

BEST BUY CO INC
Form 424B2
March 08, 2011

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The information in this preliminary prospectus supplement is not complete and may be changed. This preliminary prospectus supplement is not an offer to sell the securities and is not soliciting an offer to buy the securities in any jurisdiction where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED MARCH 8, 2011

Preliminary Prospectus Supplement
(To Prospectus dated March 8, 2011)

\$

Best Buy Co., Inc.

\$ % Notes due
\$ % Notes due

We are offering \$ aggregate principal amount of % notes due and \$ aggregate principal amount of % notes due. The notes will mature on , and the notes will mature on , . Interest on the notes will accrue from March , 2011 and be payable on and of each year, beginning on , 2011.

We may redeem the notes of any series, at any time in whole or from time to time in part, at the redemption prices described in this prospectus supplement under "Description of the Notes Optional Redemption." If a change of control triggering event as described herein occurs with respect to a series of notes, unless we have exercised our option to redeem the notes of that series, we will be required to offer to purchase the notes of that series at the price described in this prospectus supplement.

The notes will be our senior unsecured obligations and will rank equally with our other unsecured and unsubordinated debt from time to time outstanding.

The notes will not be listed on any securities exchange. Currently, there is no public trading market for the notes.

See "Risk Factors" on page S-5 for a discussion of certain risks that should be considered in connection with an investment in the notes.

		Price to Public(1)	Underwriting Discounts	Proceeds to Best Buy	
Per	note		%		%
Total		\$	\$	\$	
Per	note		%		%
Total		\$	\$	\$	

(1) Plus accrued interest from March , 2011.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the notes or determined that this prospectus supplement or the accompanying prospectus is accurate or complete. Any representation to the contrary is a criminal offense.

We expect to deliver the notes to investors through the book-entry delivery system of The Depository Trust Company and its direct participants, including Euroclear and Clearstream, on or about March , 2011.

Joint Book-Running Managers

BofA Merrill Lynch

Credit Suisse

J.P. Morgan

UBS Investment Bank

The date of this prospectus supplement is March , 2011

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ABOUT THIS PROSPECTUS SUPPLEMENT

This document is in two parts. The first part is this prospectus supplement, which describes the terms of the offering of the notes. The second part is the accompanying prospectus dated March 8, 2011, which we refer to as the "accompanying prospectus." The accompanying prospectus contains a description of our debt securities and gives more general information, some of which may not apply to the notes. The accompanying prospectus also incorporates by reference documents that are described under "Incorporation by Reference" in that prospectus.

You should rely only on the information contained or incorporated by reference in this prospectus supplement, in the accompanying prospectus or in any free writing prospectus filed by us with the Securities and Exchange Commission. If information in this prospectus supplement is inconsistent with the accompanying prospectus, you should rely on this prospectus supplement. We have not, and the underwriters have not, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. You should not assume that the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus or in any such free writing prospectus is accurate as of any date other than the respective dates thereof. Our business, financial condition, results of operations and prospects may have changed since those dates.

We are not, and the underwriters are not, making an offer of the notes in any jurisdiction where the offer or sale is not permitted.

References in this prospectus supplement to "Best Buy," "we," "us" and "our" and all similar references are to Best Buy Co., Inc. and its consolidated subsidiaries, unless otherwise stated or the

context otherwise requires. However, in the "Description of the Notes" section of this prospectus supplement and the "Description of the Debt Securities" section of the accompanying prospectus, references to "we," "us" and "our" are to Best Buy Co., Inc. (parent company only) and not to any of its subsidiaries.

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SUMMARY

The following summary highlights information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus. It may not contain all of the information that you should consider before investing in the notes. You should carefully read this entire prospectus supplement, as well as the accompanying prospectus and the documents incorporated by reference that are described in the accompanying prospectus under "Where You Can Find More Information."

Best Buy Co., Inc.

We are a multinational retailer of consumer electronics, home office products, entertainment software, appliances and related services. We operate retail stores and call centers and conduct online retail operations under a variety of brand names such as Best Buy (BestBuy.com, BestBuy.ca, BestBuy.co.uk), The Carphone Warehouse (CarphoneWarehouse.com), Five Star, Future Shop (FutureShop.ca), Geek Squad, Magnolia Audio Video, Napster (Napster.com), Pacific Sales and The Phone House (PhoneHouse.com).

We operate two reportable segments: Domestic and International. The Domestic segment is comprised of the operations in all states, districts and territories of the United States, operating under various brand names including, among others, Best Buy, Best Buy Mobile, Geek Squad, Magnolia Audio Video, Napster and Pacific Sales. The International segment is comprised of: all Canada operations, operating under the brand names Best Buy, Best Buy Mobile, Future Shop and Geek Squad; all Europe operations, operating under the brand names The Carphone Warehouse, The Phone House, Best Buy and Geek Squad; all China operations, operating under the brand names Best Buy, Geek Squad and Five Star; all Mexico operations, operating under the brand names Best Buy and Geek Squad and all Turkey operations, operating under the brand names Best Buy and Geek Squad.

We are committed to growth and innovation. Our business strategy is to treat customers as unique individuals, engaging and energizing our employees to serve customer needs with end-to-end solutions, while maximizing overall profitability. We believe we offer consumers meaningful advantages in store environment, multi-channel shopping, product value, product selection, and a variety of in-store and in-home services related to the merchandise we offer, all of which advance our objectives of enhancing our business model, gaining market share and improving profitability.

Best Buy Co., Inc. is a Minnesota corporation whose principal executive offices are located at 7601 Penn Avenue South, Richfield, Minnesota 55423. Our main telephone number is (612) 291-1000.

References to our Web site addresses do not constitute incorporation by reference of the information contained on the Web sites.

Recent Developments

Revenue for Fiscal Month Ended January 1, 2011

On January 7, 2011, we announced that our revenue for the fiscal month ended January 1, 2011 was \$8.4 billion, which reflected a 1.6% decrease from the comparable prior-year period. For the fiscal month, our Domestic segment's revenue was \$6.5 billion and our International segment's revenue was \$1.9 billion, which reflected a 3.2% decrease and a 4.5% increase, respectively, from the comparable prior-year period. The change in the International segment's revenue included a favorable foreign currency exchange rate impact. We consolidate the financial results of our Europe, China, Mexico and Turkey operations on a two-month lag.

Our comparable store sales for the fiscal month declined 4.0%, as compared to 8.2% growth for the comparable prior-year period. Our Domestic segment's comparable store sales for the fiscal month declined 5.0%, as compared to 9.3% growth for the comparable prior-year period. Our International

segment's comparable store sales for the fiscal month declined 0.1%, as compared to 3.5% growth for the comparable prior-year period. See our Quarterly Report on Form 10-Q for the fiscal quarter ended November 27, 2010 for our methodology for preparing and presenting comparable store sales figures.

Restructuring Charges

On February 21, 2011, we announced a series of changes intended to enhance growth in key strategic businesses, improve financial performance and generate improved returns for our shareholders. In connection with these changes, we expect to incur certain restructuring charges relating to, among other things, fixed asset and tradename impairments, settlement of lease obligations, facility closure costs, severance costs and inventory adjustments.

We initiated the announced changes in the fourth quarter of fiscal 2011 and expect to complete the actions by the end of fiscal 2012. We expect to incur total pre-tax charges of between \$225 million and \$245 million related to the restructuring, including approximately \$60 million of cash payments. Given the timing of these actions, we estimate that between \$210 million and \$230 million of charges will be recorded in the fourth quarter of fiscal 2011, with the remainder of the charges to be recorded in fiscal 2012.

The restructuring charges referenced above are estimates, and the actual charges we incur may vary materially based on various factors, including, among others, the timing of closings; actual employee terminations; sales, write-downs and other factors affecting inventory value; factors relating to real estate including sale proceeds and the timing and amount of sublease income and other lease expense; and changes in management's assumptions.

Securities Litigation

On February 18, 2011, IBEW Local 98 Pension Fund filed a purported class action against us and certain of our executive officers alleging, among other things, that we and those officers violated Sections 10(b) and 20A of the Exchange Act and Rule 10b-5 under that Act in connection with press releases and other statements relating to our fiscal 2011 earnings guidance that had been made available to the public. We believe that the allegations are without merit, and we intend to defend such action vigorously.

The Offering

The following is a brief summary of some of the terms of this offering. It does not contain all of the information that you need to consider in making your investment decision. To understand all of the terms of the offering of the notes, you should carefully read this prospectus supplement, as well as the accompanying prospectus and the documents incorporated by reference that are described in the accompanying prospectus under "Where You Can Find More Information."

Issuer	Best Buy Co., Inc.
Securities Offered	\$ _____ % notes due _____ ; and \$ _____ % notes due _____ .
Original Issue Date	March _____, 2011.
Maturity Date	_____, _____ for the _____ notes; and _____, _____ for the _____ notes.
Interest Rate	_____ % per annum for the _____ notes; and _____ % per annum for the _____ notes.
Interest Payment Dates	Interest on the notes will be paid semi-annually on _____ and _____ of each year, beginning on _____, 2011, and on the maturity date.
Optional Redemption	We may redeem the notes of any series, at any time in whole or from time to time in part, at the redemption prices described under "Description of the Notes Optional Redemption" in this prospectus supplement.
Purchase of Notes Upon a Change of Control Triggering Event	If a change of control triggering event as described in this prospectus supplement occurs with respect to a series of notes, we will be required to offer to purchase the notes of that series at a price equal to 101% of the principal amount of the notes of that series, plus accrued and unpaid interest to the purchase date. See "Description of the Notes Offer to Purchase Upon Change of Control Triggering Event" in this prospectus supplement.
Ranking	The notes will be our senior unsecured obligations and will rank equally with our other unsecured and unsubordinated debt from time to time outstanding.
Covenants	The indenture contains covenants that, among other things, generally restrict the ability of us and certain of our subsidiaries to: incur debt secured by liens; and enter into sale and leaseback transactions. These covenants are, however, subject to significant exceptions. See "Description of the Debt Securities Covenants" in the accompanying prospectus.

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Further Issuances

We may from time to time issue further notes of a series ranking equally and ratably with the notes of that series in all respects, including the same terms as to status, redemption or otherwise.

Form and Denomination

The notes will be issued in the form of one or more fully registered global securities, without coupons, in denominations of \$2,000 in principal amount and integral multiples of \$1,000 in excess thereof. These global securities will be deposited with the trustee as custodian for, and registered in the name of, a nominee of The Depository Trust Company ("DTC"). Except in the limited circumstances described under "Description of the Debt Securities Book-Entry; Delivery and Form; Global Securities" in the accompanying prospectus, notes in certificated form will not be issued or exchanged for interests in global securities.

Use of Proceeds

We intend to use the net proceeds from the sale of the notes for general corporate purposes, including, among other things, refunding, repurchasing, retiring upon maturity or redeeming existing debt; funding for working capital; capital expenditures; repurchases of our capital stock; and strategic investments and acquisitions. See "Use of Proceeds" in this prospectus supplement.

Trading

The notes are new issues of securities with no established trading market. We do not intend to apply for listing of the notes on any securities exchange. The underwriters have advised us that they intend to make a market in the notes, but they are not obligated to do so and may discontinue market-making at anytime without notice. See "Underwriting" in this prospectus supplement for more information about possible market-making by the underwriters.

Trustee

Wells Fargo Bank, N.A.

Risk Factors

Before making an investment decision, prospective purchasers of notes should consider carefully all of the information included or incorporated by reference in this prospectus supplement and the accompanying prospectus, including, in particular, the information under "Risk Factors" beginning on page S-5 of this prospectus supplement and in Part I, Item 1A of our Annual Report on Form 10-K for the fiscal year ended February 27, 2010, which is incorporated by reference in the accompanying prospectus.

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RISK FACTORS

Investing in the notes involves risks. Before making a decision to invest in the notes, you should carefully consider the risks described under "Risk Factors" in Part I, Item 1A of our Annual Report on Form 10-K for the fiscal year ended February 27, 2010, which is incorporated by reference in the accompanying prospectus, as well as the risks set forth below. See "Where You Can Find More Information." Additional risks not presently known to us or that we currently consider to be less significant may also have a material adverse effect on us.

The indenture governing the notes does not contain financial covenants or substantial restrictions on us or our subsidiaries.

Neither we nor any of our subsidiaries are restricted from incurring additional unsecured debt or other liabilities under the indenture governing the notes. We may from time to time incur additional debt and other liabilities. In addition, we are not restricted from paying dividends or making distributions on our capital stock or purchasing or redeeming our capital stock under the indenture governing the notes.

Our credit agreement contains restrictions that limit our flexibility in operating our business.

We are party to a \$2.3 billion five-year unsecured revolving credit agreement, which we refer to as the "Credit Agreement." The Credit Agreement contains covenants and other restrictions that limit our and certain of our subsidiaries' ability to, among other things:

incur additional indebtedness;

sell or transfer assets;

create liens;

consolidate, merge, sell or otherwise dispose of all or substantially all of our assets; and

enter into transactions with our affiliates.

Under the Credit Agreement, we are required to maintain a specified leverage ratio and an interest coverage ratio. Our ability to meet these ratios can be affected by events beyond our control, and we cannot assure you that we will meet these ratios. A breach of any such covenant could result in an event of default under the Credit Agreement. Upon the occurrence of such an event of default, the lenders could elect to declare all amounts outstanding under the Credit Agreement to be immediately due and payable and terminate all commitments to extend further credit.

The notes will be junior to the debt of our subsidiaries.

None of our subsidiaries will guarantee the notes. Accordingly, the notes will be structurally subordinated to the secured and unsecured debt of our subsidiaries, as well as other claims of creditors of our subsidiaries.

We and our subsidiaries may not be able to generate sufficient cash to service all of our and their indebtedness, including the notes.

Our ability to make scheduled payments on or to refinance our debt obligations depends on our financial condition and the operating performance of our subsidiaries, which is subject to prevailing economic and competitive conditions and to certain financial, business and other factors beyond our control. We cannot assure you that our subsidiaries will maintain a level of cash flows from operating activities sufficient to permit us and them to pay the principal, premium, if any, and interest on our indebtedness, including the notes. If our and our subsidiaries' cash flows and capital resources are

insufficient to fund our debt service obligations and those of our subsidiaries, we or they may be forced to reduce or delay investments and capital expenditures, or to sell assets, seek additional capital or restructure or refinance our indebtedness, including the notes.

If we or any of our subsidiaries defaults on obligations to pay indebtedness, we may not be able to make payments on the notes.

Any default under the agreements governing our indebtedness or the indebtedness of our subsidiaries, including a default under the Credit Agreement that is not waived by the required lenders and the remedies sought by the holders of such indebtedness, could prevent us from paying principal of, premium, if any, and interest on, the notes and substantially decrease the market value of the notes. If our subsidiaries are unable to generate sufficient cash flows and we are otherwise unable to obtain funds necessary to meet required payments of principal of, premium, if any, and interest on, our indebtedness, or if we or they otherwise fail to comply with the various covenants, including any financial and operating covenants, in the instruments governing our indebtedness (including covenants in the Credit Agreement, the indenture governing the notes and the terms of our other indebtedness), we or they could be in default under the terms of the agreements governing such indebtedness.

In the event of such default, the holders of such indebtedness could elect to declare all the funds borrowed thereunder to be due and payable, together with accrued and unpaid interest, and/or the lenders under the Credit Agreement could elect to terminate their commitments thereunder, cease making further loans and we or our subsidiaries could be forced into bankruptcy or liquidation. If the operating performance of our subsidiaries declines to the extent that we cannot meet the financial ratio requirements in the Credit Agreement, we or our subsidiaries may in the future need to obtain waivers from the required lenders under the Credit Agreement or under our or their other indebtedness to avoid being in default. If we or any of our subsidiaries breach the covenants under the Credit Agreement or under such other indebtedness and seek a waiver, we or they may not be able to obtain a waiver from the required lenders. If this occurs, we or our subsidiaries would be in default under the Credit Agreement or under the instruments governing such other indebtedness, the lenders could exercise their rights, as described above, and we or our subsidiaries could be forced into bankruptcy or liquidation.

We may not be able to repurchase the notes upon a change of control triggering event.

Upon the occurrence of specific kinds of change of control events, we will be required to offer to repurchase all of the outstanding notes at 101% of their principal amount, plus accrued and unpaid interest. The source of funds for any such purchase of the notes will be our available cash or cash generated from our subsidiaries' operations or other sources, including borrowings, sales of assets or sales of equity. We may not be able to repurchase the notes upon a change of control because we may not have sufficient financial resources to purchase all of the notes that are tendered upon a change of control. Our failure to repurchase the notes upon a change of control would cause a default under the indenture governing the notes. The Credit Agreement also provides that a change of control will be a default that permits the lenders thereunder to accelerate the maturity of borrowings thereunder. Any of our future debt agreements may contain similar provisions.

An active trading market for the notes may not develop.

The notes constitute new issues of securities, for which there is no existing market. We do not intend to apply for listing of the notes on any securities exchange. We cannot assure you whether trading markets for the notes will develop, the ability of holders of the notes to sell their notes or the price at which holders may be able to sell their notes. The underwriters have advised us that they currently intend to make a market in the notes. However, the underwriters are not obligated to do so, and any market-making with respect to the notes may be discontinued at any time without notice. If no

active trading market develops, you may be unable to resell the notes at any price or at their fair market value.

If a trading market does develop, changes in our ratings or the financial markets could adversely affect the market prices of the notes.

The market price for the notes will depend on many factors, including, among others, the following:

ratings on our debt securities assigned by rating agencies;

the prevailing interest rates being paid by other companies similar to us;

our results of operations, financial condition and prospects; and

the condition of the financial markets.

The condition of the financial markets and prevailing interest rates have fluctuated in the past and are likely to fluctuate in the future, which could have an adverse effect on the market prices of the notes.

Rating agencies continually review the ratings they have assigned to companies and debt securities. Negative changes in the ratings assigned to us or our debt securities could have an adverse effect on the market price of the notes.

USE OF PROCEEDS

We intend to use the net proceeds from the sale of the notes for general corporate purposes, which may include the following: refunding, repurchasing, retiring upon maturity or redeeming existing debt; funding for working capital; capital expenditures; repurchases of our capital stock; and strategic investments and acquisitions.

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CAPITALIZATION

The following sets forth our capitalization on a consolidated basis as of November 27, 2010. We have presented our capitalization on both an actual and an as adjusted basis to reflect the issuance and sale of the notes offered hereby, but not the application of the proceeds from the issuance and sale of the notes. You should read the following table along with our financial statements and the accompanying notes to those statements, together with the information set forth under "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Quarterly Report on Form 10-Q for the nine months ended November 27, 2010, which is incorporated by reference in the accompanying prospectus. See "Where You Can Find More Information."

	As of November 27, 2010	
	Actual	As Adjusted
	(in millions)	
Short-term debt	\$ 690	\$ 690
Long-term debt:		
2.25% Convertible Subordinated Debentures due 2022	\$ 402	\$ 402
6.75% Notes due 2013	500	500
% Notes due offered hereby		
% Notes due offered hereby		
Other long-term debt(1)	232	232
Total long-term debt	1,134	
Total equity	6,665	6,665
Total capitalization(2)	\$ 7,799	\$

(1) Consists principally of financing lease obligations and capital lease obligations.

(2) Total capitalization consists of total long-term debt and total equity.

DESCRIPTION OF THE NOTES

The following description of the particular terms of the notes supplements the description of the general terms of the debt securities set forth under the heading "Description of the Debt Securities" in the accompanying prospectus. Capitalized terms used but not defined in this prospectus supplement have the meanings assigned in the accompanying prospectus or the indenture referred to below.

General

The notes will be issued in two series of debt securities under the indenture, to be dated as of March , 2011, between us and Wells Fargo Bank, N.A., as trustee, as supplemented by a supplemental indenture to be dated as of March , 2011, between us and the trustee. The indenture is more fully described in the accompanying prospectus. The following description of the specific terms of the notes supplements, and to the extent inconsistent therewith replaces, the description of the general terms and provisions of the debt securities set forth in the accompanying prospectus.

The notes initially will be limited to \$ aggregate principal amount. The notes initially will be limited to \$ aggregate principal amount. We may issue additional notes of each series without the consent of the holders of the notes of that series, but we will not issue such additional notes unless they are fungible for U.S. federal income tax purposes with the relevant series of notes offered hereby.

The notes will be our senior unsecured obligations and will rank equally with our other unsecured and unsubordinated debt from time to time outstanding.

The maturity date of the notes will be , . The maturity date of the notes will be , .

The notes will be subject to legal defeasance and covenant defeasance as provided under "Description of the Debt Securities Discharge, Defeasance and Covenant Defeasance" in the accompanying prospectus.

The notes will be issued in the form of one or more fully registered global securities, without coupons, in denominations of \$2,000 in principal amount and integral multiples of \$1,000 in excess thereof.

The notes will not be redeemable prior to maturity, except as set forth below under " Optional Redemption," and will not benefit from any sinking fund.

Interest and Principal

The notes will bear interest from March , 2011 at the annual fixed rates provided on the cover of this prospectus supplement. We will pay interest on the notes semi-annually on and of each year and on the maturity date (each, an "interest payment date"), beginning on , 2011, to the persons in whose names the notes are registered at the close of business on and , as the case may be (in each case, whether or not a business day) immediately preceding the related interest payment date. Interest on the notes will be computed on the basis of a 360-day year composed of twelve 30-day months.

We will pay the principal of and interest on each note to the registered holder in immediately available funds upon presentation of the notes if in certificated form at the office or agency we maintain for this purpose, which is initially the corporate trust office of the trustee located at 625 Marquette Avenue, MAC N9311-110, Minneapolis, Minnesota 55402, in any coin or currency of the United States of America which at the time of payment is legal tender for payment of public and private debts; provided, however, that payment of interest may be made at our option through the paying agent by check mailed to the registered holder at the close of business on the regular record

date at such address as shall appear in the security register or by wire transfer of immediately available funds to an account specified in writing by such holder to us and the trustee prior to the relevant record date. Notwithstanding anything to the contrary in this prospectus supplement or the accompanying prospectus, so long as the notes are in book-entry form, we will make payments of principal and interest through the paying agent to DTC.

Interest payable on any interest payment date or the maturity date shall be the amount of interest accrued from, and including, the next preceding interest payment date in respect of which interest has been paid or duly provided for (or from and including the original issue date, if no interest has been paid or duly provided for with respect to the notes) to, but excluding, such interest payment date or maturity date, as the case may be. If any interest payment date falls on a day that is not a business day, the interest payment will be made on the next succeeding business day, and we will not be liable for any additional interest as a result of the delay in payment. If the maturity date of the notes falls on a day that is not a business day, the related payment of principal and interest will be made on the next succeeding business day, and no interest will accrue on the amounts so payable for the period from and after such date to the next succeeding business day.

The term "business day" means any day, other than a Saturday or a Sunday, that is not a day on which banking institutions are authorized or obligated by law or executive order to close in the place of payment.

Optional Redemption

We will have the right at our option to redeem the notes of any series, in each case in whole or in part, at any time or from time to time, on at least 30 days' but not more than 60 days' notice, at a redemption price equal to the greater of (1) 100% of the principal amount of the notes to be redeemed and (2) the sum of the present values of each remaining scheduled payment of principal and interest on the notes to be redeemed (exclusive of interest accrued to the date of redemption) discounted to the redemption date on a semiannual basis (assuming a 360-day year consisting of twelve-30 day months) at the Treasury Rate plus _____ basis points (in the case of the _____ notes) or _____ basis points (in the case of the _____ notes); provided, that if we redeem any _____ notes on or after _____, (three months prior to the maturity date of the _____ notes), the redemption price for those notes will equal 100% of the principal amount of the notes to be redeemed.

The redemption price for the notes will include, in each case, accrued and unpaid interest on the principal amount of the notes to be redeemed to the redemption date.

"Comparable Treasury Issue" means the United States Treasury security or securities selected by an Independent Investment Banker as having an actual or interpolated maturity comparable to the remaining term of the series of notes to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of a comparable maturity to the remaining term of the notes of such series.

"Comparable Treasury Price" means, with respect to any redemption date (1) the arithmetic average of the Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest such Reference Treasury Dealer Quotations or (2) if we obtain fewer than four such Reference Treasury Dealer Quotations, the arithmetic average of all such quotations.

"Independent Investment Banker" means one of the Reference Treasury Dealers appointed by us.

"Reference Treasury Dealer" means Merrill Lynch, Pierce, Fenner & Smith Incorporated, Credit Suisse Securities (USA) LLC, J.P. Morgan Securities LLC and UBS Securities LLC, or their respective affiliates which are primary U.S. government securities dealers and one other primary U.S. government securities dealer in the United States of America designated by us; provided, however, that if any of

the foregoing ceases to be a primary U.S. government securities dealer in the United States of America (a "Primary Treasury Dealer"), we will substitute therefor another Primary Treasury Dealer.

"Reference Treasury Dealer Quotation" means, with respect to each Reference Treasury Dealer and any redemption date, the arithmetic average, as determined by us, of the bid and asked prices for the applicable Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to us by such Reference Treasury Dealer at 3:30 p.m. (New York City time) on the third business day preceding such redemption date.

"Treasury Rate" means, with respect to any redemption date, the rate per annum equal to the semiannual equivalent yield to maturity or interpolated maturity (on a day count basis) of the applicable Comparable Treasury Issue, assuming a price for such Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the applicable Comparable Treasury Price for such redemption date.

On and after a redemption date, interest will cease to accrue on the notes called for redemption or any portion of the notes called for redemption (unless we default in the payment of the redemption price and accrued and unpaid interest). On or before the redemption date, we will deposit with the trustee money sufficient to pay the redemption price of and (unless the redemption date shall be an interest payment date) accrued and unpaid interest to the redemption date on the notes to be redeemed on such date. If less than all of the notes of a series are to be redeemed, the notes to be redeemed will be selected by the trustee by such method as the trustee will deem fair and appropriate; provided, however, that no notes of a principal amount of \$2,000 or less shall be redeemed in part.

Offer to Purchase Upon Change of Control Triggering Event

If a Change of Control Triggering Event occurs with respect to the notes of a series, unless we have exercised our option to redeem the notes of that series as described under "Optional Redemption," we will be required to make an offer (the "Change of Control Offer") to each holder of that series of notes to purchase all or any part (equal to \$2,000 or any integral multiple of \$1,000 in excess thereof) of that holder's notes of that series on the terms set forth in the notes of that series. In the Change of Control Offer, we will be required to offer payment in cash equal to 101% of the aggregate principal amount of notes to be purchased, plus accrued and unpaid interest, if any, on such notes to the date of purchase (the "Change of Control Payment"). Within 30 days following any Change of Control Triggering Event with respect to a series of notes or, at our option, prior to any Change of Control, but after public announcement of the transaction that constitutes or may constitute the Change of Control, a notice will be mailed to holders of the notes of that series describing the transaction that constitutes or may constitute the Change of Control Triggering Event with respect to the notes of that series and offering to purchase the notes of that series on the date specified in the notice, which date will be no earlier than 30 days and no later than 60 days from the date such notice is mailed or, if the notice is mailed prior to the Change of Control, no earlier than 30 days and no later than 60 days from the date on which the Change of Control Triggering Event with respect to the notes of that series occurs (the "Change of Control Payment Date"). The notice will, if mailed prior to the date of consummation of the Change of Control, state that the offer to purchase is conditioned on the Change of Control Triggering Event occurring with respect to the notes of that series on or prior to the Change of Control Payment Date.

On the Change of Control Payment Date with respect to a series of notes, we will, to the extent lawful:

accept for payment all notes of that series or portions of notes properly tendered pursuant to the Change of Control Offer;

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deposit with the paying agent an amount equal to the Change of Control Payment in respect of all notes of that series or portions of notes of that series properly tendered; and

deliver or cause to be delivered to the trustee the notes of that series properly accepted together with an officer's certificate stating the aggregate principal amount of such notes or portions of such notes being purchased.

We will publicly announce the results of the Change of Control Offer on or as soon as possible after the date of purchase.

Except as described above, the indenture does not contain provisions that permit holders to require us to purchase or redeem the notes in the event of a takeover, recapitalization or similar transaction.

We will not be required to make a Change of Control Offer upon the occurrence of a Change of Control Triggering Event with respect to a series of notes if a third party makes such an offer in the manner, at the time and otherwise in compliance with the requirements for an offer made by us and the third party purchases all notes with respect to a series of notes properly tendered and not withdrawn under its offer. In addition, we will not purchase any notes if there has occurred and is continuing on the Change of Control Payment Date an Event of Default under the indenture, other than a default in the payment of the Change of Control Payment upon a Change of Control Triggering Event.

