectus supplement, the accompanying prospectus or in any free writing prospectuses we have prepared. We take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. This prospectus supplement and the accompanying prospectus are an offer to sell only the shares offered hereby, but only under circumstances and in jurisdictions where it is lawful to do so. The information contained in this prospectus supplement and the accompanying prospectus is current only as of the date of the applicable document.

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ABOUT THIS PROSPECTUS SUPPLEMENT

When we use the terms we, us, our, LPL or the company, we mean LPL Investment Holdings Inc., a Delaware corporation, and its consolidated subsidiaries, including LPL Financial LLC (LPL Financial), taken as a whole, as well as any predecessor entities, unless the context otherwise indicates.

This document is in two parts. The first part is this prospectus supplement, which describes the specific terms of this common stock offering, additional information about our common stock and certain other matters relating to us, our business and prospects. The second part, the accompanying prospectus, contains a description of our common stock and certain other information.

The information contained in this prospectus supplement may add, update or change information contained in the accompanying prospectus or in documents which we file or have filed with the Securities and Exchange Commission (SEC) on or before the date of this prospectus supplement and which documents are incorporated by reference in this prospectus supplement and the accompanying prospectus.

To the extent the information contained in this prospectus supplement differs or varies from the information contained in the accompanying prospectus or documents incorporated by reference filed before the date of this prospectus supplement, the information in this prospectus supplement will supersede such information.

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MARKET, RANKING AND OTHER INDUSTRY DATA

The data included in this prospectus supplement, the accompanying prospectus and the documents we incorporate herein or therein by reference regarding markets and ranking, including the size of certain markets and our position and the position of our competitors within these markets, are based on reports of government agencies or published industry sources and estimates based on our management s knowledge and experience in the markets in which we operate. These estimates have been based on information obtained from our trade and business organizations and other contacts in the markets in which we operate. We believe these estimates to be accurate as of the date of this prospectus supplement. However, this information may prove to be inaccurate because of the method by which we obtained some of the data for the estimates or because this information cannot always be verified with complete certainty due to the limits on the availability and reliability of raw data, the voluntary nature of the data gathering process and other limitations and uncertainties. As a result, you should be aware that market, ranking and other similar industry data included in this prospectus supplement, the accompanying prospectus and the documents we incorporate herein or therein by reference and estimates and beliefs based on that data, may not be reliable.

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PROSPECTUS SUPPLEMENT SUMMARY

This summary highlights information contained elsewhere or incorporated by reference in this prospectus supplement and the accompanying prospectus. This summary does not contain all of the information you should consider before investing in our common stock. Before deciding whether to invest in our common stock, you should carefully read the entire prospectus supplement and the accompanying prospectus, including the section entitled Risk Factors, as well as the documents incorporated by reference and any free writing prospectus we have prepared.

Overview

We provide an integrated platform of brokerage and investment advisory services to approximately 12,900 independent financial advisors and financial advisors at financial institutions (our advisors) across the country, enabling them to successfully serve their retail investors with objective, conflict-free financial advice. In addition, we support approximately 4,400 financial advisors with customized clearing, advisory platforms and technology solutions. Our singular focus is to support our advisors with the front, middle and back-office support they need to serve the large and growing market for independent investment advice in the mass affluent and high-net-worth markets. We believe we are the only company that offers advisors the unique combination of an integrated technology platform, comprehensive self-clearing services and full open architecture access to leading financial products, all delivered in an environment unencumbered by conflicts from product manufacturing, underwriting or market making.

For over 20 years we have served and supported the independent advisor market. We are the market leader with the largest independent advisor base and the fourth largest overall advisor base in the United States. Through our advisors, we are also one of the largest distributors of financial products in the United States. Our scale is a substantial competitive advantage and enables us to effectively attract and retain advisors. Our unique model allows us to invest more resources in our advisors to help them manage complexity and increase their productivity, creating a virtuous cycle of growth. We currently have approximately 2,700 employees with headquarters in Boston, Charlotte and San Diego.