We will comply in all material respects with the requirements of Rule 14e-1 under the Exchange Act, and any other securities laws and regulations thereunder to the extent those laws and regulations are applicable in connection with the purchase of notes as a result of a Change of Control Triggering Event. To the extent that the provisions of any such securities laws or regulations conflict with the Change of Control Offer provisions of the notes of a series, we will comply with those securities laws and regulations and will not be deemed to have breached our obligations under the Change of Control Offer provisions of the notes of that series by virtue of any such conflict.

"Change of Control" means the occurrence of any of the following:

(1) the consummation of any transaction (including, without limitation, any merger or consolidation) the result of which is that any person (other than us or a Subsidiary) becomes the beneficial owner (as defined in Rules 13d-3 and 13d-5 under the Exchange Act), directly or indirectly, of more than 50% of our outstanding Voting Stock or other Voting Stock into which our Voting Stock is reclassified, consolidated, exchanged or changed, measured by voting power rather than number of securities; provided, however, that a person shall not be deemed beneficial owner of, or to own beneficially any securities, (A) tendered pursuant to a tender or exchange offer made by or on behalf of such person or any of such person's affiliates until such tendered securities are accepted for purchase or exchange thereunder or (B) if such beneficial ownership (i) arises solely as a result of a revocable proxy delivered in response to a proxy or consent solicitation made pursuant to the applicable rules and regulations under the Exchange Act and (ii) is not also then reportable on Schedule 13D (or any successor schedule) under the Exchange Act;

(2) the direct or indirect sale, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of our assets and the assets of the Subsidiaries, taken as a whole, to one or more persons (other than to us or a Subsidiary); provided, however, that none of the circumstances in this clause (2) will be a Change of Control if the persons that beneficially own our Voting Stock immediately prior to the transaction own, directly or indirectly, shares with a majority of the total voting power of all of the outstanding Voting Stock of the surviving or transferee person immediately after the transaction;

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(3) we consolidate with, or merge with or into, any person or any such person consolidates with, or merges with or into, us, in either case, pursuant to a transaction in which any of our outstanding Voting Stock or the Voting Stock of such other person is converted into or exchanged for cash, securities or other property, other than pursuant to a transaction in which shares of our Voting Stock outstanding immediately prior to the transaction constitute, or are converted into or exchanged for, a majority of the voting stock of the surviving person immediately after giving effect to such transaction;

(4) the adoption of a plan relating to our liquidation or dissolution; or

(5) the first day on which a majority of the members of our board of directors are not Continuing Directors.

Notwithstanding the foregoing, a transaction will not be deemed to involve a Change of Control if (a) we become a direct or indirect wholly-owned subsidiary of a holding company (*i.e.*, a parent company) and (b)(1) the direct or indirect holders of the Voting Stock of such holding company immediately following that transaction are substantially the same as the holders of our Voting Stock immediately prior to that transaction or (2) immediately following that transaction no person (other than a holding company satisfying the requirements of this sentence) is the beneficial owner, directly or indirectly, of more than 50% of the Voting Stock of such holding company; provided that any series of related transactions shall be treated as a single transaction. The term "person," as used in this definition, has the meaning given thereto in Section 13(d)(3) of the Exchange Act.

"Change of Control Triggering Event" means the occurrence of both a Change of Control and a Rating Event with respect to the notes of a series.

"Continuing Director" means, as of any date of determination, any member of our board of directors who (1) was a member of such board of directors on the date the notes were issued, (2) was nominated for election to such board of directors with the approval of a committee of the board of directors consisting of a majority of independent Continuing Directors or (3) was nominated for election, elected or appointed to such board of directors with the approval of a majority of the Continuing Directors who were members of such board of directors at the time of such nomination, election or appointment (either by a specific vote or by approval of our proxy statement in which such member was named as a nominee for election as a director, without objection to such nomination).

"Fitch" means Fitch Inc., or any successor thereto.

"Investment Grade Rating" means a rating equal to or higher than Baa3 (or the equivalent) by Moody's and BBB- (or the equivalent) by S&P or Fitch, and the equivalent investment grade credit rating from any additional Rating Agency or Rating Agencies selected by us.

"Moody's" means Moody's Investors Service, Inc., or any successor thereto.

"Rating Agencies" means each of Moody's, S&P and Fitch and, if any of Moody's, S&P or Fitch ceases to rate the notes of a series or fails to make a rating of the notes of a series publicly available for reasons outside of our control, a "nationally recognized statistical rating organization" within the meaning of Section 3(a)(62) of the Exchange Act selected by us (as certified by a resolution of our board of directors) as a replacement agency for Moody's, S&P or Fitch, or all of them, as the case may be.

"Rating Event" means the rating on the notes of a series is lowered independently by each of the Rating Agencies and the notes of that series are rated below an Investment Grade Rating by each of the Rating Agencies on any day during the period commencing on the earlier of the date of the first public notice of the occurrence of a Change of Control or our intention to effect a Change of Control and ending 60 days following consummation of such Change of Control (which period will be extended so long as the rating of the notes of that series is under publicly announced consideration for a possible downgrade by any of the Rating Agencies).

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"S&P" means Standard & Poor's Rating Services, a division of The McGraw-Hill Companies, Inc. or any successor thereto.

"Voting Stock" means, with respect to any specified "person" (as that term is used in Section 13(d) of the Exchange Act) as of any date, the capital stock of such person that is at the time entitled to vote generally in the election of the board of directors or equivalent body of such person.

Book-Entry; Delivery and Form; Global Securities

Each series of notes will be issued in the form of one or more global securities, in definitive, fully registered form without interest coupons, each of which we refer to as a "global security." Each such global security will be deposited with the trustee as custodian for DTC and registered in the name of a nominee of DTC in New York, New York for the accounts of participants in DTC.

We will not issue certificated securities to you for the notes you purchase, except in the limited circumstances described below. Each global security will be issued to DTC, which will keep a computerized record of its participants whose clients have purchased and beneficially own notes of a particular series. Each participant will then keep a record of its clients who have purchased and beneficially own notes of a particular series. Unless it is exchanged in whole or in part for a certificated security, a global security may not be transferred. DTC, its nominee and their successors may, however, transfer a global security as a whole to one another, and these transfers are required to be recorded on our records or a register to be maintained by the security registrar.

Additional information concerning book-entry procedures, as well as DTC, Euroclear Bank S.A./N.V. ("Euroclear") and Clearstream Banking, *société anonyme* ("Clearstream") is set forth under "Description of the Debt Securities Book-Entry; Delivery and Form; Global Securities" in the accompanying prospectus.

Beneficial interests in a global security will be shown on, and transfers of beneficial interests in the global securities will be made only through, records maintained by DTC and its participants. When you purchase notes through the DTC system, the purchases must be made by or through a direct participant, which will receive credit for the notes on DTC's records. When you actually purchase notes, you will become the beneficial owner of those notes. Your ownership interest will be recorded only on the direct or indirect participants' records. DTC will have no knowledge of your individual ownership of the notes. DTC's records will show only the identity of the direct participants and the amount of the notes held by or through them. You will not receive a written confirmation of your purchase or sale or any periodic account statement directly from DTC. You should instead receive these from your direct or indirect participant. As a result, the direct or indirect participants are responsible for keeping accurate account of the holdings of their customers.

The paying agent will wire payments on the notes to DTC's nominee. The trustee, any paying agent and we will treat DTC's nominee as the owner of each global security for all purposes. Accordingly, the trustee, any paying agent and we will have no direct responsibility or liability to pay amounts due on a global security to you or any other beneficial owners in that global security. Any redemption notices will be sent by us directly to DTC, which will, in turn, inform the direct participants (or the indirect participants), which will then contact you as a beneficial holder.

It is DTC's current practice, upon receipt of any payment of principal, interest, redemption prices, distributions or liquidation amounts, to credit direct participants' accounts proportionately on the payment date based on their holdings. In addition, it is DTC's current practice to pass through any consenting or voting rights to such participants by using an omnibus proxy. Those participants will, in turn, make payments to and solicit votes from you, the beneficial owner of notes, based on their customary practices. Payments to you will be the responsibility of the participants and not of DTC, the trustee, any paying agent or our company.

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Notes of a series represented by global securities will be exchangeable for certificated securities with the same terms in authorized denominations only in the circumstances described in "Description of the Debt Securities Book-Entry; Delivery and Form; Global Securities" in the accompanying prospectus. If the global securities are exchanged for certificated securities, the trustee, as security registrar, will keep the registration books for the notes at its corporate trust office and follow customary practices and procedures regarding those certificated securities.

Links have been established among DTC, Clearstream and Euroclear to facilitate the initial issuance of the notes sold outside of the United States and cross-market transfers of the notes associated with secondary market trading.

Although DTC, Clearstream and Euroclear have agreed to the procedures described below in order to facilitate transfers, they are under no obligation to perform these procedures, and these procedures may be modified or discontinued at any time.

Clearstream and Euroclear will record the ownership interests of their participants in much the same way as DTC, and DTC will record the total ownership of each of the U.S. agents of Clearstream and Euroclear, as participants in DTC. When notes are to be transferred from the account of a DTC participant to the account of a Clearstream participant or a Euroclear participant, the purchaser must send instructions to Clearstream or Euroclear through a participant at least one day prior to settlement. Clearstream or Euroclear, as the case may be, will instruct its U.S. agent to receive notes against payment. After settlement, Clearstream or Euroclear will credit its participant's account. Credit for the notes will appear on the next day (European time).

Because settlement is taking place during New York business hours, DTC participants will be able to employ their usual procedures for sending notes to the relevant U.S. agent acting for the benefit of Clearstream or Euroclear participants. The sale proceeds will be available to the DTC seller on the settlement date. As a result, to the DTC participant, a cross-market transaction will settle no differently than a trade between two DTC participants.

When a Clearstream or Euroclear participant wishes to transfer notes to a DTC participant, the seller will be required to send instructions to Clearstream or Euroclear through a participant at least one business day prior to settlement. In these cases, Clearstream or Euroclear will instruct its U.S. agent to transfer these notes against payment for them. The payment will then be reflected in the account of the Clearstream or Euroclear participant the following day, with the proceeds back-valued to the value date, which would be the preceding day, when settlement occurs in New York. If settlement is not completed on the intended value date, that is, the trade fails, proceeds credited to the Clearstream or Euroclear participant's account will instead be valued as of the actual settlement date.

You should be aware that you will only be able to make and receive deliveries, payments and other communications involving the notes through Clearstream and Euroclear on the days when those clearing systems are open for business. Those systems may not be open for business on days when banks, brokers and other institutions are open for business in the United States. In addition, because of time zone differences there may be problems with completing transactions involving Clearstream and Euroclear on the same business day as in the United States.

The Trustee, Paying Agent and Security Registrar

Wells Fargo Bank, N.A. will be the trustee, paying agent and security registrar with respect to the notes and maintains banking relationships with us and with affiliates of ours.

**CERTAIN U.S. FEDERAL INCOME AND ESTATE TAX
CONSEQUENCES TO NON-U.S. HOLDERS**

The following is a summary of certain U.S. federal income and estate tax consequences of the purchase, ownership and disposition of the notes as of the date hereof. This summary deals only with notes that are held as capital assets by a non-U.S. holder who acquires the notes upon original issuance at their initial offering price.

A "non-U.S. holder" means a holder of the notes (other than a partnership) that is not for U.S. federal income tax purposes any of the following:

an individual citizen or resident of the United States;

a corporation (or any other entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States, any state thereof or the District of Columbia;

an estate the income of which is subject to U.S. federal income taxation regardless of its source; or

a trust if it (1) is subject to the primary supervision of a court within the United States and one or more United States persons have the authority to control all substantial decisions of the trust or (2) has a valid election in effect under applicable U.S. Treasury regulations to be treated as a United States person.

This summary is based upon provisions of the Internal Revenue Code of 1986, as amended (the "Code"), and regulations, rulings and judicial decisions as of the date hereof. Those authorities may be changed, perhaps retroactively, so as to result in U.S. federal income and estate tax consequences different from those summarized below. This summary does not address all aspects of U.S. federal income and estate taxes and does not deal with foreign, state, local or other tax considerations that may be relevant to non-U.S. holders in light of their personal circumstances. In addition, it does not represent a detailed description of the U.S. federal income and estate tax consequences applicable to you if you are subject to special treatment under the U.S. federal income tax laws (including if you are a U.S. expatriate, "controlled foreign corporation," "passive foreign investment company" or a partnership or other pass-through entity for U.S. federal income tax purposes). We cannot assure you that a change in law will not alter significantly the tax considerations that we describe in this summary.

If a partnership holds the notes, the tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership. If you are a partner of a partnership holding the notes, you should consult your tax advisors.

If you are considering the purchase of notes, you should consult your own tax advisors concerning the particular U.S. federal income, alternative minimum and estate tax consequences to you of the ownership of the notes, as well as the consequences to you arising under the laws of any other taxing jurisdiction.

U.S. Federal Withholding Tax

The 30% U.S. federal withholding tax will not apply to any payment of interest on the notes under the "portfolio interest rule", provided that:

interest paid on the notes is not effectively connected with your conduct of a trade or business in the United States;

you do not actually (or constructively) own 10% or more of the total combined voting power of all classes of our voting stock within the meaning of the Code and applicable U.S. Treasury regulations;

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you are not a controlled foreign corporation that is related to us through stock ownership;

you are not a bank whose receipt of interest on the notes is described in Section 881(c)(3)(A) of the Code; and

either (a) you provide your name and address on an Internal Revenue Service ("IRS") Form W-8BEN (or other applicable form), and certify, under penalties of perjury, that you are not a United States person as defined under the Code or (b) you hold your notes through certain foreign intermediaries and satisfy the certification requirements of applicable U.S. Treasury regulations. Special certification rules apply to non-U.S. holders that are pass-through entities rather than corporations or individuals.

If you cannot satisfy the requirements described above, payments of interest made to you will generally be subject to the 30% U.S. federal withholding tax, unless you provide us with a properly executed:

IRS Form W-8BEN (or other applicable form) claiming an exemption from or reduction in withholding under the benefit of an applicable income tax treaty; or

IRS Form W-8ECI (or other applicable form) stating that interest paid on the notes is not subject to withholding tax because it is effectively connected with your conduct of a trade or business in the United States (as discussed below under "U.S. Federal Income Tax").

The 30% U.S. federal withholding tax generally will not apply to any payment of principal or gain that you realize on the sale, exchange, retirement or other disposition of a note.

U.S. Federal Income Tax

If you are engaged in a trade or business in the United States and interest on the notes or gain realized on the disposition of the notes is effectively connected with the conduct of that trade or business (and, if required by an applicable income tax treaty, is attributable to a U.S. permanent establishment), then you will be subject to U.S. federal income tax on that interest or gain on a net income basis (although you will be exempt from the 30% U.S. federal withholding tax on any interest, provided the certification requirements discussed above in "U.S. Federal Withholding Tax" are satisfied) in the same manner as if you were a United States person as defined under the Code. In addition, if you are a foreign corporation, you may be subject to a branch profits tax equal to 30% (or lower applicable income tax treaty rate) of such interest or gain, subject to adjustments.

Any gain realized on the disposition of a note generally will not be subject to U.S. federal income tax unless:

the gain is effectively connected with your conduct of a trade or business in the United States (as discussed above); or

you are an individual who is present in the United States for 183 days or more in the taxable year of that disposition, and certain other conditions are met.

U.S. Federal Estate Tax

Your estate will not be subject to U.S. federal estate tax on notes beneficially owned by you at the time of your death; provided that any payment to you on the notes would be eligible for exemption from the 30% U.S. federal withholding tax under the "portfolio interest rule" described above under "U.S. Federal Withholding Tax" without regard to the statement requirement described in the fifth bullet point of that section.

Information Reporting and Backup Withholding

Generally, we must report to the IRS and to you the amount of interest paid to you and the amount of tax, if any, withheld with respect to those payments. Copies of the information returns reporting such interest payments and any withholding may also be made available to the tax authorities in the country in which you reside under the provisions of an applicable income tax treaty.

In general, you will not be subject to backup withholding with respect to payments on the notes that we make to you; provided that we do not have actual knowledge or reason to know that you are a United States person as defined under the Code, and we have received from you the statement described above in the fifth bullet point under "U.S. Federal Withholding Tax."

Information reporting and, depending on the circumstances, backup withholding will apply to the proceeds of a sale of notes within the United States or conducted through certain U.S.-related financial intermediaries, unless you certify under penalties of perjury that you are a non-U.S. holder (and the payor does not have actual knowledge or reason to know that you are a United States person as defined under the Code), or you otherwise establish an exemption.

Any amounts withheld under the backup withholding rules will be allowed as a refund or a credit against your U.S. federal income tax liability, provided the required information is furnished to the IRS.

UNDERWRITING

We and the underwriters named below have entered into an underwriting agreement relating to the offer and sale of the notes. In the underwriting agreement, we have agreed to sell to each underwriter severally, and each underwriter has agreed severally to purchase from us, the principal amount of notes that appears opposite the name of that underwriter below:

Underwriter	Principal Amount of Notes	Principal Amount of Notes
Merrill Lynch, Pierce, Fenner & Smith Incorporated	\$	\$
Credit Suisse Securities (USA) LLC.		
J.P. Morgan Securities LLC		
UBS Securities LLC		
Total	\$	\$

The underwriting agreement provides that the underwriters are obligated to purchase all of the notes if any are purchased. The underwriting agreement also provides that if an underwriter defaults, the purchase commitments of non-defaulting underwriters may be increased or the offering of notes may be terminated.

The underwriters are offering the notes, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of legal matters by their counsel, including the validity of the notes, and other conditions contained in the underwriting agreement, such as the receipt by the underwriters of an officer's certificate and legal opinions. The underwriters reserve the right to withdraw, cancel or modify offers to the public and to reject orders in whole or in part.

The underwriters have advised us that they propose initially to offer the notes to the public at the public offering prices set forth on the cover of this prospectus supplement, and to certain dealers at such price less a concession not in excess of % of the principal amount of the notes or % of the principal amount of the notes. The underwriters may allow, and such dealers may reallow, a concession not in excess of % of the principal amount of the notes or % of the principal amount of the notes to certain other dealers. After the public offering of the notes, the public offering price and other selling terms may be changed.

We have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act of 1933, as amended, or to contribute to payments the underwriters may be required to make in respect of those liabilities.

The expenses of the offering, not including the underwriting discount, are estimated to be \$ and are payable by us.

New Issues of Notes

There is currently no public trading market for the notes of any series. In addition, we have not applied and do not intend to apply to list the notes on any securities exchange or on an automated dealer quotation system. The underwriters have advised us that they intend to make a market in the notes. However, they are not obligated to do so and may discontinue any market-making in the notes at any time in their sole discretion without notice. Therefore, we cannot assure you that a liquid trading market for the notes will develop, that you will be able to sell your notes at a particular time or that the price you receive when you sell will be favorable.

Price Stabilization and Short Positions

In connection with the offering, the underwriters are permitted to engage in transactions that stabilize the market price of the notes. Such transactions consist of bids or purchases to peg, fix or maintain the price of the notes. If an underwriter creates a short position in the notes in connection with the offering, *i.e.*, if it sells more notes than are on the cover page of this prospectus supplement, the underwriter may reduce that short position by purchasing notes in the open market. Purchases of a security to stabilize the price or to reduce a short position could cause the price of the security to be higher than it might be in the absence of such purchases.

Neither we nor the underwriters make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the notes. In addition, neither we nor the underwriters make any representation that the underwriters will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

Other Relationships

Certain underwriters and their affiliates have engaged in, and may in the future engage in, commercial and investment banking services, hedging services and other commercial dealings for us and our subsidiaries for which they have received or will receive customary compensation.

Sales Outside the United States

The notes may be offered and sold in the United States and certain jurisdictions outside the United States in which such offer and sale is permitted.

European Economic Area

In relation to each member state of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State"), each underwriter has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "Relevant Implementation Date") it has not made and will not make an offer of notes which are the subject of the offering contemplated by this prospectus supplement to the public in that Relevant Member State other than:

- (i) to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (ii) to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the underwriters for any such offer; or
- (iii) in any other circumstances falling within Article 3(2) of the Prospectus Directive;

provided that no such offer of notes shall require us or any underwriter to publish a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of notes to the public" in relation to any notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the notes to be offered so as to enable an investor to decide to purchase or subscribe for the notes, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State; "Prospectus Directive" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State; and "2010 PD Amending Directive" means Directive 2010/73/EU.

United Kingdom

Each underwriter has represented and agreed that:

- (i) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the "FSMA")) received by it in connection with the issue or sale of the notes in circumstances in which Section 21(1) of the FSMA does not apply to us; and
- (ii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the notes in, from or otherwise involving the United Kingdom.

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LEGAL MATTERS

The validity of the notes will be passed upon for us by Simpson Thacher & Bartlett LLP, New York, New York, and, with respect to certain matters of Minnesota law, by Robins, Kaplan, Miller & Ciresi L.L.P., Minneapolis, Minnesota. The validity of the notes will be passed on for the underwriters by Davis Polk & Wardwell LLP, New York, New York.

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PROSPECTUS

Best Buy Co., Inc.

Debt Securities

We may, from time to time, offer to sell debt securities in one or more offerings. This prospectus describes some of the general terms that may apply to these securities. We will provide the specific terms of these securities in prospectus supplements to this prospectus.

We may offer and sell these debt securities to or through one or more underwriters, dealers and agents or directly to purchasers, on a continuous or delayed basis.

Investing in our debt securities involves risks. You should consider the risk factors described in any accompanying prospectus supplement or any documents we incorporate by reference.

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

This prospectus is dated March 8, 2011

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You should rely only on the information contained or incorporated by reference in this prospectus, in any accompanying prospectus supplement or in any free writing prospectus filed by us with the Securities and Exchange Commission (the "SEC"). We have not authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. You should not assume that the information contained or incorporated by reference in this prospectus and any prospectus supplement or in any such free writing prospectus is accurate as of any date other than the respective dates thereof. Our business, financial condition, results of operations and prospects may have changed since those dates.

We are not making an offer to sell these debt securities in any jurisdiction where the offer or sale is not permitted.

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ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement that we filed with the SEC under the Securities Act of 1933, as amended (the "Securities Act"), utilizing a "shelf" registration process. Under this shelf registration process, we may, from time to time, sell in one or more offerings any of our debt securities described in this prospectus.

This prospectus provides you with a general description of the debt securities that we may offer. Each time we sell debt securities, we will provide a prospectus supplement that will contain specific information about the terms of that offering, including the specific amounts, prices and terms of the securities offered. The prospectus supplement may also add, update or change information contained in this prospectus.

You should carefully read both this prospectus and any prospectus supplement, together with additional information described under the heading "Where You Can Find More Information."

References in this prospectus to "we," "us" and "our" and all similar references are to Best Buy Co., Inc. and its consolidated subsidiaries, unless otherwise stated or the context otherwise requires. However, in the "Description of the Debt Securities" section of this prospectus, references to "we," "us" and "our" are to Best Buy Co., Inc. (parent company only) and not to any of its subsidiaries.

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WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and current reports, proxy statements and other information with the SEC. The public may read and copy any materials filed with the SEC at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. Also, the SEC maintains an Internet web site that contains reports, proxy and information statements, and other information regarding issuers, including us, that file electronically with the SEC. The public can obtain any documents that we file electronically with the SEC at <http://www.sec.gov>.

We also make available, free of charge, on or through our Internet web site (<http://www.bby.com>) our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, Proxy Statements on Schedule 14A and, if applicable amendments to those reports filed or furnished pursuant to Section 13(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. Please note, however, that we have not incorporated any other information by reference from our Internet web site, other than the documents listed under the heading "Incorporation by Reference." In addition, you may request copies of these filings at no cost through our Investor Relations Department at: Best Buy Co., Inc., 7601 Penn Avenue South, Richfield, Minnesota 55423, telephone: (612) 291-1000.

We have filed with the SEC a registration statement on Form S-3 relating to the debt securities covered by this prospectus. This prospectus is a part of the registration statement and does not contain all the information in the registration statement. Whenever a reference is made in this prospectus to a contract or other document of ours, the reference is only a summary and you should refer to the exhibits that are a part of the registration statement for a copy of the contract or other document. You may review a copy of the registration statement and the documents incorporated by reference herein at the SEC's Public Reference Room in Washington, D.C., as well as through the SEC's Internet web site referenced above.

INCORPORATION BY REFERENCE

The SEC allows us to incorporate by reference information into this prospectus. This means that we can disclose important information to you by referring you to another document. Any information referred to in this way is considered part of this prospectus from the date we file that document. Any reports filed by us with the SEC after the date of this prospectus and before the date that the offering of the debt securities by means of this prospectus is terminated will automatically update and, where applicable, supersede any information contained in this prospectus or incorporated by reference in this prospectus.

We incorporate by reference into this prospectus the documents set forth below that have been previously filed with the SEC; provided, however, that we are not incorporating any documents or information deemed to have been furnished rather than filed in accordance with SEC rules:

our Annual Report on Form 10-K for the fiscal year ended February 27, 2010;

our Quarterly Reports on Form 10-Q for the fiscal quarters ended May 29, 2010, August 28, 2010 and November 27, 2010;

our Current Reports on Form 8-K filed on March 31, 2010, April 9, 2010, June 29, 2010, September 22, 2010, February 1, 2011 and February 22, 2011 (Item 2.05 only); and

any filings we make with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act on or after the date of this prospectus and before the termination of the offering of debt securities by means of this prospectus.

To obtain copies of these filings, see "Where You Can Find More Information."

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FORWARD-LOOKING STATEMENTS

Certain statements in this prospectus, any prospectus supplement and the documents incorporated by reference herein, other than purely historical information, including estimates, projections, statements relating to our business plans, objectives and expected operating results, and the assumptions upon which those statements are based, are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act and Section 21E of the Exchange Act. These forward-looking statements may be identified by the use of words such as "anticipate," "believe," "estimate," "expect," "intend," "foresee," "plan," "project," "outlook," and other words and terms of similar meaning. Forward-looking statements reflect our current view with respect to future events and trends and are subject to certain risks, uncertainties and assumptions, which may cause actual results and trends to differ materially from the forward-looking statements. Actual results and trends could differ materially from historical or expected results depending on, among others, the following factors:

our ability to maintain or increase our revenues and profit margins;

fluctuations in customers' preferences and spending;

the financial condition of our customers;

product availability and new product introductions;

competition from traditional store-based retailers, Internet businesses and other participants in retail commerce;

promotional activity of our competitors;

our ability to attract, develop, and retain qualified employees;

our success in achieving growth strategies and expanding our business in existing and new markets;

our ability to maintain sufficient financial resources to enable us to manage our liquidity and invest in strategic growth initiatives

availability of suitable real estate locations;

loss of significant contracts;

changes in government regulations;

risks associated with our vendors;

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changes in U.S. or international economic or political conditions;

fluctuations in exchange rates and other risks associated with foreign operations;

acts of war or terrorism;

weather or natural disasters or other unexpected events or developments affecting us;

fluctuations in employee benefit and insurance costs;

our ability to maintain our extensive management information systems technology;

our ability to protect our customers' information;

any deterioration in our relationship with Accenture LLP, which provides key outsourcing services to us; and

other matters referred to in our SEC filings.

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A detailed discussion of these and other risks and uncertainties that could cause actual results and trends to differ materially from such forward-looking statements is included in Part I, Item 1A of our Annual Report on Form 10-K for the fiscal year ended February 27, 2010 under the heading "Risk Factors" and as may be included from time to time in our other reports filed with the SEC.

We undertake no obligation to update to revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable law.

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We are a multinational retailer of consumer electronics, home office products, entertainment software, appliances and related services. We operate retail stores and call centers and conduct online retail operations under a variety of brand names such as Best Buy (BestBuy.com, BestBuy.ca, BestBuy.co.uk), The Carphone Warehouse (CarphoneWarehouse.com), Five Star, Future Shop (FutureShop.ca), Geek Squad, Magnolia Audio Video, Napster (Napster.com), Pacific Sales and The Phone House (PhoneHouse.com).

We operate two reportable segments: Domestic and International. The Domestic segment is comprised of the operations in all states, districts and territories of the United States, operating under various brand names including, among others, Best Buy, Best Buy Mobile, Geek Squad, Magnolia Audio Video, Napster and Pacific Sales. The International segment is comprised of: all Canada operations, operating under the brand names Best Buy, Best Buy Mobile, Future Shop and Geek Squad; all Europe operations, operating under the brand names The Carphone Warehouse, The Phone House, Best Buy and Geek Squad; all China operations, operating under the brand names Best Buy, Geek Squad and Five Star; all Mexico operations, operating under the brand names Best Buy and Geek Squad and all Turkey operations, operating under the brand names Best Buy and Geek Squad.

We are committed to growth and innovation. Our business strategy is to treat customers as unique individuals, engaging and energizing our employees to serve customer needs with end-to-end solutions, while maximizing overall profitability. We believe we offer consumers meaningful advantages in store environment, multi-channel shopping, product value, product selection, and a variety of in-store and in-home services related to the merchandise we offer, all of which advance our objectives of enhancing our business model, gaining market share and improving profitability.

Best Buy Co., Inc. is a Minnesota corporation whose principal executive offices are located at 7601 Penn Avenue South, Richfield, Minnesota 55423. Our main telephone number is (612) 291-1000.

References to our Web site addresses do not constitute incorporation by reference of the information contained on the Web sites.

RATIO OF EARNINGS TO FIXED CHARGES

The following table sets forth the historical ratio of our earnings to our fixed charges for the periods indicated.

	Nine Months Ended		Fiscal Years Ended				
	November 27, 2010	November 29, 2009	February 27, 2010	February 28, 2009	March 1, 2008	March 3, 2007	February 25, 2006
Ratio of earnings to fixed charges(1)	4.35x	3.89x	6.08x	5.52x	8.85x	10.30x	9.83x

- (1) For purposes of calculating the ratio of earnings to fixed charges, earnings represents earnings before income tax expense, noncontrolling interests and equity in income (loss) of affiliates plus fixed charges; and fixed charges include: (a) interest expense; (b) amortization of capitalized expenses related to debt; and (c) the portion of rental expense which management believes is representative of the interest component of rent expense.

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USE OF PROCEEDS

Except as otherwise set forth in a prospectus supplement, we intend to use the net proceeds from sales of the debt securities for general corporate purposes, which may include the following: refunding, repurchasing, retiring upon maturity or redeeming existing debt; funding for working capital; capital expenditures; repurchases of our capital stock; and strategic investments and acquisitions.

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DESCRIPTION OF THE DEBT SECURITIES

We have summarized below general terms and conditions of the debt securities that we will offer and sell pursuant to this prospectus. When we offer to sell a particular series of debt securities, we will describe the specific terms and conditions of the series in a prospectus supplement to this prospectus. We will also indicate in the applicable prospectus supplement whether the general terms and conditions described in this prospectus apply to the series of debt securities. In addition, the terms and conditions of the debt securities of a series may be different in one or more respects from the terms and conditions described below. If so, those differences will be described in the applicable prospectus supplement. We may, but need not, describe any additional or different terms and conditions of such debt securities in an Annual Report on Form 10-K, a Quarterly Report on Form 10-Q or a Current Report on Form 8-K filed with the SEC, the information in which would be incorporated by reference in this prospectus and such report will be identified in the applicable prospectus supplement.

We will issue the debt securities in one or more series under an indenture between us and Wells Fargo Bank, N.A., as trustee. The following summary of provisions of the indenture does not purport to be complete and is subject to, and qualified in its entirety by reference to, all of the provisions of the indenture, including definitions therein of certain terms. This summary may not contain all of the information that you may find useful. The terms and conditions of the debt securities of each series will be set forth in those debt securities and in the indenture. For a comprehensive description of any series of debt securities being offered to you pursuant to this prospectus, you should read both this prospectus and the applicable prospectus supplement.

We have filed the indenture as an exhibit to the registration statement of which this prospectus forms a part. A form of each debt security, reflecting the specific terms and provisions of that series of debt securities, will be filed with the SEC in connection with each offering and is or will be incorporated by reference in the registration statement of which this prospectus forms a part. You may obtain a copy of the indenture and any form of debt security that has been filed in the manner described under "Where You Can Find More Information."

Capitalized terms used and not defined in this summary have the meanings specified in the indenture. For purposes of this section of this prospectus, references to "we," "us" and "our" are to Best Buy Co., Inc. (parent company only) and not to any of its subsidiaries. References to the "applicable prospectus supplement" are to the prospectus supplement to this prospectus that describes the specific terms and conditions of a series of debt securities.

General

We may offer the debt securities from time to time in as many distinct series as we may determine. All debt securities will be our senior unsecured obligations. The indenture does not limit the amount of debt securities that we may issue under that indenture. We may, without the consent of the holders of the debt securities of any series, issue additional debt securities ranking equally with, and otherwise similar in all respects to, the debt securities of that series (except for the public offering price, issue date and first interest payment date) so that those additional debt securities will be consolidated and form a single series with the debt securities of the series previously offered and sold.

The debt securities of each series will be issued in fully registered form without interest coupons. We currently anticipate that the debt securities of each series offered and sold pursuant to this prospectus will be issued as global debt securities as described under "Book-Entry; Delivery and Form; Global Securities" and will trade in book-entry form only.

Debt securities denominated in U.S. dollars will be issued in denominations of \$2,000 and any integral multiple of \$1,000 in excess thereof, unless otherwise specified in the applicable prospectus supplement. If the debt securities of a series are denominated in a foreign or composite currency, the

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applicable prospectus supplement will specify the denomination or denominations in which those debt securities will be issued.

Unless otherwise specified in the applicable prospectus supplement, we will repay the debt securities of each series at 100% of their principal amount, together with accrued and unpaid interest thereon at maturity, unless those debt securities are previously redeemed or purchased and cancelled.

Unless specified otherwise in the applicable prospectus supplement, the debt securities of each series will not be listed on any securities exchange.

Provisions of Indenture

The indenture provides that debt securities may be issued under it from time to time in one or more series. For each series of debt securities, this prospectus and the applicable prospectus supplement will describe the following terms and conditions of that series of debt securities:

the title of the series;

the maximum aggregate principal amount, if any, established for debt securities of the series;

the person to whom any interest on a debt security of the series will be payable, if other than the person in whose name that debt security (or one or more predecessor debt securities) is registered at the close of business on the regular record date for such interest;

the date or dates on which the principal of any debt securities of the series will be payable or the method used to determine or extend those dates;

the rate or rates at which any debt securities of the series will bear interest, if any, the date or dates from which any such interest will accrue, the interest payment dates on which any such interest will be payable and the regular record date for any such interest payable on any interest payment date;

the place or places where the principal of and premium, if any, and interest on any debt securities of the series will be payable and the manner in which any payment may be made;

the period or periods within which, the price or prices at which and the terms and conditions upon which any debt securities of the series may be redeemed, in whole or in part, at our option and, if other than by a board resolution, the manner in which any election by us to redeem the debt securities will be evidenced;

our obligation or right, if any, to redeem or purchase any debt securities of the series pursuant to any sinking fund or at the option of the holders thereof and the period or periods within which, the price or prices at which and the terms and conditions upon which any debt securities of the series will be redeemed or purchased, in whole or in part, pursuant to such obligation;

if other than denominations of \$2,000 and any integral multiple of \$1,000 in excess thereof, the denominations in which any debt securities of the series will be issuable;

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if the amount of principal of or premium, if any, or interest on any debt securities of the series may be determined with reference to a financial or economic measure or index or pursuant to a formula, the manner in which such amounts will be determined;

if other than U.S. dollars, the currency, currencies or currency units in which the principal of or premium, if any, or interest on any debt securities of the series will be payable and the manner of determining the equivalent thereof in U.S. dollars for any purpose;

if the principal of or premium, if any, or interest on any debt securities of the series is to be payable, at our election or the election of the holders thereof, in one or more currencies or

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currency units other than that or those in which such debt securities are stated to be payable, the currency, currencies or currency units in which the principal of or premium, if any, or interest on such debt securities as to which such election is made will be payable, the periods within which and the terms and conditions upon which such election is to be made and the amount so payable (or the manner in which such amount will be determined);

if other than the entire principal amount thereof, the portion of the principal amount of any debt securities of the series which will be payable upon declaration of acceleration of the maturity thereof pursuant to the indenture;

if the principal amount payable at the stated maturity of any debt securities of the series will not be determinable as of any one or more dates prior to the stated maturity, the amount which will be deemed to be the principal amount of such debt securities as of any such date for any purpose thereunder, including the principal amount thereof which will be due and payable upon any maturity other than the stated maturity or which will be deemed to be outstanding as of any date prior to the stated maturity (or, in any such case, the manner in which such amount deemed to be the principal amount will be determined);

if other than by a board resolution, the manner in which any election by us to defease any debt securities of the series pursuant to the indenture will be evidenced; whether any debt securities of the series other than debt securities denominated in U.S. dollars and bearing interest at a fixed rate are to be subject to the defeasance provisions of the indenture; or, in the case of debt securities denominated in U.S. dollars and bearing interest at a fixed rate, if applicable, that the debt securities of the series, in whole or any specified part, will not be defeasible pursuant to the indenture;

if applicable, that any debt securities of the series will be issuable in whole or in part in the form of one or more global securities and, in such case, the respective depositaries for such global securities and the form of any legend or legends which will be borne by any such global securities, and any circumstances in which any such global security may be exchanged in whole or in part for debt securities registered, and any transfer of such global security in whole or in part may be registered, in the name or names of persons other than the depositary for such global security or a nominee thereof;

any addition to, deletion from or change in the events of default applicable to any debt securities of the series and any change in the right of the trustee or the requisite holders of such debt securities to declare the principal amount thereof due and payable;

any addition to, deletion from or change in the covenants applicable to debt securities of the series;

if the debt securities of the series are to be convertible into or exchangeable for cash and/or any securities or other property of any person (including us), the terms and conditions upon which such debt securities will be so convertible or exchangeable;

whether the debt securities of the series will be guaranteed and, if so, the identity of the guarantors, the terms and conditions upon which such debt securities will be guaranteed and, if applicable, the terms and conditions upon which such guarantees may be subordinated to other indebtedness of the guarantors;

whether the debt securities of the series will be secured by any collateral and, if so, the terms and conditions upon which such debt securities will be secured and, if applicable, upon which such liens may be subordinated to other liens securing other indebtedness of us or of any guarantor; and

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any other terms of the debt securities of the series (which terms will not be inconsistent with the provisions of the indenture, except as permitted thereunder).

Interest and Interest Rates

General

In the applicable prospectus supplement, we will designate the debt securities of the series being offered as being either debt securities bearing interest at a fixed rate of interest or debt securities bearing interest at a floating rate of interest. Each debt security will begin to accrue interest from the date on which it is originally issued. Interest on each such debt security will be payable in arrears on the interest payment dates set forth in the applicable prospectus supplement and as otherwise described below and at maturity or, if earlier, the redemption date described below. Interest will be payable to the holder of record of the debt securities at the close of business on the record date for each interest payment date, which record dates will be specified in such prospectus supplement.

As used in the indenture, the term "business day" means, with respect to debt securities of a series, any day, other than a Saturday or Sunday, that is not a day on which banking institutions are authorized or obligated by law or executive order to close in the place where the principal of and premium, if any, and interest on the debt securities of that series are payable.

Fixed Rate Debt Securities

If the debt securities of a series being offered will bear interest at a fixed rate of interest, the debt securities of that series will bear interest at the annual interest rate specified on the cover page of the applicable prospectus supplement. Interest on those debt securities will be payable semi-annually in arrears on the interest payment dates for those debt securities unless otherwise provided in the applicable prospectus supplement. If the maturity date, the redemption date or an interest payment date is not a business day, we will pay principal, premium, if any, the redemption price, if any, and interest on the next succeeding business day, and no interest will accrue from and after the relevant maturity date, redemption date or interest payment date to the date of that payment. Unless otherwise specified in the applicable prospectus supplement, interest on the fixed rate debt securities will be computed on the basis of a 360-day year of twelve 30-day months.

Floating Rate Debt Securities

If the debt securities of a series being offered will bear interest at a floating rate of interest, the debt securities of that series will bear interest during each relevant interest period at the rate determined as set forth in the applicable prospectus supplement and as otherwise set forth below. Each floating rate debt security will have an interest rate basis or formula.

Unless otherwise specified in the applicable prospectus supplement, we will base that formula on the London Interbank Offered Rate ("LIBOR") for the LIBOR Currency. The "LIBOR Currency" means the currency specified in the applicable prospectus supplement as to which LIBOR will be calculated or, if no such currency is specified in the applicable prospectus supplement, U.S. dollars. In the applicable prospectus supplement, we will indicate any spread or spread multiplier to be applied in the interest rate formula to determine the interest rate applicable in any interest period. Unless otherwise specified in the applicable prospectus supplement, interest will be computed on the basis of the actual number of days during the relevant interest period and a 360-day year.

Floating rate debt securities may have a maximum or minimum rate limitation. In no event, however, will the rate of interest on the debt securities be higher than the maximum rate of interest permitted by New York law as that law may be modified by U.S. laws of general application.

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The applicable prospectus supplement will identify the calculation agent for each series of floating rate debt securities, which will compute the interest accruing on the debt securities.

If any interest payment date for the debt securities of a series bearing interest at a floating rate based on LIBOR (other than the maturity date or the redemption date, if any) would otherwise be a day that is not a business day, then the interest payment date will be postponed to the following date which is a business day, unless that business day falls in the next succeeding calendar month, in which case the interest payment date will be the immediately preceding business day. If the maturity date or the redemption date, if any, is not a business day, we will pay principal, premium, if any, the redemption price, if any, and interest on the next succeeding business day, and no interest will accrue from and after the maturity date or the redemption date, if any, to the date of that payment.

The calculation agent will reset the rate of interest on the debt securities of a series bearing interest at a floating rate based on LIBOR on each interest payment date. If any of the interest reset dates for the debt securities is not a business day, then that interest reset date will be postponed to the next succeeding business day, unless that day is in the next succeeding calendar month, in which case, the interest reset date will be the immediately preceding business day. The interest rate set for the debt securities on a particular interest reset date will remain in effect during the interest period commencing on that interest reset date. Each interest period will be the period from and including the interest reset date to, but excluding the next interest reset date or until the maturity date or redemption date, if any, of the debt securities, as the case may be.

The calculation agent will determine the interest rate applicable to the debt securities bearing interest at a floating rate based on LIBOR on the interest determination date, which will be the second London banking day immediately preceding the interest reset date. The interest rate determined on an interest determination date will become effective on and as of the next interest reset date. The interest determination date for the interest period commencing on date of issuance of the debt securities is specified in the accompanying prospectus supplement. As used in this prospectus, "London banking day" means any day on which dealings in deposits in the LIBOR Currency are transacted in the London interbank market.

If the debt securities bear interest at a floating rate based on LIBOR, the calculation agent will determine LIBOR according to the following provisions:

- (a) With respect to any interest determination date, LIBOR will be the rate (expressed as a percentage per annum) for deposits in U.S. dollars having a maturity of the Index Maturity commencing on the relevant interest reset date that appears on Reuters Page LIBOR01 as of 11:00 a.m. (London time) on that interest determination date. If no such rate appears, LIBOR for that interest determination date will be determined in accordance with the provisions described in the following clause (b).
- (b) With respect to an interest determination date on which no rate appears on Reuters Page LIBOR01, as specified in the preceding clause (a), the calculation agent will request the principal London offices of each of four major reference banks in the London interbank market (which may include affiliates of underwriters or the trustee), as selected by us, to provide the calculation agent with its offered quotation (expressed as a percentage per annum) for deposits in U.S. dollars for the Index Maturity, commencing on the relevant interest reset date, to prime banks in the London interbank market at approximately 11:00 a.m. (London time) on that interest determination date and in a principal amount that is representative for a single transaction in U.S. dollars in that market at that time. If at least two quotations are provided, then LIBOR on that interest determination date will be the arithmetic mean of those quotations. If fewer than two quotations are provided, then LIBOR on the interest determination date will be the arithmetic mean of the rates quoted at approximately 11:00 a.m. (New York City time), on the interest determination date by three

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major banks in The City of New York (which may be affiliates of underwriters) selected by us for loans in U.S. dollars to leading European banks, having an Index Maturity, commencing on the relevant interest reset date, and in a principal amount that is representative for a single transaction in U.S. dollars in that market at that time. If at least two such rates are so provided, LIBOR on the interest determination date will be the arithmetic mean of such rates. If fewer than two such rates are so provided, LIBOR on the interest determination date will be LIBOR in effect with respect to the immediately preceding interest determination date.

"Reuters Page LIBOR01" means the display that appears on Reuters (or any successor service) on page LIBOR01 (or any page as may replace such page on such service) for the purpose of displaying London interbank offered rates of major banks for U.S. dollars.

"Index Maturity" means the period to maturity of the debt securities with respect to which the related interest rate basis or formula will be calculated. For example, the Index Maturity may be one month, three months, six months or one year.

All percentages resulting from any calculation will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point with five one millionths of a percentage point rounded upwards (*e.g.*, 4.876545% (or .04876545) would be rounded to 4.87655% (or .0487655)), and all U.S. dollar amounts used in or resulting from such calculation will be rounded to the nearest cent (with one-half cent being rounded upward).

The calculation agent will promptly notify the trustee of each determination of the interest rate. The calculation agent will also notify the trustee of the interest rate, the interest amount, the interest period and the interest payment date related to each interest reset date as soon as such information becomes available. The trustee will make such information available to the holders of the relevant debt securities upon request.

The calculation agent's determination of any interest rate, and its calculation of the amount of interest for any interest period, will be final and binding in the absence of manifest error.

So long as any floating rate debt securities are outstanding, we will at all times maintain a calculation agent. We will appoint a bank, trust company, investment banking firm or other financial institution to act as the successor calculation agent in the event that:

any acting calculation agent is unable or unwilling to act;

any acting calculation agent fails to duly establish the floating interest rate for a series of floating rate debt securities; or

we propose to remove the calculation agent.

Optional Redemption

Redemption at Our Option

If specified in the applicable prospectus supplement, we may elect to redeem all or part of the outstanding debt securities of a series from time to time before the maturity date of the debt securities of that series. Upon such election, we will notify the trustee of the redemption date and the principal amount of debt securities of the series to be redeemed. If less than all the debt securities of the series are to be redeemed, the particular debt securities of that series to be redeemed will be selected by the trustee by such method as the trustee deems fair and appropriate. The applicable prospectus supplement will specify the price at which any debt securities of a series are to be redeemed (or the manner of determining such price), in each case in accordance with the terms and conditions of those debt securities.

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Notice of redemption will be given to each holder of the debt securities to be redeemed not less than 30 nor more than 60 days prior to the date set for such redemption. This notice will include the following information: the redemption date; the redemption price (or the method of determining such price); if less than all of the outstanding debt securities of such series are to be redeemed, the identification (and, in the case of partial redemption, the respective principal amounts) of the particular debt securities to be redeemed; the place or places where such debt securities are to be surrendered for payment of the redemption price; and, if applicable, the CUSIP number of the debt securities to be redeemed.

By no later than 11:00 a.m. (New York City time) on the redemption date, we will deposit or cause to be deposited with the trustee or with a paying agent (or, if we are acting as our own paying agent with respect to the debt securities to be redeemed, we will segregate and hold in trust as provided in the indenture) an amount of money sufficient to pay the aggregate redemption price of, and (except if the redemption date shall be an interest payment date or the debt securities of such series provide otherwise) accrued interest on, all of the debt securities or the part thereof to be redeemed on that date. On the redemption date, the redemption price will become due and payable upon all of the debt securities to be redeemed, and interest, if any, on the debt securities to be redeemed will cease to accrue from and after that date. Upon surrender of any such debt securities for redemption, we will pay those debt securities surrendered at the redemption price together, if applicable, with accrued interest to the redemption date.

Any debt securities to be redeemed only in part must be surrendered at the office or agency established by us for such purpose, and we will execute, and the trustee will authenticate and deliver to a holder without service charge, new debt securities of the same series and of like tenor, of any authorized denominations as requested by that holder, in a principal amount equal to and in exchange for the unredeemed portion of the debt securities that holder surrenders.

Repayment at Holder's Option

If specified in the applicable prospectus supplement, the holders of the debt securities of a series will have the option to elect repayment of those debt securities by us prior to the stated maturity of the debt securities of that series at time or times and subject to the conditions specified in the prospectus supplement. If the holders of those debt securities have that option, the applicable prospectus supplement will specify the optional repayment date or dates on which the debt security may be repaid and the optional repayment price (or the method of determining such price). The optional repayment price is the price at which, together with accrued interest to the optional repayment date, the debt security may be repaid at the holder's option on each such optional repayment date.

Any tender of a debt security by the holder for repayment will be irrevocable. Any repayment option of a holder may be exercised by the holder of debt securities for less than the entire principal amount of the debt security; provided that the principal amount of the debt security remaining outstanding after repayment will be an authorized denomination. Upon such partial repayment, the debt securities will be canceled and new debt securities for the remaining principal amount will be issued in the name of the holder of the repaid debt securities.

If debt securities are represented by a global security as described under " Book-Entry; Delivery and Form; Global Securities," the securities depository for the global security or its nominee will be the holder of the debt security and, therefore, will be the only person that can exercise a right to repayment. In order to ensure that the depository or its nominee will timely exercise a right to repayment relating to a particular debt security, the beneficial owner of the debt security must instruct the broker or other direct or indirect participant in the depository through which it holds an interest in the debt security to notify the depository of its desire to exercise a right to repayment by the appropriate cut-off time for notifying the participant. Different firms have different cut-off times for

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accepting instructions from their customers. Accordingly, a holder should consult the broker or other direct or indirect participant through which it holds an interest in a debt security in order to ascertain the cut-off time by which such an instruction must be given for timely notice to be delivered to the appropriate depository.

Payment and Transfer or Exchange

Principal of and premium, if any, and interest on the debt securities of each series will be payable, and the debt securities may be exchanged or transferred, at the office or agency maintained by us for such purpose (which initially will be the corporate trust office of the trustee located at 625 Marquette Avenue, MAC 9311-110, Minneapolis, Minnesota 55402). Payment of principal of and premium, if any, and interest on a global security registered in the name of or held by The Depository Trust Company ("DTC") or its nominee will be made in immediately available funds to DTC or its nominee, as the case may be, as the registered holder of such global security. If any of the debt securities is no longer represented by a global security, payment of interest on certificated debt securities in definitive form may, at our option, be made by check mailed directly to holders at their registered addresses. See " Book-Entry; Delivery and Form; Global Securities."

A holder may transfer or exchange any certificated debt securities in definitive form at the same location given in the preceding paragraph. No service charge will be made for any registration of transfer or exchange of debt securities, but we may require payment of a sum sufficient to cover any transfer tax or other similar governmental charge payable in connection therewith.

We are not required to transfer or exchange any debt security selected for redemption for a period of 15 days before mailing of a notice of redemption of the debt security to be redeemed.

The registered holder of a debt security will be treated as the owner of it for all purposes.

Subject to applicable unclaimed property laws, all amounts of principal of and premium, if any, or interest on the debt securities paid by us that remain unclaimed two years after such payment was due and payable will be repaid to us, and the holders of such debt securities will thereafter look solely to us for payment.

Covenants

The following covenants are set forth in the indenture and will apply to us and certain Subsidiaries for so long as any debt securities remain outstanding under the indenture. These covenants restrict our ability and the ability of these Subsidiaries to enter into certain transactions. However, these covenants do not limit us or any Subsidiary from incurring Indebtedness nor do they require us or any Subsidiary to comply with financial ratios or to maintain specific levels of net worth or liquidity.

Limitation on Liens

We will not, and we will not permit any North American Subsidiary to, directly or indirectly, issue, assume or guarantee any Indebtedness if that Indebtedness is secured by any Lien upon any of our Principal Property or the Principal Property of a North American Subsidiary, without effectively securing each series of debt equally and ratably with that Indebtedness for so long as such Indebtedness is so secured. The foregoing restriction does not apply to:

- (1) Liens on any property acquired, constructed or improved by us or any North American Subsidiary after the date of the indenture which are created or assumed contemporaneously with or within one year after the acquisition of such property, or completion of construction or improvement thereon, or within one year thereafter pursuant to a firm commitment for financing arrangements entered into within that one-year period to secure or provide for the payment of the purchase price or cost thereof; provided that the aggregate principal amount of Indebtedness

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secured by such Liens will not exceed the cost of the property or assets so acquired, constructed or improved;

(2) Liens existing on any property at the time of acquisition thereof from a Person merged or consolidated with or into us or a North American Subsidiary; provided that the Lien is not created in contemplation of or in connection with such acquisition, merger or consolidation;

(3) Liens on property of any Person existing at the time that Person becomes a North American Subsidiary;

(4) Liens existing on any property at the time of acquisition thereof (in addition to Liens contemplated by clauses (2) and (3) above);

(5) Liens to secure Indebtedness of a North American Subsidiary owed to us or Indebtedness of us or a North American Subsidiary owed to another North American Subsidiary;

(6) Liens consisting solely of encumbrances, rights-of-way, restrictions (including zoning restrictions), minor defects or irregularities in title and other similar charges or encumbrances not, in any material respect, impairing the use of the encumbered property for its intended purpose;

(7) any Lien existing on the date of the indenture; or

(8) Liens for the sole purpose of extending, renewing, replacing or refinancing Indebtedness secured by any Lien referred to in the foregoing clauses (1) to (7), inclusive; provided, however, that the principal amount of Indebtedness secured by that Lien shall not exceed the principal amount of Indebtedness so secured at the time of such extension, renewal, replacement or refinancing, and that such extension, renewal, replacement or refinancing shall be limited to the property that secured the Lien so extended, renewed, replaced or refinanced (plus improvements on such property).

The foregoing limitation on Liens will not apply to the issuance, assumption or guarantee by us or any North American Subsidiary of Indebtedness secured by a Lien which would otherwise be subject to the foregoing restrictions up to an aggregate amount which, together with all other Indebtedness of us and the North American Subsidiaries secured by Liens (not including Liens permitted under the foregoing exceptions) that would otherwise be subject to the foregoing restriction and the Value of Sale and Leaseback Transactions existing at that time (other than Sale and Leaseback Transactions that, if such Sale and Leaseback Transaction had been a Lien, would have been permitted under clauses (1) or (4) above and other than Sale and Leaseback Transactions as to which application of amounts have been made in accordance with clause (3) under " Limitation on Sale and Leaseback Transactions"), does not at the time exceed the greater of 15% of Consolidated Net Tangible Assets and 10% of Consolidated Capitalization.

The indenture does not limit the ability of any Subsidiary that is not a North American Subsidiary to issue, assume or guarantee any secured Indebtedness.

Limitation on Sale and Leaseback Transactions

We will not, and we will not permit any North American Subsidiary to, enter into any Sale and Leaseback Transaction unless the net proceeds of the Sale and Leaseback Transaction are at least equal to the sum of all costs incurred by us or any North American Subsidiary in connection with the acquisition of, and construction of any improvements on, the Principal Property to be leased and:

(1) we or the North American Subsidiary would be entitled to incur Indebtedness secured by a Lien on the Principal Property to be leased without equally and ratably securing the debt securities, pursuant to the first paragraph under " Limitation on Liens";

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Current
None
Past 5 Years
None

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Proposal 1: Election of Directors

James S. Riepe

BACKGROUND

Age 74
Director Since 2008
Independent

Mr. Riepe is a senior advisor and retired vice chair of the board of directors of T. Rowe Price Group, Inc. (“TRP”), a global investment management firm, where he worked for nearly 25 years. Previously, he served on TRP’s management committee, oversaw TRP’s mutual fund activities and served as chair of the T. Rowe Price Mutual Funds. He served as chair of the board of governors of the Investment Company Institute and was a member of the board of governors of the National Association of Securities Dealers (now FINRA) and chaired its Investment Companies Committee. Mr. Riepe is a member of the board of directors of UTI Asset Management Company of India and the Baltimore Equitable Society. He also served as chair of the board of trustees of the University of Pennsylvania from which he earned a B.S. and an M.B.A.

Committees:
Audit Committee (Chair)
Compensation Committee

QUALIFICATIONS

Mr. Riepe’s pertinent qualifications include his high level of financial literacy and operating and management experience, gained through his executive management positions and role as vice chair of the board of directors of TRP; expertise in the financial industry, underscored by his over 35 years of experience in investment management and his prior roles as a member of the board of governors of FINRA and as chair of the board of governors of the Investment Company Institute; and knowledge and experience gained through service on the board of other public companies.

OTHER PUBLIC COMPANY BOARDS

Current	Past 5 Years
Genworth Financial Inc.	The Nasdaq OMX Group, Inc.

Richard P. Schifter

BACKGROUND

Age 65
Director Since 2005
Independent

Mr. Schifter is a senior advisor of TPG, a leading global private investment firm. He was a partner at TPG from 1994 through 2013. 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. He joined Arnold & Porter in 1979 and was a partner from 1986 through 1994. Mr. Schifter currently serves on the board of overseers of the University of Pennsylvania Law School. Mr. Schifter received a B.A. with

Committee:
Nominating and Governance
Committee

distinction from George Washington University and a J.D. cum laude from the University of Pennsylvania Law School in 1978.

QUALIFICATIONS

Mr. Schifter's pertinent qualifications include his high level of financial literacy gained through his investment experience as a TPG partner; experience on other company boards and board committees; and nearly 15 years of experience as a corporate attorney with an internationally-recognized law firm.