Corporate Information

LPL Investment Holdings Inc. is the parent company of our collective businesses. Our address is One Beacon Street, Boston, Massachusetts 02108. Our telephone number is (617) 423-3644. Our website address is www.lpl.com. Information contained in, and that can be accessed through, our website is not incorporated into and does not form a part of this prospectus supplement or the accompanying prospectus.

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The Offering

Common stock offered by selling stockholders	14,500,000 shares
Common stock outstanding as of April 20, 2012	110,429,780 shares
Option to purchase additional shares granted by the selling stockholders	1,450,000 shares
The NASDAQ Global Select Market symbol	LPLA
Risk Factors	See Risk Factors beginning on page S-5 of this prospectus supplement
Use of Proceeds	We will not receive proceeds from the sale of shares in this offering

The number of shares of our common stock outstanding as of April 20, 2012 excludes:

9,407,979 shares of common stock issuable upon the exercise of options and warrants outstanding as of April 20, 2012, with exercise prices ranging from $1.49 to $34.79 per share and a weighted average exercise price of $24.35 per share and

8,170,664 additional shares of common stock as of April 20, 2012 reserved for future grants under our equity incentive plans currently in effect.

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RISK FACTORS

In addition to the other information included or incorporated by reference in this prospectus supplement and the accompanying prospectus, including the matters addressed in Forward-Looking Statements, you should carefully consider the risk factors set forth below before making an investment in our common stock. In addition, you should read and consider the risk factors associated with our business included in the documents incorporated by reference in this prospectus supplement, including our Annual Report on Form 10-K for the year ended December 31, 2011. See Where You Can Find More Information.

Risks Related to the Offering and Ownership of Our Common Stock

The Sponsors will have the ability to control the outcome of matters submitted for stockholder approval and may have interests that differ from those of our other stockholders.

Following completion of this offering, investment funds affiliated with TPG Capital, L.P. and Hellman & Friedman LLC (collectively, the Sponsors) will own approximately 48.8% of our common stock (or 47.5% of our common stock if the underwriters exercise their option to purchase 1,450,000 additional shares), or 45.0% on a fully diluted basis (or 43.8% on a fully diluted basis if the underwriters exercise their option to purchase 1,450,000 additional shares). The Sponsors have significant influence over corporate transactions. So long as investment funds associated with or designated by the Sponsors continue to own a significant amount of the outstanding shares of our common stock, even though such amount is less than 50%, the Sponsors will continue to be able to strongly influence or effectively control our decisions, regardless of whether or not other stockholders believe that the transaction is in their own best interests. Such concentration of voting power could also have the effect of delaying, deterring or preventing a change of control or other business combination that might otherwise be beneficial to our stockholders. If the Sponsors enter into a change in control transaction, certain members of our executive team have the contractual ability to terminate their employment within the thirty day period immediately following the twelve month anniversary of a change in control and receive severance payments.

In addition, the Sponsors and their affiliates are in the business of making investments in companies and may, from time to time in the future, acquire interests in businesses that directly or indirectly compete with certain portions of our business. To the extent the Sponsors invest in such other businesses, the Sponsors may have differing interests than our other stockholders. The Sponsors 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.

The price of our common stock may be volatile and fluctuate substantially, which could result in substantial losses for our investors.

The market price of our common stock is highly volatile and may fluctuate substantially due to the following factors (in addition to the other risk factors described elsewhere or incorporated by reference into this prospectus supplement):

- actual or anticipated fluctuations in our results of operations;
- variance in our financial performance from the expectations of equity research analysts;
- conditions and trends in the markets we serve;
- announcements of significant new services or products by us or our competitors;
- additions or changes to key personnel;
- the commencement or outcome of litigation;

changes in market valuation or earnings of our competitors;

- the trading volume of our common stock;
- future sale of our equity securities;
- changes in the estimation of the future size and growth rate of our markets;
- legislation or regulatory policies, practices or actions and
- general economic conditions.