OTHER PUBLIC COMPANY BOARDS

Current

American Airlines Group
Caesar's Entertainment
Corporation

Past 5 Years

Republic Airways Holdings, Inc.
EverBank Financial Corp.

Proposal 1: Election of Directors

In the vote on the election of the director nominees, stockholders may:

Vote FOR any of the nominees;

Vote AGAINST any of the nominees; or

ABSTAIN from voting as to any of the nominees.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE “FOR” THE ELECTION OF EACH OF THE ABOVE-NAMED NOMINEES AS A DIRECTOR.

Information Regarding Board and Committee Structure

Information Regarding Board and Committee Structure

During 2017, the Board of Directors held seven meetings, of which two were held by conference call. Each of our directors attended at least 75% of the aggregate of:

the total number of meetings of the Board of Directors during 2017; and

the total number of meetings held by all committees of the Board on which the director served during 2017.

The corporate and governance guidelines applicable to the Company (the "Corporate Governance Guidelines") provide that each director who is nominated for election is expected to attend the Annual Meeting. All directors who served on the Board at the time of the 2017 annual meeting of stockholders attended such meeting.

Corporate Governance Guidelines, Committee Charters, and Code of Conduct

We believe that good corporate governance is important to ensure that we are managed for the long-term benefit of our stockholders. Our Board of Directors has adopted a set of Corporate Governance Guidelines to set clear parameters for the operation

of our Board. Our Board of Directors has also adopted charters for its audit committee (the "Audit Committee"), Nominating and Governance Committee, and Compensation Committee. We have adopted a Code of Conduct that applies to, among others, our principal executive officer, principal financial officer, and principal accounting officer or controller, or persons performing similar functions.

Copies of our Annual Report, committee charters, Corporate Governance Guidelines, and Code of Conduct are available, free of charge, by writing to us at the following address:

LPL Financial Holdings Inc.

75 State Street, 22nd Floor

Boston, MA 02109

Attn: Investor Relations

Our Annual Report, committee charters, Corporate Governance Guidelines, and Code of Conduct are also available on our website at www.lpl.com. If we make substantive amendments to, or grant waivers from, the Code of Conduct for certain of our executive officers, we will disclose the nature of such amendment or waiver on our website or in a current report on Form 8-K.

Corporate Governance Highlights

We have implemented several important measures that are designed to promote long-term shareholder value:

Our Board consists of a single class of directors elected on an annual basis who may be removed with or without cause. Accordingly, our stockholders are able to register their views on the performance of all directors on an annual basis, enhancing the accountability of our Board to our stockholders.

We currently separate the offices of the chair of the Board and chief executive officer of the Company, although the Board maintains the flexibility to select the chair of the Board and its leadership structure, from time to time, based on the criteria that it deems to be in the best interests of the Company and its stockholders.

Our bylaws provide for a majority voting standard in uncontested director elections. We also have adopted a director resignation policy in our Corporate Governance Guidelines pursuant to which a director who does not receive support from holders of a majority of shares voted in an uncontested election must tender his or her resignation and, if our Board accepts the resignation, step down from our Board. This makes director elections more meaningful for our stockholders and promotes accountability.

We seek an advisory vote on our compensation practices annually, which underscores the careful consideration we give to our stockholders' views on our compensation practices.

We have established a compensation claw-back policy that enables the Company to recoup cash and equity incentive compensation from executive officers in the event of certain financial restatements.

Our executive officers are subject to equity ownership guidelines that set minimum ownership requirements based on a multiple of annual base salary, which aligns the interests of senior management with the interests of our stockholders.

We have also adopted equity ownership guidelines for directors, which set minimum ownership requirements based on a multiple of the cash portion of the annual base retainer then in effect.

Our Insider Trading Policy prohibits our executives from pledging and hedging our Common Stock, in order to further the alignment between stockholders and our executives that our equity awards are designed to create.

Information Regarding Board and Committee Structure

Director Independence

The listing standards of The Nasdaq Global Select Market (“Nasdaq”) require that, subject to specified exceptions, each member of a listed company’s audit, nominating and governance, and compensation and human resources committees be independent. Rule 5605(a)(2) of the listing rules of Nasdaq further provides that a director will only qualify as an “independent director” if, in the opinion of that company’s board of directors, that person does not have a relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. Audit committee members must also satisfy the independence criteria set forth in Rule 10A-3 under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and compensation committee members are also subject to heightened independence criteria under Nasdaq rules.

After its evaluation of director independence, the Board of Directors has affirmatively determined that Messrs. Dinh, Glavin, Hellman, Putnam, Riepe, and Schifter and Ms. Eberhart and Mulcahy are independent directors under the applicable rules of Nasdaq. Messrs. Glavin, Putnam, and Riepe and Ms. Eberhart are independent directors as such term is defined in Rule 10A-3(b)(1) under the Exchange Act, and Mr. Riepe and Ms. Eberhart and Mulcahy are independent under the heightened criteria applicable to compensation committee members. In accordance with listing standards of Nasdaq, a majority of our directors are independent.

Board Composition and Leadership Structure of the Board of Directors

Our business and affairs are managed under the direction of the Board of Directors. As of March 29, 2018, our Board of Directors was composed of nine directors. Under our Amended and Restated Certificate of Incorporation, the number of directors shall not be fewer than three or more than 15. The authorized number of directors may be changed only by resolution of the Board of Directors.

The Board does not have a fixed policy regarding the separation of the offices of chair of the Board and chief executive officer and believes that it should maintain the flexibility to select the chair of the Board and its Board leadership structure, from time to time, based on the criteria that it deems to be in the best interests of the Company and its stockholders. At this time, the offices of the chair of the Board and the chief executive officer are separated. Prior to having appointed an independent chair, the Board of Directors had established the position of lead director, with responsibilities for performing many of the

functions that an independent chair would perform for the Company. Mr. Riepe served as lead director from February 2014 to June 2016, and Mr. Putnam served as lead director from June 2016 until his appointment as non-executive chair on March 3, 2017.

At this time, the Company believes that having a separate chief executive officer and chair allows Mr. Arnold to focus on his role as president and chief executive officer and increases the Board’s independence from management, leading to effective monitoring and oversight. As non-executive chair, Mr. Putnam serves as a key source of communication between the independent directors and the chief executive officer, establishes the agenda for each meeting of the Board and coordinates the agenda for and leads meetings of the independent directors.

Board Committees

The current standing committees of the Board of Directors are the Audit Committee, the Nominating and Governance Committee, and the Compensation Committee, each with the composition and responsibilities described below. The members of each committee were appointed by the Board of Directors and will serve until their successors are elected and qualified, unless they are removed earlier or resign. In addition, from time to time, special committees may be established under the direction of the Board of Directors when necessary to address specific issues. Each of the standing committees of our Board is chaired by an independent director. Our Nominating and Governance Committee intends to reassess the composition of the standing committees of the Board in connection with the election of directors at the Annual Meeting.

Audit Committee

Our Audit Committee is composed of the following members: H. Paulett Eberhart, William F. Glavin, Jr., James S. Putnam, and James S. Riepe. Mr. Riepe serves as the chair of the Audit Committee. Each of the Audit Committee members is independent under the listing standards of Nasdaq and under Rule 10A-3 of the Exchange Act. None of the Audit Committee members is an employee of ours or any of our subsidiaries, nor simultaneously serves on the audit committees of more than three public companies, including ours. All of the Audit Committee members meet the requirements for financial literacy and are able to read and understand fundamental financial statements, including the Company's balance sheet, income statement, and cash flow statement. Our Board has affirmatively determined that each of Ms. Eberhart and Mr. Riepe qualifies as an audit committee financial expert under the applicable rules and regulations of the SEC.

Information Regarding Board and Committee Structure

Our Audit Committee is responsible for, among other things, appointing, overseeing, and replacing, if necessary, the independent auditor and assisting the Board in overseeing:

- nthe integrity of the Company's financial statements;
- nthe integrity of the accounting and financial reporting processes of the Company;
- nenterprise risk management, including the Company's compliance with legal and regulatory requirements;
- nthe Company's independent auditor's qualifications, compensation and independence; and
- nthe performance of the Company's independent auditor and internal audit function.

The Audit Committee reviews and discusses our annual and quarterly financial statements, our disclosures in the "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our annual and quarterly reports filed with the SEC, and our earnings announcements prior to their release. The Audit Committee also reviews matters related to the Company's related party transaction policy, the operations of the Company's Technology department and the Company's whistle-blower and integrity program. For additional information on the Audit Committee's role in our enterprise risk management framework, please see "— Risk Management and Compensation Policies and Practices."

In addition, the Audit Committee is responsible for overseeing the fee negotiations associated with our retention of Deloitte, our independent registered public accounting firm. In conjunction with the mandated rotation of Deloitte's lead engagement partner, the Audit Committee and its chair were directly involved in 2017 with the selection of the new lead engagement partner, who began serving in that role in 2018.

The Audit Committee has authority under its charter to obtain advice and assistance from outside legal counsel, accounting, or other outside advisors as deemed appropriate to perform its duties and responsibilities. The Audit Committee met nine times during 2017.

Nominating and Governance Committee

Our Nominating and Governance Committee is composed of the following members: Viet D. Dinh, Marco W. Hellman, Anne M. Mulcahy and Richard P.

Schifter. Mr. Dinh serves as the chair of the Nominating and Governance Committee.

Each member of the Nominating and Governance Committee is independent under the listing standards of Nasdaq.

The Nominating and Governance Committee is responsible for:

- nidentifying, evaluating and recruiting qualified persons to serve on our Board of Directors;
- nselecting, or recommending to the Board for selection, nominees for election as directors;
- nreviewing and recommending the composition of the Board's standing committees;
- nreviewing and assessing the Company's corporate governance guidelines; and
- n evaluating the performance, operations, size and composition of our Board of Directors.

The Nominating and Governance Committee conducts an annual evaluation of our Board and its committees following the end of each year. The evaluation process for 2017 included the use of a written questionnaire completed by directors, individual director interviews conducted by the chair of the Board and our chief legal and risk officer (who elicited confidential feedback from directors outside the presence of the chair) and written questionnaires completed by our executive officers.

The Nominating and Governance Committee has authority under its charter to engage such independent legal, accounting and other advisors as it deems necessary or appropriate to carry out its responsibilities. In connection with its efforts to ensure that our Board has the appropriate mix of expertise, skills, perspectives and competencies, the Nominating and Governance Committee engaged Heidrick & Struggles, a director search firm, in 2017 to provide ongoing assistance in identifying, evaluating, and recruiting potential

additional director candidates.

The Nominating and Governance Committee met four times during 2017.

Compensation and Human Resources Committee

The Compensation Committee is composed of the following members: H. Paulett Eberhart, Anne M. Mulcahy and James S. Riepe. Ms. Mulcahy serves as the chair of the Compensation Committee.

Each member of the Compensation Committee is independent under the listing standards of Nasdaq, including the heightened standards that apply to compensation committee members. The

Information Regarding Board and Committee Structure

Compensation Committee is composed entirely of “non-employee directors” within the meaning of Rule 16b-3 under the Exchange Act.

The Compensation Committee is responsible for:

- n reviewing and approving goals and objectives relevant to executive officer compensation and evaluating the performance of executive officers in light of those goals and objectives;
- n reviewing and approving executive officer compensation;
- n reviewing and approving the chief executive officer’s compensation based upon the Compensation Committee’s evaluation of the chief executive officer’s performance;
- n making recommendations to the Board regarding the adoption of new incentive compensation and equity-based plans, and administering our existing incentive compensation and equity-based plans;
- n making recommendations to the Board regarding compensation of our directors;
- n reviewing and approving the general design and terms of any significant non-executive compensation and benefits plans; and
- n reviewing our significant policies, practices and procedures concerning human resource-related matters.

The Compensation Committee has authority under its charter to access such internal and external resources, including retaining legal, financial or other advisors, as the Compensation Committee deems necessary or appropriate to fulfill its responsibilities. In 2017, the Compensation Committee engaged an independent compensation consultant, Meridian Compensation Partners, LLC (the “Compensation Consultant”), to advise on compensation matters and provide experiential guidance on what is considered fair and competitive practice in our industry, primarily with respect to the compensation of our executive officers.

The Compensation Committee has the authority to delegate to subcommittees of the Compensation Committee any responsibilities of the full committee. The Compensation Committee may also delegate to a committee of one or more directors, or one or more of our executive officers, subject to certain restrictions, the power to grant stock options, restricted stock units, or other equity awards, and amend the terms of such awards, pursuant to our equity plans. References to the Compensation

Committee in this proxy statement also refer to its subcommittees and its delegates, where applicable.

The Compensation Committee met six times during 2017.

Compensation Committee Interlocks and Insider Participation

No member of the Compensation Committee is or has been an officer or employee of ours or any of our subsidiaries. None of our executive officers serves or has served as a member of the board of directors, compensation committee, or other board committee performing equivalent functions of any entity that has one or more executive officers serving as one of our directors or on our Compensation Committee.

Risk Management and Compensation Policies and Practices

We employ an enterprise risk management (“ERM”) framework that is intended to address key risks and responsibilities, enable us to execute our business strategy, and protect our firm and its franchise. Our framework is designed to promote clear lines of risk management accountability and a structured escalation process for key risk information and events. In addition to the ERM framework, we have written policies and procedures that govern the conduct of business by our employees and independent financial advisors, and the terms and conditions of our relationships with financial product manufacturers.

Our risk management governance approach is discussed in our Annual Report under “Item 7A. Quantitative and Qualitative Disclosures About Market Risk — Risk Management.” This approach includes the Board of Directors, the Audit Committee, and the Compensation Committee, as well as the Company’s Risk Oversight Committee (the “ROC”) and its subcommittees, the Company’s Internal Audit department, the Company’s Compliance, Legal and Risk department, and business line management.

Role of the Audit Committee

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

The Audit Committee has mandated that the ROC oversee our risk management activities, including those of our subsidiaries. The Audit Committee receives reports on the ROC at each of the Audit

Information Regarding Board and Committee Structure

Committee's regularly scheduled quarterly meetings and, as necessary or requested, to the Board. The reports generally cover topics addressed by the ROC at its meetings since the immediately preceding report. If warranted, matters of material risk are escalated to the Audit Committee or Board more frequently. In addition, our Internal Audit department provides independent verification of the effectiveness of the Company's internal controls by conducting risk assessments and audits designed to identify and cover important risk categories. Our Internal Audit department provides regular reports to the ROC and reports to the Audit Committee at least as often as quarterly.

Role of the Compensation Committee

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

The Compensation Committee has reviewed and evaluated the philosophy and standards on which our compensation practices have been developed and implemented across our Company. It is our belief that our compensation practices do not encourage inappropriate actions by our executive officers and are not reasonably likely to have a material adverse effect on the Company. Specifically, we believe that our compensation practices and process avoid:

- a compensation mix overly weighted toward annual bonus awards;
- an excessive focus on short-term equity incentive awards that could cause behavior to drive short-term stock price gains in lieu of long-term value creation; and
- unreasonable financial goals or thresholds that could encourage efforts to generate near-term revenue with an adverse impact on long-term success.

We believe that our current business process and planning cycle fosters the following behaviors and controls that serve to mitigate the potential for adverse risk caused by the action of our executive officers: defined processes for developing strategic and annual operating plans, approval of capital investments, internal controls over financial reporting, and other financial, operational, and compliance policies and practices;

- approval by our Board of the Company's annual corporate goals aligns these goals with our annual operating plan, strategic plan and compensation programs, which achieves an appropriate risk-reward balance;
- annual review of peer group practices and compensation surveys to develop compensation strategies and practices;

- annual incentive awards based on a review by the Compensation Committee of a variety of metrics, including both financial performance and strategic achievements, reducing the potential to concentrate on one metric as the basis of an annual incentive award;

- mix of fixed and variable, annual and long-term, and cash and equity compensation is designed to encourage strategies and actions that are in our long-term best interests;

- discretionary authority is maintained by the Compensation Committee to adjust annual bonus funding and payments, which reduces business risk associated with our cash bonus program;

- long-term equity incentive awards, including performance-based awards, vest over a period of time, and as a result of the longer time horizon to receive the value of an equity award, the prospect of short-term or risky behavior is mitigated;

- use of more than one long-term equity incentive vehicle mitigates the risk of any one vehicle creating undue incentive to take on excessive risk; and

- inclusion of stock ownership requirements for all executive officers, a "claw-back" policy, and anti-hedging policies that help to mitigate the possibility of short-term risk-taking at the expense of long-term value creation.

Communicating
with the
Board of
Directors

Any stockholder
who wishes to
contact a
member of our
Board of
Directors may
do so by writing
to the following
address:

Board of
Directors
c/o Secretary
LPL Financial
Holdings Inc.
75 State Street
Boston, MA
02109

Communications
will be
distributed to the
chair of the
Board or the
other members
of the Board as
appropriate
depending on
the facts and
circumstances
outlined in the
communication
received.

Board of Director Compensation

Board of Director Compensation
Compensation Policy

Our director compensation policy provides that each of our non-employee directors receives an annual service retainer of \$210,000. Of this amount, \$80,000 is paid in a lump sum in cash (subject to the director's election to receive this amount in shares of our Common Stock as described below) and \$130,000 is paid in the form of restricted shares of our Common Stock granted under our Amended and Restated 2010 Omnibus Equity Incentive Plan (the "2010 Plan").

The following table sets forth additional annual service retainers under our director compensation policy that a committee member received for his or her additional duties during 2017:

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

Our director compensation policy also provides that the chair of the Board receives an additional annual service retainer of \$120,000 in connection with his additional duties. The retainers for committee and chair service are paid in cash in installments following the end of each quarter of service. Mr. Arnold does not receive additional compensation for his service as a director. Mark S. Casady, our former chief executive officer who retired from the Board on March 3, 2017, did not receive compensation for his service as a director.

We review the director compensation practices of our compensation peer group annually. After reviewing such practices and based on the advice of the Compensation Consultant, we amended our director compensation policy in February 2017 to, among other things, provide for an annual service retainer for the non-executive chair and increase the cash service retainers received by our directors for their board and committee service, in each case as noted above.

As also noted above, each of our non-employee directors was granted an annual award of restricted stock having a grant date value of \$130,000 (based on the average of the closing price of our Common Stock for the trailing thirty consecutive trading days including the grant date). The awards vest in full on May 18, 2018, which is the first anniversary of the business day that immediately followed our 2017 annual meeting of stockholders, generally subject to

the director's continued service through that date. We believe these equity grants serve to further align our directors' interests with the interests of our stockholders.

Our director compensation policy permits non-employee directors to make an election to be issued, in lieu of the cash portion of their annual service retainer, fully vested shares of our Common Stock. For 2017, the number of fully vested shares was determined by dividing \$80,000 by the average of the closing price of our Common Stock for the trailing thirty consecutive trading days, ending on and including the date such shares were granted.

Deferred Compensation Plan

Under the LPL Financial Holdings Inc. Non-Employee Director Deferred Compensation Plan (the "Deferred Plan"), non-employee directors may make an annual election to defer receipt of the equity portion, or both the equity and cash portion, of their annual retainer for Board service. For directors who make such a deferral election, a book-entry account is established and credited with a number of deferred stock units granted under our 2010 Plan equal in value to the shares and, if so elected by the director, the cash, that would otherwise be granted or paid absent such deferral election, with each deferred stock unit representing the right to receive a

share of our Common Stock. Dividend equivalent rights are credited to a director's book-entry account, in the form of additional stock units, on both vested and unvested deferred stock units. All such shares will be paid only upon a director's separation from service or a change in control, as defined in the Deferred Plan.

Equity Ownership Guidelines

Our Corporate Governance Guidelines include equity ownership guidelines for non-employee directors. Within five years of the date of his or her election to the Board, each non-employee director must maintain ownership of shares of Common Stock equal to five times the cash portion of the annual retainer for Board service then in effect, not including any retainers for committee or chair service. All shares owned outright and beneficially owned by a non-employee director, including all shares of unvested restricted stock, are counted in determining compliance with such minimum ownership requirement. Neither vested nor unvested stock options are counted, however. As of March 29, 2018, each of our non-employee directors except for Mr. Glavin, who was elected to the Board in 2017, satisfied this minimum ownership requirement.

Board of Director Compensation

The following table sets forth the compensation received from us by each non-employee director for service on the Board for the fiscal year ended December 31, 2017. In addition to the payments disclosed in the table below, our directors were reimbursed for reasonable out-of-pocket expenses incurred in connection with their attendance at Board and committee meetings.

Name	Fees Earned or Paid in Cash (\$)	Stock Awards (\$) ⁽¹⁾⁽²⁾	Total (\$)
John J. Brennan	\$21,875 (3)	\$—	\$21,875
Viet D. Dinh	\$98,189 (4)	\$127,096(5)	\$225,285
H. Paulett Eberhart	\$102,292(6)	\$127,096	\$229,388
William F. Glavin, Jr.	\$86,939 (4)	\$127,096(5)	\$214,035
Marco (Mick) W. Hellman	\$84,022 (4)(7)	\$127,096(7)	\$211,118
Anne M. Mulcahy	\$113,189(4)	\$127,096	\$240,285
James S. Putnam	\$213,189(4)	\$127,096(5)	\$340,285
James S. Riepe	\$114,439(4)	\$127,096	\$241,535
Richard P. Schifter	\$88,189 (4)	\$127,096(5)	\$215,285

The amounts shown in this column represent the aggregate grant date fair value of restricted stock awards granted to our non-employee directors in 2017. The aggregate grant date fair value of the restricted stock awards, as determined under FASB ASC Topic 718, was determined by multiplying the number of shares underlying the award by \$39.73, which was the closing price of our Common Stock on the grant date. For (1) information regarding the number of shares of restricted stock held by each non-employee director as of December 31, 2017, see the column “Restricted Stock Awards” in the table in footnote 2 below. The amounts shown in this column do not include the value of any fully vested shares of Common Stock that certain of our non-employee directors elected to receive in lieu of the cash portion of the annual service retainer. In accordance with SEC rules, such amounts are shown in the column “Fees Earned or Paid in Cash”.

The following table shows the aggregate number of stock options and shares of restricted stock held by each of our non-employee directors as of December 31, 2017. All restricted stock awards reported in the (2) table below will vest in full on May 18, 2018. All stock options reported in the table below were fully vested as of December 31, 2017.

Name	Stock Option Awards (#)	Restricted Stock Awards (#)
Viet D. Dinh	—	3,199
H. Paulett Eberhart	—	3,199
William F. Glavin, Jr.	—	3,199
Marco (Mick) W. Hellman ⁽⁷⁾	—	—
Anne M. Mulcahy	—	3,199
James S. Putnam	—	3,199
James S. Riepe	31,500	3,199
Richard P. Schifter	—	3,199

Mr. Brennan served as a director until May 17, 2017. This amount represents the prorated portion of his (3) retainer for service during 2017 on the Audit Committee, of which he served as chair, the Compensation Committee, and the Nominating and Governance Committee.

(4) This amount includes the value of fully vested shares of Common Stock that the director elected to receive in lieu of the cash portion of the director’s annual service retainer. The aggregate grant date fair value of

these shares, as determined under FASB ASC Topic 718, was determined by multiplying the number of shares underlying the award by \$39.73, which was the closing price of our Common Stock on the grant date. The shares issued to Messrs. Dinh, Glavin, Putnam and Schifter are subject to a written deferral election under the Deferred Plan pursuant to which the director elected to defer receipt of the cash portion of the annual service retainer.

- (5) These stock awards are subject to a written deferral election under the Deferred Plan pursuant to which the director elected to defer receipt of the equity portion of his annual service retainer.
Ms. Eberhart succeeded Mr. Brennan as a member of the Compensation Committee in May 2017. This
- (6) amount includes the prorated portion of Ms. Eberhart's retainer for service during 2017 on the Compensation Committee.
- (7) Mr. Hellman was granted 1,968 shares of Common Stock and 3,199 shares of restricted stock in May 2017. Mr. Hellman assigned these awards to HMI Capital, LLC.

Compensation Discussion and Analysis

Compensation Discussion and Analysis

Executive Summary

This Compensation Discussion and Analysis (“CD&A”) describes the actions taken by the Compensation Committee with respect to 2017 compensation for our executive officers, including our named executive officers (“NEOs”). Under SEC rules, our NEOs for 2017 were:

Executive	Title
Dan H. Arnold	President and Chief Executive Officer
Mark S. Casady ⁽¹⁾	Former Chief Executive Officer
Matthew J. Audette	Chief Financial Officer
Thomas Gooley	Managing Director, Service, Trading and Operations
Scott Seese ⁽²⁾	Managing Director, Chief Information Officer
George B. White	Managing Director, Investor and Investment Solutions and Chief Investment Officer

Mr. Casady served as our chief executive officer until January 3, 2017, at which time Mr. Arnold, our (1) then-president, was appointed as our chief executive officer. Mr. Casady continued to serve as chair of the Board and a director until his retirement on March 3, 2017.

(2) Mr. Seese commenced employment with us as managing director, chief information officer, on July 10, 2017.

Summary of 2017 Operating Performance

The following summary of the Company’s operating performance is intended to provide additional context for the Compensation Committee’s evaluation of the Company’s performance against its 2017 goals for compensation-related purposes. For such purposes, Adjusted EBITDA was the primary financial metric considered by the Compensation Committee in evaluating the Company’s performance in 2017. The Compensation Committee also considered the Company’s gross profit and expense management results, and their effect on the Company’s Adjusted EBITDA results. EBITDA, Adjusted EBITDA, gross profit and core G&A are non-GAAP financial measures that are described below under “Non-GAAP Financial Measures.” The Company reported good business and financial results in 2017, and further positioned itself to better serve and support its advisors, drive profitable growth and create long-term shareholder value. Total assets at year-end were \$615 billion, up 21% from 2016. This growth was driven by a combination of organic growth, market appreciation and the initial onboarding of assets following the Company’s acquisition of the broker-dealer network of National Planning Holdings, Inc. (“NPH”), in the largest acquisition in the Company’s history. This asset growth contributed to the Company’s gross profit of \$1.6 billion in 2017, which was a 12% increase over 2016. The Company’s continued focus on expense management resulted in an increase in core general and administrative expense (“core G&A”) of less than 2% prior to costs related to the NPH acquisition. This expense discipline enabled the Company to make significant business and technology investments while also driving operating leverage. As a result, EBITDA and earnings per share grew year-over-year by 21% and 22%, respectively. For additional discussion and analysis of the Company’s 2017 performance, please refer to the Annual Report.

As further discussed below, after taking into account the Company’s overall performance against financial and non-financial goals for 2017, the Compensation Committee determined that the 2017 bonus pool would be funded at above-target levels, and the annual cash bonus awards to our NEOs (as well to our other executives and employees) would generally be paid at target, or above target levels for high performing employees. This approach is consistent with our compensation philosophy and past practice.

Compensation Discussion and Analysis

Total brokerage and advisory assets were \$615 billion as of December 31, 2017, a 21% increase from the prior year-end balance of \$509 billion. Total net new assets were \$43 billion for 2017, including \$34 billion from the Company's acquisition of NPH.

As of December 31, 2017, advisory assets under custody (which are a component of total brokerage and advisory assets) had grown to \$273 billion, up 29% from the prior year, and represented 44.4% of total brokerage and advisory assets at year-end.

As of December 31, 2017, brokerage assets (which are also a component of total brokerage and advisory assets) had grown to \$342 billion, up 15% from the prior year.

Compensation Discussion and Analysis

Gross profit increased to \$1.6 billion in 2017, up 12% from the prior year.

The increase in the Company's gross profit combined with disciplined expense management generated operating leverage, as Adjusted EBITDA increased 20% year-over-year.

Capital was returned to stockholders through a share repurchase program and dividends. In 2017, \$204 million of capital was returned to shareholders, including \$90.3 million of dividends and \$113.7 million of share repurchases (representing 2,619,532 shares).

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Compensation Discussion and Analysis

Compensation Philosophy

Under the oversight of the Compensation Committee, our executive compensation program rewards sustained positive financial and operating performance. Our executive compensation program is designed to align our executives' compensation to the performance of the Company while avoiding practices that may create unwarranted risk.

The design and operation of our executive compensation program reflect the following basic objectives: naligning the interests of our executive officers with the interests of our Company and its stockholders;

n linking our executive officers' compensation to the achievement of both short-term and long-term strategic n and operational goals; and

n attracting, motivating, and retaining highly qualified executive officers who are passionate about the n mission of our Company.

We seek to achieve these objectives through the following guiding compensation principles:

npaying compensation that is competitive with that offered for similar positions with our peer companies;

n striking an appropriate balance between current and long-term compensation as well as cash and equity n compensation;

n linking short-term and long-term total compensation largely to objective and, to the extent possible, n quantifiable performance measures;

n rewarding Company and business unit performance, as well as individual performance and potential; and n using equity-based compensation for a significant portion of total compensation.

Compensation Governance

In order to implement our compensation philosophy, and to promote strong governance and alignment with stockholder interests, we do the following:

ü maintain a pay mix that is weighted more heavily on variable, performance-based compensation than fixed ü compensation;

ü maintain stock ownership guidelines for executives;

ü maintain a compensation claw-back policy that enables the Company to recoup cash and equity incentive ü compensation from executive officers in the event of certain financial restatements;

ü retain an independent compensation consultant engaged by, and reporting directly to, the Compensation ü Committee;

ü benchmark executive compensation against peers with which we compete for talent;

ü conduct annual risk assessments of our executive compensation policies and practices;

ü hold an annual shareholder "say on pay" vote; and

ü hold Compensation Committee executive sessions without management present.

In addition, we do not do the following:

û re-price stock options without stockholder approval;

û permit hedging transactions or short sales by executives;

û permit pledging or holding company stock in a margin account by executives;

û enter into individual employment agreements; or

û provide excise tax gross-ups to executives.

We have designed our compensation practices to align with competitive market practices, strengthen the alignment between compensation paid and Company performance, and provide greater transparency for our employees and investors. These practices are discussed below under “—Compensation Policies and Practices.”

Compensation Discussion and Analysis

Components of Compensation

The core components of our executive compensation program are:

- Base salary;
- Annual cash bonus awards;
- Long-term equity incentive awards; and
- Severance and change-in-control benefits.

The Compensation Committee retains flexibility to determine the appropriate level and mix of the various compensation components consistent with our

business needs. The mix of compensation elements is intended to provide our NEOs with a competitive total pay package that rewards recent results and drives long-term corporate performance. The annual cash bonus awards compensate NEOs based upon annual Company and individual performance. We also have a long-term equity incentive program designed to provide equity compensation primarily linked to longer-term Company performance while aligning the interests of our NEOs and other key employees with the interests of our stockholders.

Annual Cash Bonus Awards Base Salary

Long-Term Incentives Other

Retirement of Mr. Casady as Chief Executive Officer and Appointment of Mr. Arnold

Mr. Casady's Arrangements

In connection with Mr. Casady's retirement as our chief executive officer, effective January 3, 2017, he was entitled to an annual cash bonus award for 2016 in accordance with the terms of the Company's annual cash bonus plan (the "Bonus Plan"). This bonus was paid in March 2017, based on the Company's performance in 2016 and the Compensation Committee's assessment of Mr. Casady's contribution to that performance. As previously disclosed, during the period between January 3, 2017 and March 3, 2017, Mr. Casady provided transition services to the Company, in consideration for which he continued to receive payment of his salary and benefits, and continued vesting in his unvested equity awards. Mr. Casady did

not receive severance in connection with his retirement. Because Mr. Casady satisfied the definition of "retirement" under the provisions of his equity awards, all unvested equity awards held by him became fully vested as of March 3, 2017, the effective date of his retirement.

Mr. Arnold's Arrangements

Mr. Arnold, our president, was appointed as our chief executive officer, effective January 3, 2017. Mr. Arnold was also appointed as a director at that time.

In connection with Mr. Arnold's appointment as chief executive officer, the Board approved an increase in his annual base salary to \$800,000 and a target annual cash bonus opportunity of 225% of annual base salary, each effective as of January 3, 2017. In addition, the Board approved a target annual long-term equity incentive award opportunity for Mr. Arnold

Compensation Discussion and Analysis

with a grant date value of 350% of annual base salary, with 50% of such award to consist of stock options and 50% of such award to consist of performance-based share units. Mr. Arnold continues to be eligible for the Executive Severance Plan (as described below). The Board approved these arrangements at the recommendation of the Compensation Committee, which based its recommendation on a review of peer group compensation practices, advice from the Compensation Consultant, and the Compensation Committee's assessment of Mr. Arnold's role, experience, and tenure with the Company.

In recognition of the substantial additional responsibilities that Mr. Arnold assumed and his expected contributions to the Company, and to reinforce Mr. Arnold's alignment to shareholders' interests, the Board granted Mr. Arnold a one-time incentive award consisting of time-based restricted stock units ("RSUs") having a grant date fair value of \$1.5 million. The RSUs were granted on February 13, 2017 and vest as to one-third of the RSUs on each of the third, fourth and fifth anniversaries of the grant date, using a longer, back-weighted vesting period to encourage retention.

Base Salary

We pay our NEOs base salaries in order to provide a level of competitive and stable income. The base salaries of our NEOs are set based on the responsibilities of the individual, taking into account the individual's skills, experience, and prior compensation levels, as well as market compensation levels of our peer group. The Compensation Committee reviews base salaries for our NEOs on an annual basis, although salary changes may not occur with that frequency. Rather, base salaries are generally increased when individual performance, job scope, or market compensation data indicate that an increase is warranted. As the responsibilities of our NEOs increase in the future, the Compensation Committee generally plans to adjust compensation through increases in the size of long-term equity awards and, to a lesser extent, annual cash bonus opportunity, rather than through adjustments to base salary.

With regard to our NEOs' base salaries for 2017:

Mr. Arnold received an increase in base salary from \$675,000 to \$800,000 effective January 3, 2017, in connection with his appointment as chief executive officer;

The base salary of Mr. Casady, until his retirement on March 3, 2017, was unchanged from 2016;

The base salaries of Messrs. Audette, Gooley, and White were unchanged from 2016; and

Mr. Seese's base salary was set at the time he joined us in July 2017.

In determining that the salaries remained appropriate for Messrs. Audette, Gooley and White, the Compensation Committee considered, among other things, competitiveness and mix of the total compensation opportunities based on benchmarking data prepared by the Compensation Consultant. This benchmarking data included compensation data for comparable roles at relevant peer companies and other survey data, as described further in the "Benchmarking" section ("Benchmarking Data").

Mr. Seese's base salary reflected the results of our negotiations in recruiting him to join the Company. In determining that Mr. Seese's base salary was appropriate, the Compensation Committee considered competitive market data prepared by the Compensation Consultant, as described further in the "Benchmarking" section, as well as his skills, the nature and scope of his responsibilities at the Company and his experience prior to joining the Company.

The 2017 salaries for all of our named executive officers appear in the Summary Compensation table that follows this CD&A.

Annual Cash Bonus Awards

We provide annual cash bonus awards in order to tie a significant portion of the overall cash compensation of each of our NEOs to annually-established, key short-term corporate objectives and financial goals of the Company. See "—Goals, Objectives and Performance Evaluation" below for a description of these objectives and goals and our 2017 performance against them. The Compensation Committee believes that our NEOs, as key members of the Company's leadership team, share responsibility for supporting the goals and performance of

the Company.

At the beginning of 2017, the Compensation Committee established:

An objective corporate performance threshold (the achievement of which was the primary condition to the funding of the bonus pool under the Bonus Plan);

Target and maximum award amounts for each NEO (other than Mr. Casady);

Financial and non-financial Company performance goals, which were approved by the Board and on which the level of funding of the bonus pool, and the payment of annual cash bonus awards, if any, was to be based; and

Compensation Discussion and Analysis

General guidelines that provided a potential range of bonus pool funding based on the level of achievement of the Company's financial performance goals.

Before establishing the 2017 bonus guidelines, the Compensation Committee assessed its approach to annual incentive compensation. The Compensation Committee considered peer group practices with regard to the number and types of financial performance metrics used in annual incentive plans, as well as typical plan payout designs. Relative to our peers' practices, our approach to annual cash bonus awards provides more discretion to the Compensation Committee. The Compensation Committee believes that this level of discretion is appropriate given the variety of factors that can affect the Company's Adjusted EBITDA results, including prevailing interest rates and equity market performance.

Each NEO's individual target award amount is set by the Compensation Committee by reference to market compensation for comparable positions within our peer group as well as the nature of the NEO's role and responsibilities. In setting the targets, the Compensation Committee generally emphasizes executives' contributions to the Company's overall performance rather than focusing only on their individual business or function. We believe therefore that our cash bonuses provide a significant incentive to our NEOs to work towards achieving our overall Company objectives.

If the Compensation Committee determines that the threshold corporate performance goal has been achieved and therefore a bonus pool under the Bonus Plan will be funded, the Compensation Committee then evaluates the Company's and each NEO's performance against additional, previously established goals. In determining whether and to what extent bonuses are paid, the Compensation Committee takes into account discussions with management and the Compensation Consultant. See "—Goals, Objectives and Performance Evaluation." The Compensation Committee generally has the discretion to pay bonuses above (subject to the pre-established maximums for each NEO for 2017) or below the established targets based upon their assessment of Company performance, each NEO's performance and potential, and other considerations.

Cash bonuses paid under the Bonus Plan for service in 2017 were intended to qualify as "performance-based compensation" under Section 162(m) of the Internal Revenue Code.

In 2017, the Company's objective corporate performance threshold was based on the Company's EBITDA results. For a description of EBITDA, see "—Non-GAAP Financial Measures" below. The funding guidelines established by the Compensation Committee at the beginning of the year for the 2017 bonus pool, however, were based on the Company's Adjusted EBITDA results. The payout opportunities reflected in these guidelines were used by the Compensation Committee only as a general guide. In determining the actual level of bonus pool funding, the Compensation Committee assessed the Company's overall performance against its pre-established annual corporate goals and also gave consideration to additional factors, such as drivers of performance (including business and market factors affecting the Company's earnings results), as well as the Company's total shareholder return relative to peers.

Our chief executive officer and chief financial officer met with the Compensation Committee in December 2017 and January 2018 to discuss our actual performance compared to our pre-established 2017 corporate goals. For 2017, the Compensation Committee determined that the Company's EBITDA was sufficient to fund a cash bonus pool and that overall corporate performance exceeded the corporate goals, as further described below under "— Goals, Objectives and Performance Evaluation." Based primarily on this assessment of the Company's performance, the Compensation Committee exercised its discretion to award annual cash bonuses under the Bonus Plan to our NEOs (other than Mr. Casady, but including Mr. Seese) above each executive's target award amount for 2017 (subject to the pre-established maximums for each such NEO). Mr. Casady retired as chief executive officer of the Company, effective January 3, 2017, and did not receive an annual cash bonus for 2017. Mr. Seese's target award amount for 2017 was not prorated for the portion of the year during which he was employed, consistent with our negotiations in recruiting him to join the Company.

Compensation Discussion and Analysis

The table below includes the target annual cash bonus award opportunity established for each of our NEOs at the beginning of 2017, as well as the actual cash bonus awarded to each of our NEOs for 2017, as determined by the Compensation Committee:

NEO	Target Award	Target Award as a Percentage of Base Salary	Cash Bonus Awarded	Cash Bonus Awarded as a Percentage of Base Salary	Cash Bonus Awarded as a Percentage of Target Award
Dan H. Arnold	\$1,800,000	225%	\$2,160,000	270%	120%
Mark S. Casady	\$—	—%	\$—	—%	—%
Matthew J. Audette	\$1,050,000	175%	\$1,420,000	237%	135%
Thomas Gooley	\$750,000	150%	\$900,000	180%	120%
Scott Seese	\$800,000	160%	\$960,000	192%	120%
George B. White	\$625,000	125%	\$845,000	169%	135%

Long-Term Equity Incentive Awards

The purposes of our long-term equity incentive program are to promote the achievement of corporate goals that drive long-term stockholder value, to align the interests of our executive officers and other key employees with our shareholders and to retain key executives. We provide long-term incentive compensation to our NEOs through equity awards under our 2010 Plan, and we believe that our long-term equity incentive program is critical to our efforts to hire and retain the best talent in the financial services industry.

At the beginning of each year, the Compensation Committee establishes long-term equity incentive award targets for executive officers after reviewing the recommendations of our chief executive officer and additional information, including Benchmarking Data. Annual target award amounts are based on an executive's position, including job scope and base salary, after consideration of Benchmarking Data and prior years' awards to the executive. The targets established by the Compensation Committee for our NEOs (other than Mr. Casady) in 2017 ranged from 125% to 350% of base salary.

After the conclusion of the year, the Compensation Committee determines the actual amounts of the annual long-term incentive ("LTI") award to be granted to each of our NEOs (other than, for 2017, Mr. Casady) based on the target award previously set by the Compensation Committee as well as the NEO's individual performance both during the year and over time, leadership responsibilities and potential, and retention considerations. Based upon such considerations, an NEO's actual LTI award may vary from the target amount previously established. Unlike our annual cash bonus awards, the actual amount of executives' LTI awards are generally not based on annual Company performance, although the value of those LTI awards depends on the Company's longer-term performance.

Prior to 2017, our long-term equity incentive awards consisted of RSUs and stock options. Equity grants to our chief executive officer consisted only of stock options, in order to align to stock appreciation on an absolute basis, while equity grants to our other NEOs consisted of 70% stock options and 30% RSUs. After conducting an assessment of the Company's approach to long-term equity incentives in

Compensation Discussion and Analysis

consultation with the Compensation Consultant, in February 2017, the Compensation Committee approved performance share units (“PSUs”) as an additional form of performance-based LTI award to be incorporated into the Company’s 2017 awards for all executive officers, including our NEOs. We believe the incorporation of PSUs into our long-term equity incentive program aligns with our pay-for-performance principles and puts appropriate focus on long-term alignment and pay relative both to market peers and shareholder returns. In 2017, equity grants to our president and chief executive officer consisted of 50% PSUs and 50% stock options (by grant date value), and equity grants to our other NEOs (other than Mr. Casady) consisted of 40% PSUs, 30% stock options and 30% RSUs. We believe that this blended approach provides appropriate incentives for long-term shareholder value creation while also serving as a retention tool for the Company. Mr. Casady did not receive an LTI award in 2017.

PSUs are eligible to become earned PSUs based on the Company’s total shareholder return (“TSR”) relative to the TSR of a predetermined comparator group over a three-year performance period (the “Performance Period”). The comparator group consists of the Standard & Poor's 1500 Capital Markets Companies (the “Comparator Group”), and the number of earned PSUs is based on a relative ranking between the 25th and 80th percentile of the Comparator Group’s TSR results. Based on our relative performance, the number of earned PSUs can range between 50% (threshold) and 200% (maximum) of the target award as shown below:

Performance Level	Relative TSR Percentile Rank (based on Comparator Group)	Common Shares Earned (as a % of Target)
Maximum	80 th	200%
Target	50 th	100%
Threshold	25 th	50%
Below Threshold	Below 25 th	0%

The beginning and ending share price for TSR calculations will be based on the average closing price of our Common Stock for the trailing thirty consecutive trading days including each of the

beginning and end dates of the Performance Period. Earned PSUs become vested on the later of the third anniversary of the grant date and the date on which the Compensation Committee certifies achievement of the performance criteria associated with the award. The number of earned PSUs is capped at 100% of the target award if the Company's TSR is negative over the Performance Period.

Our stock option and RSU grants vest over time, generally in equal annual installments over three years. Unvested stock options, RSUs and PSUs generally are forfeited if an NEO voluntarily leaves the Company other than upon retirement. In the event of retirement, the vesting of an NEO’s stock options and RSUs will generally accelerate in full, stock options will generally remain exercisable for a period of two years following termination and PSUs will generally remain outstanding and eligible to become earned PSUs in accordance with the terms of the award. “Retirement” means the termination of employment other than for cause following either:

attainment of age 65 and completion of five years of continuous service with the Company; or
attainment of age 55 and completion of ten years of continuous service with the Company.

In granting RSU and PSU awards, the Compensation Committee calculates the number of shares underlying an award using a price per share equal to the average closing price of our Common Stock for the trailing thirty consecutive trading days including the grant date. This approach is intended to mitigate the effect of stock price volatility.

In determining the size of stock option awards in 2017, the Compensation Committee used a fixed 3.5:1 ratio of stock options for each share of Common Stock, which was the same valuation ratio used in 2016. In determining the size of stock options awards in 2018, the Compensation Committee used the value per stock option as of the grant date, calculated using the Black-Scholes model and related assumptions (“Black-Scholes Value”), rather than a fixed valuation ratio. In deciding to use the Black-Scholes Value, the Compensation

Committee reviewed peer practice, conferred with the Compensation Consultant and considered the alignment between the Black-Scholes Value and the previously used fixed valuation ratio.

Compensation Discussion and Analysis

The table below reflects the target LTI award established for each of our NEOs for 2017, as well as the actual LTI award granted to our NEOs for 2017 performance, as determined by the Compensation Committee:

Executive	2017		LTI Target \$	LTI \$ Granted ⁽¹⁾
	Annual Base Salary	LTI Target % of Base Salary		
Dan H. Arnold	\$800,000	350%	\$2,800,000	\$3,080,000
Mark S. Casady	\$—	—%	\$—	\$—
Matthew J. Audette	\$600,000	175%	\$1,050,000	\$1,050,000
Thomas Gooley	\$500,000	150%	\$750,000	\$700,000
Scott Seese	\$500,000	160%	\$800,000	\$850,000
George B. White	\$500,000	125%	\$625,000	\$625,000

These LTI awards were granted on February 23, 2018 for services provided during fiscal year 2017. Mr. Arnold received 50% of his LTI award as PSUs and 50% as stock options. The remaining NEOs received 40% of their awards as PSUs, 30% as stock options and 30% as RSUs. PSUs are eligible to become earned and vested based on the achievement of performance criteria over a three-year period, as described above. Stock options and RSUs are scheduled to vest in equal annual installments over a three-year period. In calculating the number of shares underlying stock options to be awarded, we divided the value of the grant by the Black-Scholes Value. However, the exercise price of any such option is equal to the closing price of our Common Stock on the grant date. In calculating the number of RSUs and PSUs awarded, we divided the value of the grant by a number equal to the average closing price of our Common Stock for the trailing thirty consecutive trading days including the grant date.

(1) NEO LTI awards granted on February 23, 2018 by the Compensation Committee were based on 2017 targets as well as an NEO's individual performance during 2017, leadership responsibilities and potential, as well as retention considerations.

Because the NEO LTI awards described in the table above were granted in 2018, they are not reflected in our Summary Compensation table or Grants of Plan-Based Awards table. In accordance with SEC rules, the equity awards shown in our Summary Compensation table and Grants of Plan-Based Awards table reflect LTI awards that were granted during calendar year 2017. The awards shown in such tables include the LTI awards granted in February 2017 for services performed in 2016.

In addition to our LTI annual awards, the Compensation Committee made one-time grants to certain of our NEOs in 2017, which are also reflected

in our Summary Compensation table. The Board granted Mr. Arnold 38,809 RSUs on February 13, 2017, in recognition of his promotion to chief executive officer. These RSUs vest over a five-year period, with one-third of the award vesting on each of the third, fourth, and fifth anniversary of the grant date. The Board approved this vesting schedule to encourage retention over a longer period than the typical vesting period associated with the Company's time-based awards. In addition, pursuant to the terms of his employment offer letter, the Compensation Committee granted Mr. Seese 22,148 RSUs on August 21, 2017, which RSUs vest in equal annual installments over two years. This grant reflects the results of negotiations in recruiting Mr. Seese to accept employment with the Company.

Compensation Discussion and Analysis

Additional Compensation Elements

Severance and Change-in-Control Benefits

Our Executive Severance Plan enables us to offer a form of protection to our executive officers in the event their employment with us is involuntarily terminated by the Company or is terminated for good reason by the executive (each, a “qualifying termination”). We believe that providing these benefits helps us compete for executive talent and may help us retain current key employees. All of our NEOs (other than Mr. Casady) are eligible for severance benefits under the Executive Severance Plan.

Executive Perquisites

Executive perquisites are not a core component of our executive compensation program, however, we offer an executive financial services policy, pursuant to which the Company’s executive officers are eligible to receive annual reimbursement of up to \$15,000 for qualifying personal financial planning services.

Other Compensation Components

401(k) Plan. We maintain a retirement savings plan (the “401(k) Plan”), for the benefit of all eligible employees, including our NEOs. Under the terms of the 401(k) Plan, employees may elect to make pre-tax 401(k) and Roth 401(k) contributions up to the statutorily prescribed limit. After one year of service, we match employee contributions on a pay period basis. For 2017, we provided a match in an amount equal to 65% of an employee's elective deferral up to 8% of his or her eligible compensation. We provide this benefit to all of our eligible employees, and it is provided to our NEOs on the same basis as all other eligible employees.

Nonqualified Deferred Compensation. Mr. Arnold, previously an executive of our wholly-owned indirect subsidiary, UVEST Financial Services Group, Inc. (“UVEST”), participates in the UVEST Executive Nonqualified “Excess” Plan (the “UVEST Plan”). The UVEST Plan allows certain highly compensated or management employees to defer up to 100% of their current compensation, which includes for this purpose base salary, service bonus, performance-based compensation, and commissions. Distributions of deferred amounts may be made only upon a qualifying distribution event, which, depending on the individual’s election, may be a separation from service, disability (as defined in the UVEST Plan), death, a change-in-control event (as defined in the UVEST Plan), an unforeseeable emergency, or a specified date, or may be the earliest of one or more of these events. At the time an election is made to defer compensation under the UVEST Plan, participants may choose, with respect to each potential qualifying distribution event, to receive amounts in either a lump sum or in equal annual installments over a number of years (but not to exceed five years). Deferred amounts are credited with an investment return determined as if the amounts were invested in one or more investment funds made available by the UVEST Plan and selected by a participant. The UVEST Plan is intended to be a nonqualified deferred compensation plan operated in compliance with Section 409A of the Internal Revenue Code. The amounts of compensation Mr. Arnold elected to defer under the UVEST Plan in 2017 are described in the table below titled “Nonqualified Deferred Compensation for the Year Ended December 31, 2017.”

Compensation Discussion and Analysis

Annual Cash Bonus Awards Base Salary

Long-Term Incentives Other
Goals, Objectives and Performance Evaluation

Our NEOs are primarily responsible for ensuring that the Company achieves its annual and long-term goals. At the beginning of 2017, our Board determined, with the input of the chief executive officer and the management team, the corporate goals and objectives for the year, including with regard to the Company's financial performance. In evaluating incentive compensation at the end of the year, the Compensation Committee considered the Company's overall performance against these corporate goals and objectives, including its Adjusted EBITDA results. The Compensation Committee determined that the Company generally performed well against its 2017 goals and objectives in light of its strong financial results and performance in key business indicators. See "Executive Summary—Summary of 2017 Operating Performance" for additional information about our 2017 performance, including our Adjusted EBITDA results. In making its evaluation, the Compensation Committee considered objective and subjective factors, and exercised its discretion to grant annual cash bonus awards above each NEO's target award amount.

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Compensation Discussion and Analysis

2017 Corporate Goals

Performance Commentary

Drive LPL business growth by adding new advisors and helping existing advisors thrive

The Company's net new advisory assets exceeded expectations and production retention was 95%. The Company's recruited assets in 2017 were lower than expected, however, in part due to uncertainties related to the U.S. Department of Labor ("DOL") fiduciary rule. The NPH acquisition in August 2017 resulted in the addition of approximately \$34 billion in assets and 1,000 advisors in 2017.

Respond to the regulatory environment, including DOL, from a position of strength by ensuring compliance, enabling advisor change management, and driving growth

The Company made measurable progress in its preparations for the DOL fiduciary rule, including implementation of certain policy, systems and supervisory changes, as well as the design of the Company's "mutual fund only" brokerage platform.

Drive improved profitability by focusing on product mix and advisor relationships

Net new assets on the Company's centrally managed advisory platform generally increased in line with target, and the Research department's model portfolios generally outperformed benchmarks and peers. The Company announced policy changes and pricing incentives related to its corporate registered investment advisor platform.

Enhance the advisor experience through an automated and integrated service, technology, and risk management offering

The Company made significant progress in delivering new capabilities and enhancements, and facilitating advisor adoption, of its ClientWorks platform. The Company generally succeeded in supporting advisors through the complexity of the DOL fiduciary rule, the ClientWorks rollout and the NPH onboarding. Advisor satisfaction scores remained below expectation, however, against the high degree of change during the year.

Be the destination of choice for employees by promoting a workplace that empowers diverse teams to work well together

The Company redesigned its employee benefits package to improve efficiency and cost, and exceeded its retention target for top talent. Employee headcount at the Company's Carolinas campus grew to approximately 2,000 employees following completion of construction of its office buildings in late 2016.

Improve operating leverage, effectively deploy capital, and maximize shareholder returns

The Company capitalized on favorable debt market conditions to refinance its corporate debt, raising funds for NPH acquisition costs, increasing the proportion of fixed rate debt in its capital structure and extending weighted average maturities. Core G&A was \$727 million, including \$15 million in onboarding costs related to the NPH acquisition, representing a 4% growth rate year-over-year. We returned \$204 million of capital to shareholders during the year, and the Company's total shareholder return was in the top decile of the Comparator Group.

As we look forward to 2018, the Board has recommitted our management team to goal categories that are generally consistent with those adopted in 2017.

Non-GAAP Financial Measures

We believe that presenting certain non-GAAP measures by excluding or including certain items can be helpful to investors and analysts who may wish to use some or all of this information to analyze the Company's current performance, prospects, and valuation. We use this non-GAAP information internally to evaluate operating performance and to formulate the budget for future periods. We believe that the non-GAAP measures and metrics discussed below are appropriate for evaluating the performance of the Company for compensation-related purposes.

Gross Profit

Gross profit is calculated as net revenues less commission and advisory expenses and brokerage, clearing, and exchange fees. All other expense categories, including depreciation and amortization of fixed assets and amortization of intangible assets, are considered general and administrative in nature.

Because the Company's gross profit amounts do not include any depreciation and amortization expense, the Company considers its gross profit amounts to be non-GAAP measures that may not be comparable to those of others in its industry. We believe that Gross Profit can be useful to investors because it shows the Company's core operating performance before

Compensation Discussion and Analysis

indirect costs that are general and administrative in nature.

Core G&A

Core G&A consists of total operating expenses, which were \$3.8 billion for the year ended December 31, 2017, excluding the following expenses: commission and advisory, regulatory charges, promotional, employee share-based compensation, depreciation and amortization, amortization of intangible assets, and brokerage, clearing, and exchange. We believe core G&A reflects the corporate operating expense categories over which management can generally exercise a measure of control, compared with expense items over which management either cannot exercise control, such as commission and advisory expenses, or which management views as a promotional expense necessary to support advisor growth and retention, including conferences and transition assistance. Core G&A is not a measure of the Company's total operating expenses as calculated in accordance with GAAP. The Company does not provide an outlook for its total operating expenses because it contains expense components, such as commission and advisory expenses, that are market-driven and over which the Company cannot exercise control. Set forth below is a reconciliation of the Company's total operating expenses to core G&A for the year ended December 31, 2017.

EBITDA

EBITDA is defined as net income plus interest expense, income tax expense, depreciation, and amortization. We believe that EBITDA can be a useful financial metric in understanding the Company's earnings from operations. EBITDA is not a measure of the Company's financial performance under GAAP

and should not be considered as an alternative to net income or any other performance measure derived in accordance with GAAP, or as an alternative to cash flows from operating activities as a measure of profitability or liquidity. Set forth below is a reconciliation of the Company's net income to EBITDA for the years ended December 31, 2017, 2016 and 2015.

Adjusted EBITDA

Adjusted EBITDA is defined as EBITDA, further adjusted to exclude certain non-cash charges and other adjustments. We believe that Adjusted EBITDA can be a useful financial metric in assessing our historical operating performance from period to period by excluding certain items that we believe are not representative of our core business. Set forth below is a reconciliation of the Company's net income to Adjusted EBITDA for the years ended December 31, 2017, 2016 and 2015.

Gross profit, core G&A, EBITDA and Adjusted EBITDA are not measures of the Company's financial performance under GAAP and should not be considered as an alternative to net income or earnings per share or any other performance measure derived in accordance with GAAP, or as an alternative to cash flows from operating activities as a measure of profitability or liquidity. In addition, EBITDA and Adjusted EBITDA can differ significantly from company to company depending on, among other things, long-term strategic decisions regarding capital structure, the tax jurisdictions in which companies operate, and capital investments.

Set forth below is a reconciliation of core G&A to the Company's total operating expenses for the twelve months ended December 31, 2017 (in thousands):

Core G&A	\$726,830
Regulatory charges	20,565
Promotional	171,661
Employee share-based compensation	19,413
Total G&A	938,469
Commissions and advisory	2,669,599
Depreciation & amortization	84,071
Amortization of intangible assets	38,293

Brokerage, clearing and exchange	57,047
Total operating expense	\$3,787,479

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Compensation Discussion and Analysis

Set forth below is a reconciliation of the Company's net income to EBITDA and Adjusted EBITDA for the twelve months ended December 31, 2017, 2016 and 2015 (in thousands):

	2017	2016	2015
Net income	\$238,863	\$191,931	\$168,784
Non-operating interest expense	107,025	96,478	59,136
Provision for income taxes	125,707	105,585	113,771
Loss on extinguishment of debt ⁽¹⁾	22,407	—	—
Depreciation and amortization	84,071	75,928	73,383
Amortization of intangible assets	38,293	38,035	38,239
EBITDA	616,366	507,957	453,313
EBITDA Adjustments ⁽²⁾ :			
Employee share-based compensation expense ⁽³⁾	19,413	20,352	23,296
Acquisition and integration related expenses ⁽⁴⁾	—	—	50
Restructuring and conversion costs ⁽⁵⁾	—	—	11,976
Other	—	—	481
Adjusted EBITDA	\$635,779	\$528,309	\$489,116

Represents expenses incurred resulting from the early extinguishment and repayment of amounts outstanding on our prior senior secured credit facilities, including the accelerated recognition of (1) unamortized debt issuance costs that had no future economic benefit, as well as various other charges incurred in connection with the repayment under prior senior secured credit facilities and the establishment of new or amended senior secured credit facilities.