In addition, the stock markets in general have experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of the particular companies affected. These broad market and industry factors may materially harm the market price of our common stock irrespective of our operating performance. In addition, in the past, following periods of volatility in the overall market and the market price of a company s securities, securities class action litigation has often been instituted against the affected company. This type of litigation, if instituted against us, could result in substantial costs and a diversion of our management s attention and resources.

We are a holding company and rely on dividends, distributions and other payments, advances and transfers of funds from our subsidiaries to meet our debt service and other obligations.

We have no direct operations and derive all of our cash flow from our subsidiaries. Because we conduct our operations through our subsidiaries, we depend on those entities for dividends and other payments or distributions to meet any existing or future debt service and other obligations. The deterioration of the earnings from, or other available assets of, our subsidiaries for any reason could limit or impair their ability to pay dividends or other distributions to us. In addition, FINRA regulations restrict dividends in excess of 10% of a member firm s excess net capital without FINRA s prior approval. Compliance with this regulation may impede our ability to receive dividends from our broker-dealer subsidiaries.

Upon expiration of lock-up agreements between the underwriters and our officers, directors and the Sponsors, a substantial number of shares of our common stock could be sold into the public market, which could depress our stock price.

Our officers and directors and the Sponsors have entered into lock-up agreements with the underwriters that prohibit, subject to certain limited exceptions, the disposal or pledge of, or the hedging against, any of their common stock or securities convertible into or exchangeable for shares of common stock for a period of 90 days after the date of this prospectus supplement. However, upon the expiration of these lock-up agreements in July 2012, the market price of our common stock could decline as a result of sales by our stockholders in the market or the perception that these sales could occur. These factors could also make it difficult for us to raise additional capital by selling stock.

Anti-takeover provisions in our certificate of incorporation and bylaws could prevent or delay a change in control of our company.

Our certificate of incorporation and our bylaws contain certain provisions that may discourage, delay or prevent a change in our management or control over us that stockholders may consider favorable, including the following, some of which may only become effective when the Sponsors collectively own less than 40% of our outstanding shares of common stock:

- the division of our board of directors into three classes and the election of each class for three-year terms;
- the sole ability of the board of directors to fill a vacancy created by the expansion of the board of directors;
- advance notice requirements for stockholder proposals and director nominations;

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- limitations on the ability of stockholders to call special meetings and to take action by written consent;

- when the Sponsors collectively own 50% or less of our outstanding shares of common stock, which will occur upon the completion of this offering, the approval of holders of at least two-thirds of the shares entitled to vote generally on the adoption, alteration, amendment or repeal of our certificate of incorporation or bylaws, will be required to adopt, amend or repeal our bylaws, or amend or repeal certain provisions of our certificate of incorporation;

- the required approval of holders of at least two-thirds of the shares entitled to vote at an election of the directors to remove directors and, following the classification of the board of directors, removal only for cause and

- the ability of our board of directors to designate the terms of and issue new series of preferred stock, without stockholder approval, which could be used to institute a rights plan, or a poison pill, that would work to dilute the stock ownership of a potential hostile acquirer, likely preventing acquisitions that have not been approved by our board of directors.

The existence of the foregoing provisions and anti-takeover measures could limit the price that investors might be willing to pay in the future for shares of our common stock. They could also deter potential acquirers of our company, thereby reducing the likelihood that you could receive a premium for your common stock in the acquisition.

SELECTED FINANCIAL DATA

The following table sets forth our selected historical financial information for the three months ended March 31, 2012 and 2011, and 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 consolidated financial statements and related notes included in our Annual Report on Form 10-K for the year ended December 31, 2011, incorporated by reference herein, and in our Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2012, incorporated by reference herein. We have derived the consolidated statements of operations data for the years ended December 31, 2011, 2010 and 2009 and the consolidated statements of financial condition data as of December 31, 2011 and 2010 from our audited financial statements included in our Annual Report on Form 10-K. We have derived the consolidated statements of operations data for the years ended December 31, 2008 and 2007 and consolidated statements of financial condition data as of December 31, 2009, 2008 and 2007 from our audited financial statements not included in our Annual Report on Form 10-K for the year ended December 31, 2011. We have derived the condensed consolidated statements of financial condition data as of March 31, 2012 and 2011 and the condensed consolidated statements of operations data for the three months ended March 31, 2012 and 2011 from our unaudited condensed consolidated financial statements included in our Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2012. Our unaudited condensed consolidated financial statements for the three months ended March 31, 2012 and 2011 have been prepared on the same basis as the annual consolidated financial statements and include all adjustments, which include only normal recurring adjustments, necessary for fair presentation of this data in all material respects. Our historical results for any prior period are not necessarily indicative of results to be expected in any future period, and our results for any interim period are not necessarily indicative of results for a full fiscal year.