(2) Beginning in 2016, the Company changed its Adjusted EBITDA calculation to adjust only for share-based compensation expenses for employees, officers, and directors.

Represents share-based compensation expenses for equity awards granted to employees, officers, and (3) directors. Such awards are measured based on the grant-date fair value and recognized over the requisite service period of the individual awards, which generally equals the vesting period.

(4) Represents acquisition and integration costs resulting from various acquisitions.

Represents organizational restructuring charges, conversion, and other related costs primarily resulting (5) from the expansion of our Service Value Commitment initiative, as well as charges related to the restructuring of the business of our subsidiary, Fortigent Holdings Company, Inc.

How Compensation Decisions Were Made

Role of Compensation Committee

The Compensation Committee is composed entirely of directors who meet the Nasdaq standards for independence, including the heightened standards applicable to Compensation Committee members. The Compensation Committee is responsible for establishing our human resources policies, including our compensation philosophy and principles, and overseeing our executive compensation policies and program. The Compensation Committee reviews and gives final approval of the total compensation payable to each of our NEOs, as well as the structure and implementation of the Company's overall compensation programs. In establishing total target compensation levels for our NEOs, the Compensation Committee, with input from the Compensation

Consultant, determines the ranges of market compensation that it believes will enable us to effectively compete for and retain high-performing, qualified executives. The Compensation Committee's charter sets forth the Compensation Committee's responsibilities.

CEO Assessment Process

At the beginning of each year, the chief executive officer sets and reviews with the Board his priorities based on the corporate goals approved by our Board and additional feedback from our non-employee directors. Previous priorities have included achievement of financial results, providing strategic vision and leadership, leading organizational talent development and effective management of external relationships.

Compensation Discussion and Analysis

At the end of each year, the Compensation Committee requests that our chief executive officer prepare a written self-evaluation of performance against the year's corporate goals and CEO priorities. The chair of the Compensation Committee distributes the completed self-evaluation to each non-employee director, who completes an assessment of the chief executive officer's performance relative to these priorities. Our chief human capital officer then provides a summary of the results of the non-employee directors' assessments to the Compensation Committee, which then considers the chief executive officer's self-evaluation and the results of the non-employee directors' assessments in evaluating the chief executive officer's performance for the year. The assessment materials are also discussed with the Board in an executive session led by the chair of the Compensation Committee, and after such discussion, feedback and compensation decisions are provided to the chief executive officer by the chair of the Compensation Committee and the Chair of the Board.

Role of Executive Officers

At the beginning of each year, our executive officers develop the corporate goals and objectives that they believe should be achieved for the Company to be successful, which are approved by the Board and used by the Compensation Committee for the purpose of establishing how executive performance will be assessed for compensation setting purposes. These objectives are derived largely from the Company's annual financial and strategic planning sessions, and are prioritized and aligned with the Company's long-term strategic plan. The objectives include both quantitative financial measurements and qualitative strategic and operational goals. The chief executive officer and the chief financial officer provide quarterly reports to the Compensation Committee assessing the Company's performance against the corporate goals and objectives.

Our chief executive officer annually reviews the individual performance of each of his direct reports, including the NEOs (but excluding himself), and provides the Compensation Committee with evaluations of each such direct report as well as recommendations regarding such person's base salary level, annual cash bonus and LTI award. Our chief human capital officer also attends Compensation Committee meetings and assists the Compensation Committee and the chief executive officer in recommending the final compensation levels for our NEOs. Both the chief executive officer and the chief human capital officer leave the meetings during discussions of compensation actions affecting them personally.

Role of Compensation Consultant

The Compensation Committee has the authority to engage its own advisors to assist it in carrying out its responsibilities. The Compensation Committee has engaged the Compensation Consultant to advise on compensation matters and provide experiential guidance on what is considered fair and competitive practice in our industry, primarily with respect to the compensation of our executive officers, and also with respect to director compensation. In 2017, the Compensation Consultant worked directly with the Compensation Committee to develop recommendations for compensation levels for our executive officers and non-employee directors. In addition, the Compensation Consultant provided competitive compensation program and policy data as well as information concerning compensation plan design. Finally, the Compensation Consultant conducted a risk assessment of the Company's executive compensation policies and practices.

The Compensation Committee has assessed the independence of the Compensation Consultant pursuant to SEC rules and has determined that the work provided by the Compensation Consultant did not raise a conflict of interest.

Benchmarking

We believe that a competitive pay package is a critical tool in our efforts to attract and retain qualified executives. During 2017, the Compensation Committee engaged the Compensation Consultant to prepare an analysis to benchmark and assess our overall compensation program and practices against marketplace standards. This included a review of our peer group, to which no changes were made in 2017. The Compensation Committee's purpose in requesting this analysis was to ensure that the Company's executive compensation practices are competitive with our peers. Working with the Compensation Consultant, the

Compensation Committee reviewed the total compensation that each of our named executive officers is eligible to receive against the compensation levels of comparable positions within our peer group.

The companies within our peer group consisted of:

Alliance Data Systems, Fidelity National Information Systems
n Corp. n

Ameriprise Financial, Inc. Fiserv, Inc.
n n

Broadridge Financial Raymond James
n Solutions, Inc. n Financial, Inc.

Charles Schwab & Co., SEI Investments
n Inc. n Company

DST Systems, Inc. Stifel Financial Corp.
n n

E*Trade Financial Corp TD Ameritrade Inc.
n n

Eaton Vance Corp. Waddell & Reed Inc.
n n

Compensation Discussion and Analysis

In addition to peer group data, the Compensation Committee also reviewed pay data from Equilar’s Executive Compensation survey covering financial services companies between \$500 million to \$30 billion in revenue. Our goal is to ensure that we continue to measure our compensation practices against organizations that compete with us for key executives, that are considered important benchmarks in our industry, and that are comparable in size and scope to our business. As companies comprising our peer group change due to merger, acquisition, market capitalization, or business model, the Compensation Committee will consider appropriate changes to the group.

For the year ended December 31, 2017, revenue and market capitalization were as follows (in billions):

	Revenue	Market Capitalization
Peer Group (Median)	\$ 4.1	\$ 12.8
LPL Financial Holdings Inc.	\$ 4.3	\$ 5.2

Compensation Policies and Practices

No Employment Agreements

We do not have individual employment agreements with any of our executive officers, including our named executive officers, although we have a practice of entering into offer letters with new executive officers that generally lay out the expected terms and conditions of their employment, including potential levels of compensation. Our executives serve at the will of the Board, and their rights to severance benefits following a termination of employment, if any, are determined under our Executive Severance Plan, which applies uniformly to executives at the managing director level and above.

Executive Severance Plan

Under our Executive Severance Plan, participants who experience a qualifying termination of employment are eligible to receive continued payment of base salary for one year, an amount equal to the most recent annual bonus paid or payable to the executive and a subsidy of COBRA continuation benefits for one year.

Additional benefits, including possible accelerated vesting of time-based equity and equity-based awards, are described elsewhere in this proxy statement under “Potential Payments upon Termination or Change-in-Control for the Year Ended December 31, 2017.”

Equity Ownership Guidelines

We have adopted equity ownership guidelines that are intended to better align the interests of our executive officers with the interests of our stockholders. Each executive at the managing director level and above (which includes our NEOs) is required to achieve and maintain ownership of our Common Stock at a threshold equal to three times his or her base salary, while our CEO is required to achieve and maintain a threshold equal to six times his base salary. Generally, executive officers have five years from the time they become an executive officer to meet the minimum ownership requirements. The after-tax spread value of all vested stock options, as well as all outstanding shares, held by the executive count as shares for purposes of satisfying the minimum ownership requirement. Unvested stock options, unvested PSUs and unvested RSUs do not count. Our equity ownership guidelines may be found on our website at www.lpl.com.

As of March 29, 2018, Messrs. Arnold, Audette, Gooley and White had satisfied the minimum stock ownership requirement pursuant to our guidelines, Mr. Seese joined the Company within the last year, and Mr. Casady was no longer subject to the guidelines. Under the stock ownership guidelines, an NEO is not required to purchase additional shares to satisfy the ownership requirement in the event of a decline in the Company’s stock price, but the NEO is generally prohibited from selling or transferring shares until the minimum ownership requirement has been achieved.

Anti-Hedging and Anti-Pledging Policy

We believe that hedging transactions may permit executives to own Company securities obtained through our executive compensation program or otherwise without the full risks and rewards of ownership. When that

occurs, an executive may no longer have the same interests as the Company's other stockholders. As a result, we have adopted a policy, included within our Insider Trading Policy, which prohibits hedging or engaging in monetization transactions by executives, including through the use of puts and call options, collars, exchange funds, prepaid variable forwards, and equity swaps. We also prohibit executives from holding Company securities in a margin account, because a margin or foreclosure sale may occur when an executive is aware of material nonpublic information or otherwise not permitted to trade.

Rule 10b5-1 Plan Policy

The Company has adopted a policy (the "10b5-1 Policy") for all executive officers and directors of the Company who adopt Rule 10b5-1 plans for trading in

Compensation Discussion and Analysis

Company securities. The 10b5-1 Policy is designed to prevent inadvertent violations of the federal securities laws when implementing Rule 10b5-1 plans.

Annual Compensation Risk Assessment

The Compensation Committee annually reviews our executive compensation policies and practices to ensure that they do not encourage unnecessary and excessive risks. The Compensation Consultant provided a “comfort letter” in connection with the 2017 review, the results of which are discussed elsewhere in this proxy statement under “Information Regarding Board and Committee Structure—Risk Management and Compensation Policies and Practices.”

Say-on-Pay Feedback from Stockholders

In 2017, we held an advisory vote on the frequency with which our executive compensation program would be submitted to our stockholders for an advisory vote, commonly referred to as a “say-on-pay” vote. Our stockholders recommended that say-on-pay votes occur every year. Each year, the Compensation Committee considers the results of the prior year’s advisory vote as it reviews and determines the total compensation packages for our NEOs in the current year. In 2017, we received support for our executive compensation program at our 2017 annual meeting of stockholders, as 96% of the total votes cast on the advisory vote on say-on-pay voted to approve the proposal.

Equity Grant Practices

The exercise price of each stock option awarded under our 2010 Plan is the closing price of the Common Stock on the grant date.

In accordance with Delaware law, the Board has delegated to a committee, the sole member of which is Mr. Arnold (the “Equity Committee”), the authority to grant to an eligible participant under the 2010 Plan, other than an executive officer:

stock options to purchase up to a number of shares of Common Stock as determined by dividing \$500,000 by the Black-Scholes Value; and

RSUs, with any individual grant limited to a number of RSUs determined by dividing \$500,000 by a number equal to either (i) the closing price per share of Common Stock on the grant date or (ii) the average closing price of our Common Stock for the trailing thirty consecutive trading days including the grant date.

The stock options and RSUs granted pursuant to this delegated authority vest, in the discretion of the Equity Committee, either (i) in equal annual

installments over three years or (ii) in full on the second or third anniversary of the grant date.

In addition, the Compensation Committee has delegated to our chief human capital officer the authority to grant to an employee of the Company, other than an executive officer:

stock options to purchase up to a number of shares of Common Stock as determined by dividing \$500,000 by the Black Scholes Value; and

RSUs, with any individual grant limited to the number of RSUs determined by dividing \$500,000 by a number equal to the average closing price of our Common Stock for the trailing thirty consecutive trading days including the grant date.

The stock options and RSUs granted pursuant to this delegated authority vest in equal annual installments over three years, and, in addition to the individual limits described above, the total aggregate number of shares of Common Stock underlying stock options and RSUs granted by the chief human capital officer in any fiscal year may not exceed one million shares.

162(m) Policy and Bonus Plan and PSUs

Section 162(m) of the Internal Revenue Code, generally limits the deductibility of compensation in excess of \$1 million paid to certain executive officers. At the time the Compensation Committee made its compensation decisions in respect of our annual cash bonus awards and PSUs granted during 2017, tax laws provided that compensation paid to certain executive officers that qualified as “performance-based compensation” under

Section 162(m) of the Internal Revenue Code was exempt from such deduction limitations.

For 2017, our annual cash bonus awards to executive officers were generally granted under the Bonus Plan and intended to qualify as “performance-based compensation” under Section 162(m). Our 2017 grants of PSUs were also intended to qualify as “performance-based compensation” under Section 162(m). See “—Long-Term Equity Incentive Awards” for a description of our PSUs.

Federal tax legislation enacted in December 2017 eliminated the Section 162(m) performance-based compensation exemption and made other changes to Section 162(m), but with a grandfathering rule that preserves the performance-based compensation exemption for certain arrangements and awards in place as of November 2, 2017. To the extent this grandfathering rule is available and to the extent practical and consistent with the Company's overall compensation objectives, the Compensation

Compensation Discussion and Analysis

Committee intends to administer arrangements and awards it had intended to qualify as performance-based compensation with a view towards preserving eligibility for the performance-based compensation exemption. However, the Compensation Committee believes that, in establishing the cash and equity incentive compensation programs for the Company's executive officers, the potential deductibility of the compensation payable under those programs should be only one of a number of relevant factors taken into consideration. Accordingly, the Compensation Committee reserves the right to award or approve compensation that is not tax deductible or otherwise limited as to tax deductibility in order to provide competitive levels of total compensation to our executive officers in a manner designed to incentivize achievement of our strategic goals and objectives and in furtherance of our compensation principles described above.

Report of the Compensation and Human
Resources
Committee of the Board of Directors

Report of the Compensation and Human Resources Committee of the Board of Directors

The following independent directors, who constitute the Compensation Committee, have reviewed the Compensation Discussion and Analysis with our management and recommended that it be included in this proxy statement.

Anne M. Mulcahy, Chair

H. Paulett Eberhart

James S. Riepe

March 29, 2018

Compensation of Named Executive Officers

Compensation of Named Executive Officers

Except where otherwise noted, the equity awards shown in the Summary Compensation table and Grants of Plan-Based Awards table for the fiscal year 2017 were granted in March 2017 in respect of services performed in 2016. Please refer to the Compensation Discussion and Analysis included in last year's proxy statement for a discussion of these awards. Equity awards in respect of services performed in 2017 that were granted in 2018 do not appear in the Summary Compensation Table or Grants of Plan-Based Awards table in accordance with SEC rules. Please refer to the Compensation Discussion and Analysis in this proxy statement for a discussion of these awards.

The tables in the following sections of this proxy statement provide information required by the SEC regarding compensation paid to or earned by our NEOs. The footnotes to these tables provide important information to explain the values presented in the tables and are an important part of our disclosures.

Summary Compensation Table

The following table sets forth information concerning the total compensation for the years ended December 31, 2017, 2016 and 2015 for our NEOs:

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$)(1)	Option Awards (\$)(1)	Non-Equity Incentive Plan Compensation (\$)(2)	All Other Compensation (\$)(3)	Total (\$)
Dan H. Arnold	2017	799,315(4)	—	3,136,842(5)	1,309,252	2,160,000	14,040	7,419,449
President, CEO	2016	666,120(6)	—	282,202	(7) 448,364	1,400,000	103,182	2,899,868
	2015	606,644(8)	—	157,673	223,148	820,313	37,542	1,845,320
Mark S. Casady (9)	2017	152,877	—	—	—	—	19,271	172,148
Former CEO	2016	900,000	—	—	1,844,706	2,500,000	39,559	5,284,265
	2015	900,000	—	—	3,519,400	1,237,500	52,475	5,709,375
Matthew J. Audette	2017	600,000	—	809,395	294,577	1,420,000	14,400	3,138,372
	2016	600,000	—	273,192	(7) 430,431	1,218,000	80,417	2,602,040
Chief Financial Officer	2015	156,164	250,000(10)	714,465	(11) 141,983	(11) 273,315	(12) 174,377	1,710,304
Thomas Gooley (13)	2017	500,000	—	607,034	220,932	900,000	29,040	2,257,006
Managing Director, Service, Trading and Operations	2016	500,000	—	225,875	(7) 327,841	910,000	341,050	2,304,766
	2015	500,000	—	225,875	(7) 327,841	910,000	341,050	2,304,766
Scott Seese (14)	2017	239,726(15)	—	980,370	(16) —	960,000	(17) —	2,180,096
Information Officer	2017	500,000	—	465,408	169,384	845,000	16,968	1,996,760
George B. White	2016	500,000	—	206,201	(7) 297,199	640,000	255,878	1,899,278
	2015	474,764	—	269,170	303,808	495,000	53,565	1,596,307
Managing Director,								

Investor and
Investment
Solutions

- Represents aggregate grant date fair value of PSUs, RSUs and stock options in each case, computed in accordance with FASB ASC Topic 718 and, in the case of PSUs, based on the probable outcome of the performance conditions associated with the awards. The aggregate grant date fair value of RSUs was determined using the closing price of the Common Stock on the grant date. The aggregate grant date fair
- (1) value of stock option awards was determined using the Black-Scholes model. The underlying valuation assumptions for PSUs and stock option awards are further disclosed in Note 14, Share-Based Compensation, to our consolidated financial statements filed with our annual reports on Form 10-K for the years ended December 31, 2017, 2016 and 2015. Pursuant to SEC rules, the amounts shown exclude the impact of estimated forfeitures related to service-based vesting conditions.
 - (2) Represents the dollar value of annual cash bonus awards earned under the Bonus Plan by each NEO.
 - (3) See “All Other Compensation” table below for additional information.
 - (4) Mr. Arnold began the year with a base salary of \$675,000, but received an increase in salary to \$800,000 during the year in connection with his appointment as chief executive officer.
 - (5) Includes a one-time grant of 38,809 RSUs on February 13, 2017 in connection with Mr. Arnold's appointment as chief executive officer.

Compensation of Named Executive Officers

- (6) Mr. Arnold began 2016 with a base salary of \$625,000, but received an increase in salary to \$675,000 during the year.
Includes a one-time grant of 3,111 RSUs on February 25, 2016 in connection with the Compensation Committee's decision to discontinue a perquisite in the form of either use of a leased automobile or an automobile allowance ("Automobile Program").
- (7) Mr. Arnold began 2015 with a base salary of \$550,000, but received an increase in salary to \$600,000 and then to \$625,000 during the year.
- (8) Mr. Casady retired as our chief executive officer effective as of January 3, 2017.
- (9) Represents a signing bonus paid to Mr. Audette in connection with his commencement of employment.
- (10) Represents sign-on grants of stock options and RSUs to Mr. Audette in connection with his commencement of employment.
- (11) Pursuant to the terms of his employment offer with the Company, Mr. Audette received an annual cash bonus for 2015 equal to his prorated target bonus amount.
- (12) Mr. Gooley was not a named executive officer in 2015. His compensation is therefore only disclosed for the year ended December 31, 2016 and December 31, 2017.
- (13) Mr. Seese joined the Company on July 10, 2017.
- (14) Mr. Seese's base salary for the year was \$500,000, but was prorated for a start date of July 10, 2017.
- (15) Includes a sign-on grant of RSUs to Mr. Seese in connection with his commencement of employment.
- (16) Pursuant to the terms of his employment offer with the Company, Mr. Seese's annual cash bonus was not prorated.

All Other Compensation

The following table sets forth information concerning All Other Compensation in the table above for the years ended December 31, 2017, 2016 and 2015 for our NEOs:

Name	Year	Automobile Lease and Related Expenses(\$)(1)	Taxable Travel and Related Expenses(\$)	Taxable Relocation and Related Expenses(\$)	Reimbursement for Certain Taxes and Tax Planning Services(\$)(2)	401(k) Employer Match (\$)	Other (\$)	Total (\$)
Dan H. Arnold	2017	—	—	—	—	14,040	—	14,040
	2016	28,692	60,710	(3)—	—	13,780	—	103,182
	2015	23,762	—	—	—	13,780	—	37,542
Mark S. Casady	2017	—	—	—	—	14,040	5,231(4)	19,271
	2016	2,216	23,563	(3)—	—	13,780	—	39,559
	2015	38,695	—	—	—	13,780	—	52,475
Matthew J. Audette	2017	—	—	—	2,700	11,700	—	14,400
	2016	14,000	—	62,917	(5)3,500	—	—	80,417
	2015	10,500	22,946	140,931	(5)—	—	—	174,377
Thomas Gooley	2017	—	—	—	15,000	14,040	—	29,040
	2016	14,000	14,267	(3)292,392	(6)15,000	5,391	—	341,050
Scott Seese	2017	—	—	—	—	—	—	—
George B. White	2017	—	—	—	5,268	11,700	—	16,968
	2016	14,000	22,851	207,327	(7)—	11,700	—	255,878
	2015	42,000	—	—	—	11,565	—	53,565

- (1) The Company determined to phase out its Automobile Program in 2016. Mr. Arnold's automobile perquisite terminated in October 2016, and Messrs. Audette's, Gooley's and White's automobile perquisites terminated in May 2016. Mr. Casady's automobile perquisite terminated in December 2015; however,

- certain amounts of payable to Mr. Casady in respect of the program were paid in early 2016.
- (2) Consists of reimbursements received under the Company's executive financial services policy. Consists of hotel, air travel, and conference expenses, and related tax gross-up payments, related to the attendance in 2016 of the NEO, and in the case of Messrs. Casady and Arnold, members of the NEO's
 - (3) immediate family, at a conference hosted by the Company outside of the United States for its top-producing financial advisors. Tax gross-up payments of \$10,049, \$36,812, \$6,788 and \$10,134 were made to Messrs. Casady, Arnold, Gooley and White respectively.
 - (4) Consists of the value of artwork provided to Mr. Casady in connection with his retirement from the Company effective March 3, 2017, and an associated tax gross-up payment of \$2,231.

Compensation of Named Executive Officers

(5) Includes tax gross-up payments of \$29,936 and \$52,962 made to Mr. Audette in 2016 and 2015, respectively, related to relocation expenses.

(6) Includes tax gross-up payments of \$139,775 made to Mr. Gooley in 2016 related to relocation expenses.

(7) Includes tax gross-up payments of \$89,565 made to Mr. White in 2016 related to relocation expenses, respectively.

2017 Grants of Plan-Based Awards

The following table provides additional information about non-equity and equity-based awards granted to our NEOs during the year ended December 31, 2017:

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards ⁽¹⁾			Estimated Future Payouts Under Equity Incentive Plan Awards ⁽²⁾			All Other Stock Awards or Units ⁽³⁾	All Other Securities Underlying Options ⁽⁴⁾	Exercise Price of Awards ⁽⁵⁾	Grant Date of Stock and Option Awards ⁽⁵⁾	Fair Value of Stock and Option Awards ⁽⁵⁾
		Threshold	Target	Maximum	Threshold	Target	Maximum					
Dan H. Arnold			\$1,800,000									
	2/13/2017						38,809					\$1,428,307
	3/13/2017				17,592	35,184	70,368					\$1,708,535
	3/13/2017								123,131	\$39.48		\$1,309,252
Mark S. Casady								—	—	\$—		\$—
Matthew J. Audette			\$1,050,000									
	3/13/2017							7,916				\$296,844
	3/13/2017				5,277	10,555	21,110					\$512,551
	3/13/2017								27,704	\$39.48		\$294,577
Thomas Gooley			\$750,000									
	3/13/2017							5,937				\$222,633
	3/13/2017				3,958	7,916	15,832					\$384,401
	3/13/2017								20,778	\$39.48		\$220,932
Scott Seese			\$800,000									
	8/21/2017							22,148				\$980,370
George B. White			\$625,000									
	3/13/2017							4,552				\$170,697
	3/13/2017				3,034	6,069	12,138					\$294,711
	3/13/2017								15,930	\$39.48		\$169,384

(1) Represents potential payouts under awards pursuant to our Bonus Plan.

(2) Represents the number of threshold, target and maximum potential future payouts under the PSUs awarded under our 2010 Plan. PSUs are eligible to become earned PSUs based on the Company's TSR relative to

the TSR of the Comparator Group over the Performance Period. The number of PSUs that is earned is determined based on the Company's relative ranking between the 25th and 80th percentile of the Comparator Group's TSR results. Amounts in the threshold column (50% of the target award) reflect the number of PSUs that would be earned if threshold performance were achieved (a TSR percentile rank at or above the 25th percentile); amounts in the target column (100% of the target award) reflect the number of PSUs that would be earned if target performance were achieved (a TSR percentile rank at or above 50%); and amounts in the maximum column (200% of the target awards) reflect the number of PSUs that would be earned if maximum performance were achieved (a TSR percentile rank at or above 80%). The number of PSUs earned is interpolated between threshold, target and maximum performance levels. The number of earned PSUs is capped at 100% of the target award if the Company's TSR is negative during the Performance Period. Earned PSUs become vested on the later of the third anniversary of the grant date and the date on which the Compensation Committee certifies achievement of the performance criteria associated with the award and determines the number of PSUs that have become earned under the award agreement.

Represents the number of RSUs awarded under our 2010 Plan. Unless otherwise indicated, these awards (3) are scheduled to vest over a three-year period in three equal tranches with the first tranche scheduled to vest on the first anniversary of the grant date.

Represents the number of stock options awarded under our 2010 Plan. Unless otherwise indicated, these (4) awards are scheduled to vest over a three-year period in three equal tranches with the first tranche scheduled to vest on the first anniversary of the grant date.

Compensation of Named Executive Officers

Represents the grant date fair value of PSUs, RSUs and stock options, in each case computed in accordance with FASB ASC Topic 718. The aggregate grant date fair value of PSUs was determined based on the probable outcome of the performance conditions associated with such awards on the grant date. The aggregate grant date fair value of RSUs was determined using the closing price of the Common Stock on the grant date. The aggregate grant date value of stock option awards was determined using the Black-Scholes model.

Outstanding Equity Awards at December 31, 2017

The following table sets forth information with respect to unexercised stock option awards, unvested RSUs and unearned PSUs as of December 31, 2017.

Name	Option Awards					Stock Awards		Equity Incentive Plan Awards: Number of unearned shares that have not vested (#)	Equity Incentive Plan Awards: Market or payout value of unearned shares that have not vested (\$)(2)
	Number of Securities Underlying Unexercised Options Exercisable (#)	Number of Securities Underlying Unexercised Options Unexercisable (#)	Option Exercise Price (\$)	Option Expiration Date	Number of shares or units of stock that have not vested (#)	Market value of units of stock that have not vested (\$)(1)			
Dan H. Arnold	20,000	—	(3)	\$ 22.08	9/14/2019	—	\$—	—	
	40,000	—	(4)	\$ 34.61	12/22/2020	—	\$—	—	
	27,167	—	(5)	\$ 32.26	2/9/2022	—	\$—	—	
	48,159	—	(6)	\$ 31.60	2/22/2023	—	\$—	—	
	20,232	—	(7)	\$ 54.81	2/24/2024	—	\$—	—	
	16,908	8,454	(8)	\$ 45.55	3/6/2025	—	\$—	—	
	32,677	65,354	(9)	\$ 19.85	2/25/2026	—	\$—	—	
	—	123,131	(10)	\$ 39.48	3/13/2027	—	\$—	—	
	—	—		\$—		1,206	(10)\$68,911	—	
	—	—		\$—		3,111	(11)\$177,763	—	
	—	—		\$—		8,006	(10)\$457,463	—	
	—	—		\$—		38,809	(12)\$2,217,546	—	
—	—		\$—		—	\$—	17,592	(13)\$1,005,207	
Mark S. Casady	148,375	—		\$ 54.81	3/3/2019	—	\$—	—	
Matthew J. Audette	11,738	5,867	(8)	\$ 42.60	10/30/2025	—	\$—	—	
	31,370	62,740	(9)	\$ 19.85	2/25/2026	—	\$—	—	
	—	27,704	(10)	\$ 39.48	3/13/2027	—	\$—	—	
	—	—		\$—		5,867	(10)\$335,240	—	
	—	—		\$—		3,111	(11)\$177,763	—	
	—	—		\$—		7,686	(10)\$439,178	—	
	—	—		\$—		7,916	(10)\$452,320	—	
—	—		\$—		—	\$—	5,277	(13)\$301,556	
Thomas Gooley	13,718	6,858	(8)	\$ 43.74	8/6/2025	—	\$—	—	

Compensation of Named Executive Officers

Name	Option Awards				Stock Awards			Equity Incentive Plan Awards: Market or payout value of unearned shares that have not vested (\$)(2)	
	Number of Securities Underlying Unexercised Options Exercisable (#)	Number of Securities Underlying Unexercised Options Unexercisable (#)	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 (\$)(1)	Equity Incentive Plan Awards: Number of unearned shares that have not vested (#)		
George B. White	25,000	—	(15)	\$ 18.04	2/12/2019	—	\$—	—	
	50,000	—	(3)	\$ 22.08	9/14/2019	—	\$—	—	
	15,000	—	(16)	\$ 23.41	3/15/2020	—	\$—	—	
	40,000	—	(4)	\$ 34.61	12/22/2020	—	\$—	—	
	26,901	—	(5)	\$ 32.26	2/9/2022	—	\$—	—	
	25,210	—	(6)	\$ 31.60	2/22/2023	—	\$—	—	
	16,017	—	(7)	\$ 54.81	2/24/2024	—	\$—	—	
	18,624	9,312	(8)	\$ 45.55	3/6/2025	—	\$—	—	
	4,228	2,113	(8)	\$ 47.30	6/10/2025	—	\$—	—	
	21,660	43,320	(9)	\$ 19.85	2/25/2026	—	\$—	—	
	—	15,930	(10)	\$ 39.48	3/13/2027	—	\$—	—	
	—	—		\$—		1,330	(10)\$75,996	—	
	—	—		\$—		704	(10)\$40,227	—	
—	—		\$—		3,111	(11)\$177,763	—		
—	—		\$—		5,307	(10)\$303,242	—		
—	—		\$—		4,552	(10)\$260,101	—		
—	—		\$—		—	\$—	3,034	(13)\$173,391	

Amounts were determined by multiplying the number of RSUs by a price per share of our Common Stock (1) of \$57.14, the closing price per share of our Common Stock on December 29, 2017, the last business day of 2017.

Amounts were determined by multiplying the number of PSUs that would be earned at threshold (2) performance multiplied by the price per share of our Common Stock of \$57.14, the closing price per share of our Common Stock on December 29, 2017, the last business day of 2017.

(3) These awards vested over a five-year period in equal tranches and became fully vested on September 14, 2014.

(4) These awards vested over a five-year period in equal tranches and became fully vested on December 22, 2015.

(5) These awards vested over a five-year period in equal tranches and became fully vested on February 9, 2017.

(6) These awards vested over a four-year period in equal tranches and became fully vested on February 22, 2017.

(7) These awards vested over a three-year period in equal tranches and became fully vested on February 24, 2017.

These awards vest over a three-year period in three equal tranches beginning on the first anniversary of the (8) grant date. Two tranches of the award vested on the first and second anniversary of the grant date, and the third tranche is scheduled to vest on the third anniversary of the grant date.

These awards vest over a three-year period in three equal tranches beginning on the first anniversary of the (9) grant date. One tranche of the award vested on the first anniversary of the grant date, and the second and third tranches are scheduled to vest on the second and third anniversaries of the grant date, respectively.

(10) These awards vest over a three-year period in three equal tranches beginning on the first anniversary of the grant date.

(11) These awards fully vest on the third anniversary of the grant date.

(12) These awards vest over a five-year period in three equal tranches beginning on the third anniversary of the grant date.

Amounts represent PSUs and assume achievement of performance at threshold levels. PSUs are eligible to become earned PSUs based on the Company's TSR relative to the TSR of the Comparator Group over the Performance Period. The number of PSUs that is earned is determined based on the Company's relative ranking between the 25th and 80th percentile of the Comparator Group's TSR results, and can range from 0% of the target award (if the Company's TSR is less than the 25th percentile of the Comparator Group's TSR results) to 100% of the target award (if the Company's TSR is at the 50th (13) percentile of the Comparator Group's TSR results) to a maximum of 200% of the target award (if the Company's TSR is at or greater than the 80th percentile of the Comparator Group's TSR results). The number of earned PSUs is capped at 100% of the target award if the Company's TSR is negative during the Performance Period. Earned PSUs become vested on the later of the third anniversary of the grant date and the date on which the Compensation Committee certified achievement of the performance criteria associated with the award and determines the number of PSUs that have become earned under the award agreement.

Compensation of Named Executive Officers

- (14) These awards vest over a two-year period in two equal tranches with the first tranche scheduled to vest on the first anniversary of the grant date.
- (15) These awards vested over a five-year period in equal tranches and became fully vested on February 12, 2014.
- (16) These awards vested over a five-year period in equal tranches and became fully vested on March 15, 2015.

2017 Option Exercises and Stock Vested

The following table sets forth the options exercised and stock vested during the year ended December 31, 2017:

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized Exercise (\$)(1)	Number of Shares Acquired on Vesting (#)	Value Realized Vesting (\$)(2)
Dan H. Arnold	3,742	\$77,603	(3)	9,122 \$360,137(4)
	17,985	\$333,082	(5)	1,094 \$43,191 (4)
	—	\$—		1,208 \$47,692 (4)
	—	\$—		4,004 \$158,078(4)
Mark S. Casady	40,000	\$749,408	(6)	— \$—
	57,360	\$1,064,808	(7)	— \$—
	22,640	\$425,890	(8)	— \$—
	6,198	\$52,709	(9)	— \$—
	2,889	\$17,883	(10)	— \$—
	40,000	\$241,892	(11)	— \$—
	107,111	\$647,882	(11)	— \$—
	180,241	\$1,526,299	(12)	— \$—
	75,000	\$689,843	(13)	— \$—
	40,000	\$368,364	(14)	— \$—
	60,885	\$559,478	(15)	— \$—
	58,628	\$515,979	(16)	— \$—
2,000	\$41,800	(17)	— \$—	
90,637	\$1,826,417	(18)	— \$—	
310,692	\$6,260,444	(19)	— \$—	
276,909	\$1,129,872	(20)	— \$—	
5,602	\$22,566	(21)	— \$—	
117,489	\$503,946	(22)	— \$—	
Matthew J. Audette	—	\$—		3,844 \$150,416(23)
	—	\$—		5,869 \$290,163(24)
Thomas Gooley	—	\$—		1,830 \$71,608 (23)
	—	\$—		976 \$41,070 (25)
	—	\$—		2,286 \$105,407(26)
Scott Seese	—	\$—		— \$—
George B. White	25,000	\$318,470	(27)	1,021 \$41,003 (28)
	—	\$—		867 \$33,926 (29)

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—	\$—	2,654	\$103,851	(23)
—	\$—	1,330	\$52,269	(30)
—	\$—	705	\$29,236	(31)

- (1) For purposes of calculating the value realized on the exercise of option awards, we use the market price of our Common Stock at the time the option was exercised.
- (2) For purposes of calculating the value realized on the vesting of stock awards, we use the closing price of our Common Stock on the vesting date.
- (3) These options were granted on February 5, 2008, with an exercise price of \$27.80 per share and were exercised on November 15, 2017 at multiple market prices ranging from \$48.29 to \$48.85 per share.

Compensation of Named Executive Officers

- (4) These RSUs vested on March 13, 2017, on which date the closing price per share of our Common Stock was \$39.48.
- (5) These options were granted on February 5, 2008, with an exercise price of \$27.80 per share and were exercised on August 23, 2017 when the market price was \$46.32 per share.
- (6) These options were granted on September 14, 2009, with an exercise price of \$22.08 per share and were exercised on February 13, 2017 when the market price was \$40.82 per share.
- (7) These options were granted on September 14, 2009, with an exercise price of \$22.08 per share and were exercised on September 14, 2017 when the market price was \$40.64 per share.
- (8) These options were granted on September 14, 2009, with an exercise price of \$22.08 per share and were exercised on February 13, 2017 when the market price was \$40.90 per share.
- (9) These options were granted on February 9, 2012 with an exercise price of \$32.26 per share and were exercised on February 15, 2017 when the market price was \$40.76 per share.
- (10) These options were granted on December 22, 2010 with an exercise price of \$34.61 per share and were exercised on February 15, 2017 when the market price was \$40.80 per share.
- (11) These options were granted on December 22, 2010 with an exercise price of \$34.61 per share and were exercised on February 14, 2017 when the market price was \$40.66 per share.
- (12) These options were granted on February 9, 2012 with an exercise price of \$32.26 per share and were exercised on February 15, 2017 when the market price was \$40.73 per share.
- (13) These options were granted on February 22, 2013 with an exercise price of \$31.60 per share and were exercised on February 15, 2017 when the market price was \$40.80 per share.
- (14) These options were granted on February 22, 2013 with an exercise price of \$31.60 per share and were exercised on February 15, 2017 when the market price was \$40.81 per share.
- (15) These options were granted on February 22, 2013 with an exercise price of \$31.60 per share and were exercised on February 15, 2017 when the market price was \$40.79 per share.
- (16) These options were granted on February 22, 2013 with an exercise price of \$31.60 per share and were exercised on February 22, 2017 when the market price was \$40.40 per share.
- (17) These options were granted on February 25, 2016 with an exercise price of \$19.85 per share and were exercised on March 2, 2017 when the market price was \$40.75 per share.
- (18) These options were granted on February 25, 2016 with an exercise price of \$19.85 per share and were exercised on March 15, 2017 when the market price was \$40.00 per share.
- (19) These options were granted on February 25, 2016 with an exercise price of \$19.85 per share and were exercised on March 16, 2017 when the market price was \$40.00 per share.
- (20) These options were granted on March 6, 2015 with an exercise price of \$45.55 per share and were exercised on September 22, 2017 when the market price was \$49.63 per share.
- (21) These options were granted on March 6, 2015 with an exercise price of \$45.55 per share and were exercised on September 25, 2017 when the market price was \$49.58 per share.
- (22) These options were granted on March 6, 2015 with an exercise price of \$45.55 per share and were exercised on September 26, 2017 when the market price was \$49.84 per share.
- (23) These RSUs vested on February 25, 2017, on which date the closing price per share of our Common Stock was \$39.13.
- (24) These RSUs vested on October 30, 2017, on which date the closing price per share of our Common Stock was \$49.44.
- (25) These RSUs vested on June 13, 2017, on which date the closing price per share of our Common Stock was \$42.08.
- (26) These RSUs vested on August 6, 2017, on which date the closing price per share of our Common Stock was \$46.11.
- (27) These options were granted on December 7, 2007 with an exercise price of \$27.40 per share and were exercised on February 22, 2017 at multiple market prices ranging from \$40.09 to \$40.19 per share.

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- (28) These RSUs vested on February 22, 2017, on which date the closing price per share of our Common Stock was \$40.16.
- (29) These RSUs vested on February 24, 2017, on which date the closing price per share of our Common Stock was \$39.13.
- (30) These RSUs vested on March 6, 2017, on which date the closing price per share of our Common Stock was \$39.30.
- (31) These RSUs vested on June 10, 2017, on which date the closing price per share of our Common Stock was \$41.47.

Compensation of Named Executive Officers

Nonqualified Deferred Compensation for the Year Ended December 31, 2017

The following table sets forth information relating to nonqualified deferred compensation for each NEO for the year ended December 31, 2017:

Name	Executive Contributions in Last Fiscal Year (\$)	Registrant Contributions in Last Fiscal Year (\$)	Aggregate Earnings (Loss) in Last Fiscal Year (\$)(1)	Aggregate Withdrawals/ Distributions (\$)	Aggregate Balance at December 31, 2017 (\$)
Dan H. Arnold ⁽²⁾	\$ 748,000	\$	—\$ 337,664	\$	—\$2,253,217
Mark S. Casady	\$ —	\$	—\$ —	\$	—\$ —
Matthew J. Audette	\$ —	\$	—\$ —	\$	—\$ —
Thomas Gooley	\$ —	\$	—\$ —	\$	—\$ —
Scott Seese	\$ —	\$	—\$ —	\$	—\$ —
George B. White	\$ —	\$	—\$ —	\$	—\$ —

(1) Amounts included herein do not constitute above-market or preferential earnings and therefore are not reported as compensation in the “Summary Compensation Table” above.

(2) These amounts relate to Mr. Arnold’s participation in the UVEST Plan. For a description of the material terms of the plan, please see the discussion in the Compensation Discussion and Analysis under “Additional Compensation Elements—Nonqualified Deferred Compensation”.

Potential Payments upon Termination or Change-in-Control for the Year Ended December 31, 2017

Set forth below the table is a description of certain post-employment arrangements with our NEOs, including the severance benefits and change-in-control benefits to which they would have been entitled under the Executive Severance Plan as of December 31, 2017. Amounts reported for the accelerated vesting of stock options and RSUs and PSUs are based on a price per share of our Common Stock of \$57.14, the closing price per share of our Common Stock on December 29, 2017, the last business day of 2017. In the case of stock options, amounts reported assume an exercise only if \$57.14 per share is greater than the exercise price of the stock option.

Mr. Casady retired from the Company, effective March 3, 2017. Pursuant to SEC rules, information included in the table below for Mr. Casady relates only to payments and benefits he received in connection with his retirement. Mr. Casady did not receive any severance payments in connection with his retirement. Pursuant to the existing terms of his outstanding stock options, the vesting of all outstanding unvested stock options held by him at the time of his retirement was accelerated in full.

Named Executive Officer	Benefit	Without Cause or For Good Reason (\$)	Disability, Death, Retirement (\$)	Change-in-Control (\$)(1)
Dan H. Arnold	Severance	\$800,000 (2)	\$—	\$1,200,000 (3)
	Bonus	\$2,160,000(4)	\$—	\$2,700,000 (5)
	Accelerated Vesting of Stock Options	\$2,041,344(6)	\$4,709,526(7)	\$4,709,526 (8)
	Accelerated Vesting of RSUs	\$297,699 (9)	\$2,921,682(10)	\$2,921,682 (11)
	Accelerated Vesting of PSUs	\$537,916 (12)	\$537,916 (13)	\$537,916 (14)
	Group Benefit Continuation	\$24,052 (15)	\$—	\$36,077 (16)
	Total	\$5,861,011	\$8,169,124	\$12,105,201
Mark S. Casady	Severance	\$—	\$—	\$—

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Bonus	\$—	\$—	\$—
Accelerated Vesting of Stock Options	\$—	\$5,447,630(17)	\$—
Accelerated Vesting of RSUs	\$—	\$—	\$—
Accelerated Vesting of PSUs	\$—	\$—	\$—
Group Benefit Continuation	\$—	\$—	\$—
Total	\$—	\$5,447,630	\$—

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Compensation of Named Executive Officers

Named Executive Officer	Benefit	Without Cause or For Good Reason (\$)	Disability, Death, Retirement (\$)	Change-in-Control (\$)(1)
Matthew J. Audette	Severance	\$600,000 (2)	\$—	\$900,000 (3)
	Bonus	\$1,420,000(4)	\$—	\$1,575,000(5)
	Accelerated Vesting of Stock Options	\$1,418,184(6)	\$2,914,133(7)	\$2,914,133(8)
	Accelerated Vesting of RSUs	\$705,679 (9)	\$1,404,501(10)	\$1,404,501(11)
	Accelerated Vesting of PSUs	\$161,363 (12)	\$161,363 (13)	\$161,363 (14)
	Group Benefit Continuation	\$24,052 (15)	\$—	\$36,077 (16)
	Total	\$4,329,278	\$4,479,997	\$6,991,074
Thomas Gooley	Severance	\$500,000 (2)	\$—	\$750,000 (3)
	Bonus	\$900,000 (4)	\$—	\$1,125,000(5)
	Accelerated Vesting of Stock Options	\$1,032,313(6)	\$2,095,042(7)	\$2,095,042(8)
	Accelerated Vesting of RSUs	\$404,037 (9)	\$968,294 (10)	\$968,294 (11)
	Accelerated Vesting of PSUs	\$121,023 (12)	\$121,023 (13)	\$121,023 (14)
	Group Benefit Continuation	\$13,182 (15)	\$—	\$19,774 (16)
	Total	\$2,970,555	\$3,184,359	\$5,079,133
Scott Seese	Severance	\$500,000 (2)	\$—	\$750,000 (3)
	Bonus	\$960,000 (4)	\$—	\$1,200,000(5)
	Accelerated Vesting of Stock Options	\$—	\$—	\$—
	Accelerated Vesting of RSUs	\$632,768 (9)	\$1,265,537(10)	\$1,265,537(11)
	Accelerated Vesting of PSUs	\$—	\$—	\$—
	Group Benefit Continuation	\$24,052 (15)	\$—	\$36,077 (16)
	Total	\$2,116,820	\$1,265,537	\$3,251,614
George B. White	Severance	\$500,000 (2)	\$—	\$750,000 (3)
	Bonus	\$845,000 (4)	\$—	\$937,500 (5)
	Accelerated Vesting of Stock Options	\$1,030,194(6)	\$2,025,445(7)	\$2,025,445(8)
	Accelerated Vesting of RSUs	\$354,611 (9)	\$857,329 (10)	\$857,329 (11)
	Accelerated Vesting of PSUs	\$92,738 (12)	\$92,738 (13)	\$92,738 (14)
	Group Benefit Continuation	\$23,366 (15)	\$—	\$35,049 (16)
	Total	\$2,845,909	\$2,975,512	\$4,698,061

Our Executive Severance Plan provides benefits on a “double trigger” basis, requiring a termination of employment by the Company without cause or a termination by the executive for good reason within 12 (1) months following a change-in-control. All amounts reported in this column assume both that a change-in-control occurred on December 31, 2017 and that the executive’s employment was terminated by the Company without cause or by the executive for good reason on December 31, 2017.

(2) Represents continued payment under our Executive Severance Plan of the NEO’s base salary in effect on the separation date for 12 months.

(3) Represents continued payment under our Executive Severance Plan of the NEO’s base salary in effect on the separation date for 18 months.

(4) Represents payment under our Executive Severance Plan of an amount equal to the bonus paid (or payable) to the NEO for the most recently completed calendar year.

(5) Represents payment under our Executive Severance Plan of an amount equal to 150% of the target bonus amount for the calendar year in which the NEO’s employment is terminated.

(6)

Represents the value of the unvested portion of any outstanding stock options scheduled to vest based solely on the passage of time within 12 months following separation, the vesting of which would have been accelerated under our Executive Severance Plan.

(7) Represents the value of the unvested portion all stock options, the vesting of which would have been accelerated upon termination of employment due to death under the terms of the executive's stock option agreement.

(8) Represents the value of the unvested portion of all stock options, the vesting of which would have been accelerated under the Executive Severance Plan.

Compensation of Named Executive Officers

- (9) Represents the value of shares of Common Stock in respect of the unvested portion of any outstanding RSUs scheduled to vest based solely on the passage of time within 12 months following a termination of employment, the vesting of which would have been accelerated under our Executive Severance Plan.
- (10) Represents the value of shares of Common Stock in respect of all unvested RSUs, the vesting of which would have been accelerated upon a termination of employment due to death (and, for RSUs granted subsequent to February 23, 2017, upon a termination of employment due to death or disability) under the terms of the executive's RSU agreement.
- (11) Represents the value of shares of Common Stock in respect of all unvested RSUs, the vesting of which would have been accelerated under our Executive Severance Plan.
- (12) Represents the value of unvested PSUs assuming the target number of shares of Common Stock in respect of such PSUs became earned and vested on December 29, 2017, with such amount pro-rated based on the number of days that the executive was employed during the Performance Period. Under our Executive Severance Plan, upon a qualifying termination of employment, the actual number of shares of Common Stock that will be earned and vested in respect of PSUs, if any, will be dependent on actual performance measured at the end of the Performance Period, and will be pro-rated based on the number of days that the executive was employed during the Performance Period.
- (13) Represents the value of unvested PSUs assuming the target number of shares of Common Stock in respect of such PSUs became earned and vested on December 29, 2017, with such amount pro-rated based on the number of days that the executive was employed during the Performance Period. Under the executive's PSU agreement, upon termination of employment due to death, disability or retirement, the actual number of shares of Common Stock that will be earned and vested in respect of PSUs, if any, will be dependent on actual performance measured at the end of the Performance Period, and will be pro-rated based on the number of days that the executive was employed during the Performance Period.
- (14) Represents the value of unvested PSUs assuming the target number of shares of Common Stock in respect of such PSUs became earned and vested on December 29, 2017, with such amount pro-rated based on the number of days that the executive was employed during the Performance Period.
- (15) Represents payments under our Executive Severance Plan of amounts equal to 100% of the employer portion of premiums for continued health and dental plan participation under COBRA for the NEO and his or her qualified beneficiaries for a one-year period.
- (16) Represents payments under our Executive Severance Plan of an amount equal to 100% of the employer portion of premiums for continued health and dental plan participation under COBRA for the NEO and his or her qualified beneficiaries for an 18-month period.
- (17) Represents the value of the unvested, in-the-money, portion of any outstanding stock options that accelerated vesting upon Mr. Casady's retirement on March 3, 2017. The closing price per share of our Common Stock on March 3, 2017 was \$40.11.

Executive Severance Plan

All of our NEOs (other than Mr. Casady) are eligible to participate in our Executive Severance Plan. As described in more detail below, our Executive Severance Plan provides a uniform framework for payments and benefits to be provided to all executive participants upon certain terminations of employment, subject to a participant's compliance with post-termination restrictive covenants and delivery of a general release agreement in favor of the Company. Our Executive Severance Plan can be amended or terminated at any time, in our discretion, and no eligible executive, including our NEOs, has a legally binding right to any payments or benefits under the plan.

Restrictive Covenants

As a condition to benefits under the Executive Severance Plan, an executive is not permitted to engage in prohibited competitive conduct for a period of:

12 months following termination of employment by the Company without cause or a termination by the executive for good reason; and

18 months following termination of employment by the Company without cause or a termination by the executive for good reason, in each case within 12 months following a change-in-control.

Prohibited competitive conduct is set forth in the Executive Severance Plan, which includes provisions related to non-competition, non-solicitation and the confidentiality of the Company's proprietary information.

Severance and Change-in-Control Payments

We may become obligated to make severance payments to each of our NEOs upon the termination of the executive's employment under our Executive Severance Plan. These benefits are described below. We, however, have no obligation to grant any of the executive officers any "gross-up" or other "make-whole" compensation for any tax imposed on severance or change-in-control payments made to the executive officer, including "parachute payments." Severance payable in connection with a change-in-control under our Executive Severance Plan is subject to a so-called "modified golden parachute

Compensation of Named Executive Officers

cutback” provision pursuant to which excess parachute payments would be reduced so that no portion of the payments would be subject to the excise tax, to the extent such reduction would result in greater after-tax benefits to the executive.

Termination Without Cause or For Good Reason

Under the terms of our Executive Severance Plan, upon a termination of employment by the Company without cause or by the executive for good reason, a participant in the Executive Severance Plan (“Participant”) will be entitled to the following payments and benefits, subject to the execution of a release of claims and continued compliance with post-termination restrictive covenants:

Base salary through the Participant’s separation date, reimbursements for reasonable business expenses and any other employee benefit entitlements;

An amount equal to the bonus paid (or payable) to the Participant for the most recently completed calendar year;

Continued payment of base salary for one year after termination of employment;

Accelerated vesting of the unvested portion of any outstanding equity and equity-based awards scheduled to vest based solely on the passage of time (such as outstanding stock options and RSUs) within 12 months of such Participant’s separation date; and

Payment of the employer portion of the premium for COBRA participation in the Company’s health and dental plans until the earliest of 12 months following termination of the Participant’s participation in such plans as an employee, the date that such Participant becomes eligible for comparable benefit coverage or the date the Participant is no longer eligible for COBRA (subject to the Participant’s eligibility under COBRA and proper and timely elections).

In addition, any performance-based equity or equity-based awards (such as outstanding PSUs) will remain outstanding and eligible to become earned in accordance with their terms, provided that the portion of the awards that becomes earned and vested will be prorated based upon the number of days that have elapsed in the applicable Performance Period.

Further, upon a termination of employment by the Company without cause or by the executive for good reason within a 12-month period following the date of consummation of a change-in-control (as defined in the Executive Severance Plan), a Participant will be

entitled to the following payments and benefits, subject to the execution of a release of claims and continued compliance with post-termination restrictive covenants:

Base salary through the Participant’s separation date, reimbursements for reasonable business expenses, and any other employee benefit entitlements;

An amount equal to 150% of the Participant’s target bonus for the calendar year in which employment is terminated;

Continued payment of base salary for 18 months after termination of employment;

Accelerated vesting in full of all outstanding time-based equity and equity-based awards (such as outstanding stock options and RSUs) and pro-rated vesting of any performance-based equity and equity-based awards (such as outstanding PSUs) at target; and

Payment of the employer portion of the premium for COBRA participation in the Company’s health and dental plans until the earliest of 18 months following termination of the Participant’s participation in such plans as an employee, the date that such Participant becomes eligible for comparable benefit coverage, or the date the Participant is no longer eligible for COBRA (subject to the Participant’s eligibility under COBRA and proper and timely elections).

“Cause” under our Executive Severance Plan means the Participant’s:

willful and continued failure to perform, or gross negligence or willful misconduct in the performance of, his or her material duties with respect to the Company or an affiliate which, if curable, continues beyond ten (10) business days after a written demand for substantial performance is delivered to such Participant by the

Company;

conviction of, or a plea of nolo contendere to, a crime constituting a felony under the laws of the United States or any state thereof;

committing or engaging in any act of fraud, embezzlement, theft, or other act of dishonesty that causes material injury, monetarily or otherwise, to the Company or an affiliate;

breach of the restrictive covenants in the Executive Severance Plan;

violation of the code of conduct of the Company or its subsidiaries or any policy of the Company

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Compensation of Named Executive Officers

or its subsidiaries, or of any statutory or common law duty of loyalty to the Company or its subsidiaries; or other conduct that could reasonably be expected to be harmful to the business, interests, or reputation of the Company.

“Good Reason” under our Executive Severance Plan means the occurrence, without the Participant’s written consent, of:

a material reduction in base salary unless such reduction is consistent with reductions made in the applicable annual base salaries of other similarly situated employees of the Company or its affiliates;

a material adverse change in duties and responsibilities at the Company or its affiliates (but not changes in functional titles); or

a relocation that would result in the Participant’s principal location of employment being moved 50 miles away from the Participant’s principal location of employment as in effect immediately prior to the consummation of a change-in-control, to the extent any such relocation occurs during the 12-month period following the date of the consummation of a change-in-control.

The Participant is required to provide notice within 90 days following the “Good Reason” event (and the Company will have 30 days following such notice to cure). “Good Reason” will cease to exist for an event on the 90th day following the date on which the Participant knew or reasonably should have known of such event and failed to give notice as described above or if the Participant failed to terminate employment within 14 days following the expiration of the cure period.

“Change-in-Control” under our Executive Severance Plan means the consummation of:

any transaction or series of related transactions, whether or not the Company is a party thereto, after giving effect to which in excess of 50 percent of the Company’s voting power is owned directly, or indirectly through one or more entities, by any person and its “affiliates” or “associates” (as such terms are defined in the Exchange Act rules) or any “group” (as defined in the Exchange Act rules) other than, in each case, the Company or an affiliate of the Company; or

a sale or other disposition of all or substantially all of the consolidated assets of the Company (each of the foregoing, a “Business Combination”), provided that, notwithstanding the foregoing, a “change-in-control” is not deemed to occur as a

result of a Business Combination following which the individuals or entities who were beneficial owners of the outstanding securities entitled to vote generally in the election of directors of the Company immediately prior to such Business Combination beneficially own, directly or indirectly, 50% or more of the outstanding securities entitled to vote generally in the election of directors of the resulting, surviving, or acquiring corporation in such transaction.

Termination Other than For Good Reason

The Executive Severance Plan does not provide for any separation benefits or payments upon an executive’s retirement or voluntary resignation from employment other than for good reason. Upon such a retirement or voluntary resignation, an eligible executive would be entitled to receive only base salary through such executive’s separation date, reimbursements for reasonable business expenses, and any other employee benefit entitlements to which the executive is entitled under the Company’s other employee benefit plans and programs.

Death, Disability, and Retirement

The Executive Severance Plan does not provide for any separation benefits or payments upon a termination due to death, disability, or voluntary termination (regardless of age). Upon such a termination, an eligible executive would be entitled to receive only base salary through the separation date, reimbursements for reasonable business expenses and any other employee benefit entitlements to which the executive is entitled under the Company’s other employee benefit plans and programs.

Please see the "Equity Award Agreements" below for the treatment of outstanding equity awards in connection with a termination of employment due to death, disability or retirement.

Equity Award Agreements

Stock Options

All stock options held by our NEOs as of December 31, 2017 were granted under our 2008 Stock Option Plan (the “2008 Plan”) or our 2010 Plan. All stock options held by our NEOs that are outstanding under the 2008 Plan were fully vested as of December 31, 2017.