	As of and For the Three Months Ended March 31,		As of and For the Years Ended December 31,				
	2012	2011	2011	2010	2009	2008	2007
Consolidated statements of operations data:							
Net revenues (in thousands)	$ 901,773	$ 873,869	$ 3,479,375	$ 3,113,486	$ 2,749,505	$ 3,116,349	$ 2,716,574
Total expenses (in thousands)	$ 834,910	$ 792,311	$ 3,196,690	$ 3,202,335	$ 2,676,938	$ 3,023,584	$ 2,608,741
Income (Loss) from operations (in thousands)	$ 66,863	$ 81,558	$ 282,685	$ (88,849)	$ 72,567	$ 92,765	$ 107,833
Provision for (benefit from) income taxes (in thousands)	$ 25,684	$ 32,559	$ 112,303	$ (31,987)	$ 25,047	$ 47,269	$ 46,764
Net income (Loss) (in thousands)	$ 41,179	$ 48,999	$ 170,382	$ (56,862)	$ 47,520	$ 45,496	$ 61,069
Per share data:							
Earnings (Loss) per basic share	$ 0.38	$ 0.44	$ 1.55	$ (0.64)	$ 0.54	$ 0.53	$ 0.72
Earnings (Loss) per diluted share	$ 0.37	$ 0.43	$ 1.50	$ (0.64)	$ 0.47	$ 0.45	$ 0.62
Consolidated statements of financial condition data:							
Cash and cash equivalents (in thousands)	$ 688,818	$ 596,584	$ 720,772	$ 419,208	$ 378,594	$ 219,239	$ 188,003
Total assets (in thousands)	$ 3,765,475	$ 3,694,264	$ 3,816,326	$ 3,646,167	$ 3,336,936	$ 3,381,779	$ 3,287,349
Total debt (in thousands)(1)	$ 1,350,000	$ 1,343,146	$ 1,332,668	$ 1,386,639	$ 1,369,223	$ 1,467,647	$ 1,451,071
Other financial and operating data:							
Adjusted EBITDA(2) (in thousands)	$ 124,955	$ 124,331	$ 459,720	$ 413,113	$ 356,068	$ 350,171	$ 329,079
Adjusted Earnings(2) (in thousands)	$ 63,199	$ 59,373	$ 218,585	$ 172,720	$ 129,556	$ 108,863	$ 107,404
Adjusted Earnings per share(2)	$ 0.56	$ 0.52	$ 1.95	$ 1.71	$ 1.32	$ 1.09	$ 1.08
Gross margin (in thousands)(3)	$ 274,866	$ 269,542	$ 1,030,951	$ 937,933	$ 844,926	$ 953,301	$ 781,102
Gross margin as a % of net revenue(3)	30.5%	30.8%	29.6%	30.1%	30.7%	30.6%	28.8%
Number of advisors(4)	12,962	12,554	12,847	12,444	11,950	11,920	11,089
Advisory and brokerage assets (in billions)(5)	$ 354.1	$ 330.1	$ 330.3	$ 315.6	$ 279.4	$ 233.9	$ 283.2
	$ 110.8	$ 99.7	$ 101.6	$ 93.0	$ 77.2	$ 59.6	$ 73.9

Advisory assets under management (in billions)(6)		
Insured cash account balances (in billions)(6)	$ 13.9	$ 12.3