In accordance with our NEOs’ option agreements, unvested stock options are canceled upon termination of employment, unless (1) otherwise agreed by the Company, or (2) in the case of death or retirement, in which case any and all unvested portions of stock options shall become vested. The unvested portion of stock options granted subsequent

Compensation of Named Executive Officers

to February 23, 2017 will also become vested in full in the event of disability (as defined in the stock option award agreement). Unless the NEO is terminated for cause, vested options will be exercisable for: two years following termination of employment by reason of retirement, but not later than the option expiration date;

one year following death or disability, in each case, not later than the option expiration date; and 90 days following termination in other cases, but not later than the option expiration date.

Under our 2008 Plan, in the event of a change-in-control, if the NEO's stock options will not be assumed, substituted, or cashed out, all outstanding unvested options will vest and become exercisable prior to the change in control. Upon consummation of the change-in-control event, all outstanding but unexercised options will be terminated.

“Change-in-control” under the 2008 Plan means the consummation of:

any consolidation or merger of the Company with or into any other person, or any other similar transaction, 1. whether or not the Company is a party thereto, in which our stockholders immediately prior to such transaction own directly or indirectly capital stock either:

representing less than 50% of the equity interests or voting power of the Company or the surviving entity; or that does not directly or indirectly have the power to elect a majority of the entire board or other similar governing body;

any transaction or series of related transactions, whether or not the Company is party thereto, which results 2. in over 50% of the Company's voting power being owned directly or indirectly by any person and its “affiliates” or “associates” or any “group” other than the Company or an affiliate; or

3. a sale or disposition of all or substantially all of our assets.

Notwithstanding the foregoing, a “change-in-control” does not include an event described in (1)-(3) above if the stockholders entitled to vote generally in the election of directors immediately prior to the event beneficially own, directly or indirectly, 50% or more of the voting stock of the resulting, surviving, or acquiring corporation.

“Change-in-control” under the named executive officers' 2010 Plan awards means the consummation

of an event described in (2) or (3) above or the dissolution or liquidation of the Company.

Restricted Stock Units (RSUs)

In accordance with the NEOs' RSU agreements, unvested portions of RSU awards are cancelled upon termination of employment, unless (1) otherwise agreed by the Company, or (2) in the case of death or retirement, in which case any and all unvested portions shall become vested. The unvested portion of RSUs granted subsequent to February 23, 2017 will become vested in full in the event of disability (as defined in the RSU award agreement). If the NEO is terminated for cause, the vested portion of the award will terminate. All RSUs held by our NEOs as of December 31, 2017 were granted under our 2010 Plan.

Performance Share Units (PSUs)

In accordance with the NEOs' PSU agreements, unvested portions of PSUs are forfeited upon termination of employment, except in the case of death, disability or retirement, in which case the PSUs will not terminate and will instead remain outstanding and eligible to become earned PSUs on a pro-rated basis in accordance with the terms of the PSU award agreement. All PSUs held by our NEOs as of December 31, 2017 were granted under our 2010 Plan.

CEO Pay Ratio

As required by Section 953(b) of the Dodd-Frank Wall Street Reform and Consumer Protection Act, and Item 402(u) of Regulation S-K, we are providing the following information regarding the ratio of total annual compensation for Mr. Arnold, our president and chief executive officer (the “CEO”), to the median of the annual total compensation of all our employees (other than the CEO) (the “CEO Pay Ratio”). For 2017:

Mr. Arnold's total annual compensation: \$7,419,449

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Median annual total compensation of all employees (other than CEO): \$78,170

Ratio of the annual total compensation of the CEO to the median of the annual total compensation of all employees (other than CEO): 95:1

In determining the median employee, we chose December 31, 2017 as the date to identify our median employee, and we identified our median employee using the consistently applied compensation measure of 2017 Box 1 W-2 wages. In making this determination, we annualized the compensation of all

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Compensation of Named Executive Officers

employees who were hired in 2017 and were working for us on December 31, 2017, but who did not work for us the entire fiscal year. After we identified our median employee, we measured the employee's annual total compensation under SEC rules using base salary earned in 2017, annual cash bonus paid in March 2018 for the 2017 performance year, the grant date value of any equity awards received in 2017 and the 401(k) match provided by the Company in 2017, in each case, if applicable. We calculated our median employee's total annual compensation using the same methodology we used to calculate Mr. Arnold's annual total compensation, as reflected in the "Total" column of the Summary Compensation table above.

This pay ratio is a reasonable estimate calculated in a manner consistent with SEC rules based on our records and the methodology described above. The SEC rules for identifying the median compensated employee and calculating the pay ratio based on that employee's annual total compensation allow companies to adopt a variety of methodologies, to apply certain exclusions, and to make reasonable estimates and assumptions that reflect their compensation practices. As such, the pay ratio reported by other companies may not be comparable to the pay ratio reported above.

Security Ownership of Certain Beneficial
Owners and Management

Security Ownership of Certain Beneficial Owners and Management

The table below describes the beneficial ownership of our Common Stock as of March 9, 2018, by: persons or “groups” (as that term is used in Section 13(d)(3) of the Exchange Act) known by us to be the beneficial owner of 5% or more of the Common Stock;

each of our NEOs and directors; and

all of our current directors and executive officers as a group.

Beneficial ownership is determined in accordance with the rules of the SEC. Unless otherwise indicated, we believe, based on information furnished by such persons, that each person listed below has sole voting and investment power with respect to the

shares of Common Stock shown as beneficially owned. Securities that may be beneficially acquired within 60 days of March 9, 2018 are deemed to be beneficially owned by the person holding such securities for the purpose of computing ownership of such person, but are not treated as outstanding for the purpose of computing the ownership of any other person. The applicable percentage of beneficial ownership is based on 90,180,710 shares of Common Stock outstanding as of March 9, 2018.

Unless otherwise indicated in the footnotes to the following table, the address of each of the individuals named below is: c/o LPL Financial Holdings Inc., 75 State Street, 22nd Floor, Boston, MA 02109.

Name of Beneficial Owner	Directly or Indirectly Held (#)	Right to Acquire (#)(1)	Other (#)	Total Amount and Nature of Beneficial Ownership of Common Stock (#)	Percentage of Common Stock (%)
5% Stockholders					
Janus Henderson Group PLC ⁽²⁾				9,611,614	10.7%
The Vanguard Group, Inc. ⁽³⁾				9,415,681	10.4%
SPO Advisory Corp. ⁽⁴⁾				7,014,026	7.8%
Officers and Directors					
Dan H. Arnold	183,839	277,318		461,157	*
Mark S. Casady	130,957	(5)(6) 949,704		1,080,661	1.2%
Matthew J. Audette	11,325	86,352		97,677	*
Thomas Gooley	5,334	60,468		65,802	*
Scott Seese	—	—		—	*
George B. White	11,431	280,440		291,871	*
Viet D. Dinh	15,100	(7)		15,100	*
H. Paulett Eberhart	11,262	—		11,262	*
Marco (Mick) W. Hellman ⁽⁸⁾	492,390	—		492,390	*
Anne M. Mulcahy	20,340	—		20,340	*
James S. Putnam ⁽⁹⁾	119,006	(9)	—	119,006	*
James Riepe ⁽¹⁰⁾	115,060	(10)	13,500	128,560	*
Richard P. Schifter	34,219	—		34,219	*
William F. Glavin, Jr.	1,987	—		1,987	*
	1,068,507	1,314,240		2,382,747	2.6%

All current directors and executive officers as a group

* Less than 1%

Consists of Common Stock which the named individual or group has the right to acquire through (i) the (1) exercise of vested stock options and (ii) the vesting of RSUs and/or the vesting and exercise of stock options within 60 days of March 9, 2018.

Consists of shares of Common Stock held by Janus Henderson Group PLC (“Janus Henderson”). Janus (2) Henderson has a direct 97.11% ownership stake in INTECH Investment Management LLC (“INTECH”) and a direct 100% ownership stake in

Security Ownership of Certain Beneficial
Owners and Management

Janus Capital Management LLC (“Janus Capital”), Perkins Investment Management LLC (“Perkins”), Geneva Capital Management LLC (“Geneva”), Henderson Global Investors Limited (“HGIL”), Janus Henderson Investors Australia Institutional Funds Management Limited (“HGIAIFML”) and Henderson Global Investors North America Inc (“HGINA”), (each an “Asset Manager” and collectively as the “Asset Managers”). Due to the above ownership structure, holdings for the Asset Managers are aggregated. Each Asset Manager is an investment adviser registered or authorized in its relevant jurisdiction and each furnishes investment advice to various fund, individual and/or institutional clients (collectively, “Managed Portfolios”). As a result of its role as investment adviser or sub-adviser to the Managed Portfolios, Janus Capital may be deemed to be the beneficial owner of 9,411,494 shares held by such Managed Portfolios. However, Janus Capital does not have the right to receive any dividends from, or the proceeds from the sale of, the securities held in the Managed Portfolios and disclaims any ownership associated with such rights. As a result of its role as investment adviser or sub-adviser to the Managed Portfolios, INTECH may be deemed to be the beneficial owner of 200,120 shares held by such Managed Portfolios. However, INTECH does not have the right to receive any dividends from, or the proceeds from the sale of, the securities held in the Managed Portfolios and disclaims any ownership associated with such rights. This information is based on a Schedule 13G/A filed on February 12, 2018 with the SEC. The address of Janus Henderson is 201 Bishopsgate EC2M 3AE, United Kingdom.

Consists of shares of Common Stock held by The Vanguard Group, Inc. Vanguard Fiduciary Trust Company, a wholly-owned subsidiary of The Vanguard Group, Inc., is the beneficial owner of 42,687 shares, and Vanguard Investments Australia, LTD., a wholly-owned subsidiary of The Vanguard Group, Inc., is the beneficial owner of 15,958 shares. This information is based on a Schedule 13G/A filed on February 9, 2018 with the SEC. The address of The Vanguard Group, Inc. is 100 Vanguard Blvd., Malvern, PA 19355.

Consists of (i) 6,961,426 shares of Common Stock held by SPO Advisory Corp., a Delaware corporation (“SPO Advisory Corp.”) in its capacities as the sole general partner of SPO Advisory Partners, L.P. with respect to 6,442,226 shares and San Francisco Advisory Partners, L.P. with respect to 519,200 shares; and (4)(ii) 52,600 shares beneficially owned by John H. Scully. Messrs. Scully and Eli J. Weinberg are controlling persons of SPO Advisory Corp. This information is based on a Schedule 13G/A filed on February 14, 2018 with the SEC. The address for each of SPO Advisory Corp., and Messrs. Scully and Weinberg is 591 Redwood Highway, Suite 3215, Mill Valley, CA 94941.

(5) Consists of (i) 63,871 shares of Common Stock held directly and (ii) 67,086 shares of Common Stock held indirectly.

(6) Mr. Casady retired as a director of the Company effective March 3, 2017. These amounts reflect Mr. Casady’s beneficial ownership of the Company’s securities as of such date.

(7) Consists of (i) 10,256 shares of Common Stock held directly and (ii) 4,844 shares of Common Stock held through a Grantor Retained Annuity Trust, of which Mr. Dinh disclaims beneficial ownership.

Mr. Hellman shares beneficial ownership of the 492,390 shares of Common Stock with HMI Capital, LLC. Mr. Hellman is the managing member of HMI Capital, LLC, which is the general partner and investment adviser of HMI Capital Partners, L.P. and Merckx Capital Partners, L.P., the owners of record of the shares.

(9) Mr. Putnam holds 111,697.5 shares of Common Stock through James S. Putnam TTEE for Putnam Family Trust Dated 1699 Separate Property Trust.

(10) Consists of (i) 79,089 shares of Common Stock held directly and (ii) 35,971 shares of Common Stock held through Stone Barn, LLC.

Section 16(a) Beneficial Ownership
Reporting Compliance

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires our executive 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 2017, we believe that our executive 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.

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Certain Relationships and Related Party Transactions

Certain Relationships and Related Party Transactions

Review, Approval, or Ratification of Transactions with Related Persons

In accordance with the charter of the Audit Committee and our written policy, the Audit Committee is responsible for reviewing and approving related party transactions. If it is not feasible to approve related party transactions in advance, the Audit Committee is permitted to ratify such transactions after the Company has entered into them, subject to the procedures and considerations described below.

The policy with respect to related party transactions applies to any transaction, arrangement or relationship, or series of similar transactions, arrangements or relationships (including any indebtedness or guarantee of indebtedness), in which:

the aggregate amount involved exceeds or is expected to exceed \$120,000;
the Company or any of its subsidiaries is a participant; and
a related person has or will have a direct or indirect interest.

A related person is:

any person who is, or at any time since the beginning of our last fiscal year was, a director or executive officer of the Company, or a nominee for election as a director of the Company;
any beneficial owner of more than five percent of our Common Stock; or
any immediate family member of the foregoing persons.

The Audit Committee is provided with the material facts of all transactions that require the Audit Committee's approval under the policy. In determining whether to approve or ratify a particular transaction, the Audit Committee will take into account, among other factors it deems appropriate, whether the transaction is on terms no less favorable than terms generally available to an unaffiliated third party under the same or similar circumstances and the extent of the related person's interest in the transaction.

Under the policy, a director is not permitted to participate in any discussion or approval of a transaction for which he or she (or an immediate family member) is the related person, and such director must provide the Audit Committee with all material information concerning the transaction. If an approved transaction is ongoing, the Audit Committee may establish guidelines for management to follow in

its dealings with such person and will annually review and assess compliance with such guidelines, and whether the transaction remains appropriate for the Company.

Business Transactions with Certain Stockholders

Each of Janus Capital Management LLC ("Janus") and First Pacific Advisors, LLC ("FPA") considered itself the direct or indirect beneficial owner of more than five percent of our Common Stock during 2017. The Company has entered into certain agreements in the ordinary course of business with each of Janus and FPA, and during the year ended December 31, 2017 received revenue of approximately \$2.9 million, and \$215,000 under its agreements with Janus and FPA, respectively.

Proposal 2: Ratification of the Appointment of Deloitte & Touche LLP
by the Audit Committee of the Board of Directors as Our
Independent Registered Public Accounting Firm

Proposal 2: Ratification of the Appointment of Deloitte & Touche LLP
by the Audit Committee of the Board of Directors as
Our Independent Registered Public Accounting Firm

The Audit Committee has appointed Deloitte & Touche LLP (“Deloitte”) as our independent registered public accounting firm for the fiscal year ending December 31, 2018, and the Board has directed that management submit the appointment of the independent registered public accounting firm for ratification by stockholders at the Annual Meeting. Deloitte has served as our independent registered public accounting firm since 2001. Although stockholder ratification of the selection of Deloitte is not required by our bylaws or otherwise, upon the recommendation of the Audit Committee, the Board is submitting the appointment of Deloitte to the stockholders for ratification as a matter of good corporate practice. The Board and the Audit Committee believe they have undertaken appropriate steps with respect to oversight of Deloitte’s

independence and that the continued retention of Deloitte to serve as our independent registered public accounting firm is in the best interests of the Company and its stockholders.

If the stockholders fail to ratify the appointment, the Audit Committee will reconsider the matter. Even if the appointment is ratified, the Audit Committee, in its discretion, may direct the appointment of a different independent registered public accounting firm at any time if it determines that such a change would be in the best interests of the Company and its stockholders.

Representatives of Deloitte are expected to be present at the Annual Meeting and will have the opportunity to make a statement and respond to appropriate questions from stockholders.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE “FOR” THIS PROPOSAL.

Fees Paid to Independent Registered Public Accounting Firm

Aggregate fees for professional services rendered by Deloitte as of and for the years ended December 31, 2017 and 2016 were as follows:

Type of Services	2017	2016
Audit Fees ⁽¹⁾	\$3,637,908	\$3,675,897
Audit Related Fees ⁽²⁾	225,526	185,644
Tax Fees ⁽³⁾	111,686	781,200
All Other Fees ⁽⁴⁾	411,330	—
Total	\$4,386,450	\$4,642,741

These fees include services performed in connection with the audit of our annual consolidated financial statements included in our annual reports on Form 10-K; the review of our interim condensed consolidated financial statements as included in our quarterly reports on Form 10-Q; and services that are normally provided by Deloitte in connection with statutory and regulatory filings or engagements. The 2017 and 2016 column includes amounts billed in 2018 and 2017, respectively, related to 2017 and 2016 audit fees, respectively.

These fees are for services provided such as accounting consultations and any other audit and attestation services. The fees include amounts incurred by the Company and paid to Deloitte for services in connection with (i) performance examinations and (ii) our financial intermediary compliance and controls assessment and attest report.

These fees include all services performed for non-audit related tax advice, planning, and compliance services. The fees include amounts incurred by the Company and paid to Deloitte for services, which in 2017 consisted of tax advisory services, and in 2016 related to Internal Revenue Code Section 199 and tax advisory services related to research and development.

These fees include fees for certain miscellaneous projects. The fees in 2017 related to non-audit services regarding an assessment of the Company’s consolidated audit trail program and its cyber security program

and infrastructure.

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Proposal 2: Ratification of the Appointment of Deloitte & Touche LLP
by the Audit Committee of the Board of Directors as Our
Independent Registered Public Accounting Firm

Pre-Approval Policies and Procedures

The Audit Committee pre-approves all audit, audit-related, and permissible non-audit services provided by our independent registered public accounting firm. The Audit Committee has also adopted policies and procedures that permit it to delegate its approval of certain engagements to its chair and to pre-approve certain permissible audit, audit-related and non-audit related services (which include tax and consulting services) (“Pre-approved Services”) for a particular year. On an annual basis, the Audit Committee reviews and pre-approves the scope and dollar limits associated with the various Pre-approved Services, as well as an overall pre-approved dollar limit for all engagements with the auditors, for the fiscal year.

Under its policy, the Audit Committee may not delegate its pre-approval authority to management, and its full approval is required (and cannot be delegated) for:

the annual audit engagement;

any proposed engagement to assess the Company’s internal controls (regardless of expected cost); or

any proposed engagement for services that are outside the scope and dollar limits associated

with the Pre-approved Services and with proposed fees expected to exceed \$200,000.

Engagements for services outside the scope and dollar limits associated with Pre-approved Services and with fees up to \$200,000 may be approved by the chair of the Audit Committee, to whom authority has been expressly delegated.

Engagements for Pre-approved Services that are within the applicable scope and pre-approved dollar limit for a particular year may be undertaken by management without further authorization by the Audit Committee.

The policy also requires that prior to the provision of any tax services or engagements for internal controls, written documentation must be provided by the independent registered public accounting firm describing the scope and nature of the proposed engagement. In addition, the potential effects of the engagement on the auditors’ independence must be discussed with the Audit Committee. With respect to tax services engagements, the auditors must also provide descriptions of the fee structure and any other written agreement or amendment to an existing engagement letter relating to the provision of the tax service, and descriptions of the involvement of any third party.

Report of the Audit Committee of the Board of Directors

Report of the Audit Committee of the Board of Directors

The Audit Committee of the Board of Directors (the “Audit Committee”) is comprised of the four directors named below. Each member of the Audit Committee is an independent director (as independence is defined in the listing standards of Nasdaq Global Select Market and Rule 10A-3 with respect to membership on audit committees).

The Audit Committee has adopted a written charter, which has been approved by the Board of Directors. The Audit Committee has reviewed and discussed the Company’s audited consolidated financial statements with management, which has primary responsibility for the consolidated financial statements, and with the Company’s independent registered public accounting firm. The Company’s independent registered public accounting firm is responsible for expressing opinions on the conformity of the Company’s audited consolidated financial statements with generally accepted accounting principles and on the Company’s internal controls over financial reporting. The Audit Committee has discussed with the Company’s independent registered public accounting firm, which was Deloitte & Touche LLP and the member firms of Deloitte Touche Tohmatsu (collectively referred to as “Deloitte”) for 2017 and 2016, the matters that are required to be discussed by applicable standards of the Public Company Accounting Oversight Board (“PCAOB”), including Auditing Standard 1301, “Communications with Audit Committees”, as adopted by the PCAOB, as well as Rule 2-07 of Regulation S-X of the SEC-”Communication with Audit Committees.” Deloitte has also provided to the Audit Committee their communication required by PCAOB Ethics and Independence Rule 3526, “Communications with Audit Committees Concerning Independence,” and the Audit Committee discussed with Deloitte the firm’s independence. The Audit Committee also considered and determined the provision by Deloitte of non-audit related services, which for 2017 consisted of tax advisory services, an assessment of our consolidated audit trail program, and cyber incident response training, and for 2016 consisted of non-audit related tax compliance services related to Internal Revenue Code Section 199 and tax advisory services related to research and development. Based on the foregoing review and discussions, the Audit Committee recommended to the Board of Directors that the consolidated financial statements audited by Deloitte for 2017 and 2016 be included in the Company’s Annual Report on Form 10-K for 2017, and the Committee has appointed Deloitte as the Company’s independent registered public accounting firm for 2018.

James S. Riepe, Chair

H. Paulett Eberhart

William F. Glavin, Jr.

James S. Putnam

March 29, 2018

Proposal 3: Advisory Vote on Executive Compensation

Proposal 3: Advisory Vote on Executive Compensation

The Compensation Discussion and Analysis beginning on page 21 of this proxy statement describes our executive compensation program and the compensation decisions that the Compensation Committee and Board of Directors made in 2017 with respect to the compensation of our named executive officers. The Board of Directors is asking stockholders to cast a non-binding, advisory vote FOR the following resolution:

RESOLVED, that the compensation paid to the Company's named executive officers, as disclosed pursuant to Item 402 of

Regulation S-K, including the Compensation Discussion and Analysis, compensation tables and narrative discussion, is hereby APPROVED.

As we describe in the Compensation Discussion and Analysis, our executive compensation is designed to closely align the interests of our named executive officers with those of our stockholders on both a short-term and long-term basis, and to attract and retain key executives critical to our success.

We urge stockholders to read the Compensation Discussion and Analysis beginning on page 21 of this proxy statement and to review the 2017 Summary Compensation table and related compensation tables and discussion, appearing on pages 41 through 54, which provide detailed information on the Company's compensation policies and practices. We believe stockholders should focus on the following areas when reviewing our executive compensation:

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Proposal 3: Advisory Vote on Executive Compensation

Pay for Performance
Annual Cash Bonus
Opportunities. We
provide annual cash
bonus awards in order
to tie a significant
portion of the overall
cash compensation
paid to each NEO to
annually-established,
key short-term
corporate objectives
and stated financial
goals of the Company
and to incentivize the
achievement of those
goals as well as
individual
performance goals.
At the beginning of
2017, the
Compensation
Committee
established an
objective corporate
performance goal (the
achievement of which
was a condition to the
funding of the bonus
pool, and the payment
of any cash bonus
awards, under the
Bonus Plan), each
NEO's target and
maximum award
amounts and
additional corporate
and individual
performance goals on
which actual payment
of annual cash bonus
awards, if any, were
to be based. Each
NEO's individual
target award amount
was set by the
Compensation

Committee by reference to market compensation for comparable positions within our peer group as well as the nature of the NEO's role and responsibilities. By emphasizing executives' contributions to the Company's overall performance rather than focusing only on their individual business or function, we believe that these cash bonuses provided a significant incentive to our NEOs to work towards achieving our overall Company objectives.

Long-Term Incentives. The purpose of our long-term equity incentive program is to promote achievement of goals that drive long-term stockholder value and retain key executives.

We provide stock-based, long-term compensation to our NEOs through equity awards under our stockholder-approved equity plans. We believe this long-term incentive compensation motivates our NEOs to sustain longer-term financial operational performance and rewards them when such efforts lead to increases in

stockholder value.

Alignment with Long-Term Stockholder Interests
Our executive compensation is weighted towards variable, at-risk pay in the form of annual and long-term incentives, with a large portion of executive compensation tied to long-term performance. In addition, we have adopted: Equity Ownership Guidelines. We focus our executives on long-term stockholder value by requiring that all executive officers own a significant amount of our equity. Performance-Based LTI Vehicles. In 2017, equity grants to our president and chief executive officer consisted of 50% PSUs and 50% stock options (by grant date value), and equity grants to our other NEOs (other than Mr. Casady) consisted of 40% PSUs, 30% stock options, and 30% RSUs. We believe that this blended approach aligns with our pay-for-performance principles and provides appropriate

incentives for long-term shareholder value creation. The use of stock options is aligned with stock appreciation on an absolute basis and the use of PSUs puts appropriate focus on long-term alignment and pay relative both to market peers and shareholder returns. Recoupment Policy. We have adopted a recoupment policy that permits the Compensation Committee, in the event of a restatement of the Company's financial statements due to material noncompliance with financial reporting requirements under the securities laws, to review the annual cash bonuses, performance-based compensation and time-based equity and equity-based awards awarded or paid to executive officers during the three-year period preceding the announcement by the Company of its obligation to restate its financial statements. If the amount of the annual cash bonuses or performance-based compensation received would have been lower had the

level of achievement of applicable financial performance goals been calculated based on such restated financial results, the Compensation Committee may seek reimbursement from any of the covered executives in the amount of the excess compensation awarded or paid.

Anti-Hedging and Anti-Pledging Policy. We believe that hedging transactions may permit executives to own Company securities obtained through our executive compensation program or otherwise without the full risks and rewards of ownership. When that occurs, an executive may no longer have the same objectives as the Company's other stockholders. As a result, we have adopted a policy, included within our Insider Trading Policy, which prohibits hedging or monetization transactions by our executives, including through the use of puts and call options, collars, exchange funds, prepaid

variable forwards,
and equity swaps.
We also prohibit
executives from
holding Company
securities in a margin
account, because a
margin or foreclosure
sale may occur when
an executive is aware
of material nonpublic
information or
otherwise not
permitted to trade.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE “FOR” THIS PROPOSAL.

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Stockholder Proposals and Other Matters

Stockholder Proposals and Other Matters

Stockholder Proposals for Inclusion in 2019 Proxy Statement.

To be eligible for inclusion in the proxy statement for our 2019 annual meeting, stockholder proposals must be received by the Company's Secretary no later than the close of business on Thursday, November 29, 2018. Proposals should be sent to the Secretary, LPL Financial Holdings Inc., 75 State Street, 22nd Floor, Boston, MA 02109, and follow the procedures required by SEC Rule 14a-8.

Stockholder Director Nominations and Other Stockholder Proposals for Presentation at the 2019 Annual Meeting.

In accordance with our bylaws, written notice of stockholder nominations to the Board of Directors and any other business proposed by a stockholder that is not to be included in the proxy statement must be delivered to the Company's Secretary not less than 90 nor more than 120 days prior to the first anniversary of the preceding year's annual meeting. Accordingly, any stockholder who wishes to have a nomination or other business considered at the 2019 annual meeting must deliver a written notice (containing the information specified in our bylaws regarding the stockholder and the proposed action) to the Company's Secretary between Thursday, January 17, 2019 and Saturday, February 16, 2019. SEC rules permit management to vote proxies in its discretion with respect to such matters if we advise stockholders how management intends to vote. Management knows of no matter to be brought before the meeting that is not referred to in the Notice of Meeting. If any other matters properly come before the meeting, it is intended that the shares represented by proxy will be voted with respect thereto in accordance with the judgment of the persons voting them.

Policy with Respect to the Consideration of Director Candidates Recommended or Nominated by Stockholders

The Nominating and Governance Committee will consider director candidates recommended by stockholders in accordance with our bylaws. For a stockholder to make any nomination for election to the Board of Directors at an annual meeting, the stockholder must provide notice and certain information about the recommending stockholder and the nominee to the Company, which notice must be delivered to, or mailed and received at, the Company's principal executive offices:

no later than the close of business on the 90th calendar day nor earlier than the close of business on the 120th calendar day, prior to the anniversary date of the prior year's annual meeting; or

if there was no annual meeting in the prior year or if the date of the current year's annual meeting is more than 30 days before or after the anniversary date of the prior year's annual meeting, on or before 10 days after the day on which the date of the current year's annual meeting is first disclosed in a public announcement.

Submissions must be in writing and addressed to the Nominating and Governance Committee, care of the Company's corporate secretary at LPL Financial Holdings Inc., 75 State Street, 22nd Floor, Boston, Massachusetts 02109. Electronic submissions will not be considered.

Other Information

Other Information

Copies of our annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K, including the financial statements and financial statement schedules, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act, are available on our website at www.lpl.com or on the website maintained by the SEC at www.sec.gov. Printed copies of these materials are available free of charge (except for the costs of duplication and mailing in the case of exhibits to such documents) to stockholders who request them in writing from our corporate secretary at LPL Financial Holdings Inc., 75 State Street, 22nd Floor, Boston Massachusetts 02109, or by calling our offices at (617) 423-3644, extension 0. Information on our website or hyperlinked to it is not incorporated by reference into this proxy statement.

