

**Custom Wealth Manager**

**Wrap Fee Program Brochure**

**March 30, 2012**

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**This wrap fee program brochure provides information about the qualifications and business practices of Lincoln Financial Securities Corporation. If you have any questions about the contents of this brochure, please contact us at (800) 258-3648, or by sending us an email at [LFSAdvisoryServices@lfg.com](mailto:LFSAdvisoryServices@lfg.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Registration as an investment advisor does not imply a certain level of skill or training.**

**Additional information about Lincoln Financial Securities Corporation also is available on the SEC's website at: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

Lincoln Financial Group is the marketing name for Lincoln National Corporation and its affiliates.

## Summary of Material Changes (Form ADV, Part 2A – Item 2)

The United States Securities and Exchange Commission (“SEC”), the regulator with whom Lincoln Financial Securities is registered, requires that a disclosure brochure called the Form ADV, Part 2A be provided to clients and filed with the SEC. Changes that were incorporated into that brochure and included for the 3/30/12 filing with the SEC are:

1. The section of the document that describes solicitor programs was consolidated and now refers clients to the ADV 2A disclosure brochures of the main programs for which LFS acts as a solicitor.
2. The section regarding retirement plan services was updated to reflect the addition of certain services currently being offered on a limited basis.
3. The Disciplinary Information section was updated to add an event that was resolved in 2003. However, the SEC requires that disciplinary events remain on the ADV 2A for ten years. The item is regarding a consent order entered into on March 27, 2003 by LFS with the Commonwealth of Virginia State Corporation Commission in which LFS agreed to payment of a \$15,000 fine plus \$11,500 in investigation costs related to an allegation that the firm failed to adequately supervise the general securities activities of one of its former representatives.
4. The description of LFS’s Custom Wealth Advantage asset management program was consolidated and updated with new enhancements, including portfolio strategists, separately managed accounts, and advisor directed account programs. These new programs also included new fee disclosures.
5. The technology service provider for LFS’s Custom Wealth Advantage series of asset management programs changed from FundQuest to Envestnet Portfolio Solutions, reflecting Envestnet’s acquisition of FundQuest.

If you would like a copy of Form ADV, Part 2A or any other Lincoln Financial Securities Corporation brochure, please download it from the SEC web site at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov), or you may contact Lincoln Financial Securities Corporation at (800) 258-3648, or [LFSAdvisoryServices@lfg.com](mailto:LFSAdvisoryServices@lfg.com).

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## **SERVICES, FEES, AND COMPENSATION**

Lincoln Financial Securities Corporation (“LFS”) is an investment advisor registered with the United States Securities and Exchange Commission (the “SEC”) a broker-dealer registered with the SEC and appropriate state securities authorities, and is a member of the Financial Industry Regulatory Authority (“FINRA”). LFS was incorporated in 1969, and has been registered with the SEC as an investment advisor since 1985. LFS is wholly owned by Lincoln National Corporation (“LNC”). Lincoln Financial Group is the marketing name for Lincoln National Corporation and its affiliates.

LFS offers a wide variety of investment advisory programs and services. Investment advisor representatives of LFS (“LFS Representatives” or “IARs”) assist clients in achieving their financial goals by providing personalized financial planning services and investment solutions. LFS’s principal business activity is as a securities broker-dealer, effecting transactions in securities and providing related services. LFS’s primary investment advisory business is providing asset management services, including advice regarding the selection of other investment managers. A secondary investment advisory business is providing financial planning services to its clients including affluent individuals, owners of closely held businesses, corporate executives and professionals. Investment advice, including financial planning advice, is usually based upon each client’s individual financial outlook and personal objectives. LFS provides clients access to investment solutions, either through investment advice, securities, or other financial products that may be used to implement their financial plans and pursue their investment objectives.

LFS Representatives are registered with the appropriate regulatory authorities to provide investment advice, financial planning, and asset management programs. LFS Representatives are usually registered representatives of LFS in its capacity as a broker-dealer, and are qualified to sell certain investment and insurance products. LFS requires that its representatives and other associates are registered with all appropriate regulatory agencies and pass all required examinations before conducting business on behalf of LFS.

LFS provides a variety of asset management services, and sponsors multiple wrap fee programs. The disclosure brochures describing all of LFS’s investment advisory services, and all of LFS’s wrap fee disclosure brochures can be found at the SEC’s public disclosure website, [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). These brochures may also be requested by contacting LFS at 800-258-3648 or by sending us an email at [LFSAdvisoryServices@lfg.com](mailto:LFSAdvisoryServices@lfg.com)

As of 12/31/11, LFS managed \$781,160,638 of client assets on a non-discretionary basis and \$136,226,066 on a discretionary basis.

## **CUSTOM WEALTH MANAGER**

LFS is the sponsor of Custom Wealth Manager, an investment advisory service program offered primarily to individuals, corporations, pension and profit sharing plans, trusts, estates, charitable organizations, banks and other entities. LFS may utilize its IARs, advisory representatives of affiliated investment advisers, or advisory representatives of independent registered investment advisers (collectively, “Advisers”), allowing these Advisers to offer the investment advisory services described here to their clients and potential clients.

Custom Wealth Manager (“CWM”) allows LFS’s clients access to the investment advisory services of professional portfolio management firms (“Portfolio Managers”) for the individual management of client accounts. Through written agreements with Pershing, LLC (“Pershing”) and/or Lockwood Advisors, Inc. (“Lockwood”), numerous Portfolio Managers and their different investment styles may be chosen by clients. Investment styles include Equity, Balanced and Fixed Income. Each client selects one or more Portfolio Managers based on his or her individual financial circumstances, investment needs, goals and level of risk tolerance. The CWM Investor Profile Questionnaire is used to assist in determining the appropriate investment style and Portfolio Manager. A list of the available Portfolio Managers and their investment styles is available upon request. LFS forwards a copy of the completed CWM Investor Profile. Questionnaire to the selected Portfolio Manager(s) and the Portfolio Manager(s) independently determines whether to accept the client account based on the content of same, in addition to any other factors it deems appropriate. Pursuant to the CWM Client Services Agreement, client agrees to provide information regarding material changes in the client’s financial circumstances and/or investment objectives. Upon receipt, LFS forwards such information to the client’s Portfolio Manager(s). Clients may communicate such information to, or otherwise communicate directly with, Portfolio Manager(s), although clients are encouraged to direct communications through their investment professional. Additional information on each Portfolio Manager, including the Portfolio Manager’s ADV Part 2A or disclosure brochure is also provided.

The Portfolio Manager will direct the investment and reinvestment of client assets in the CWM account (“Program Account”). The Program Account will be managed by the Portfolio Manager(s) on a discretionary basis in accordance with the investment style selected by the client, and subject to client meeting the program minimum account size. Clients may impose reasonable restrictions on the Portfolio Manager’s discretionary authority. Any such limitations are to be in writing and may include, as an example, restrictions on the purchase of specific securities or specific types of securities.

Custom Wealth Manager accounts are held at Pershing with LFS acting as introducing broker and pursuant to LFS’s clearing agreement with Pershing. Pershing serves as custodian for Retirement Accounts. Execution and clearance of transactions is provided by Pershing. In cases where a Portfolio Manager determines that Pershing cannot provide best execution, the Portfolio Manager may direct transactions through a different broker-dealer of its choosing. In such a case, additional transaction fees or other charges may apply.

## Fees

Minimum account sizes for Program Accounts and for each Portfolio Manager range from \$100,000 to \$500,000 depending on the investment objectives and Portfolio Managers chosen by the client. The program fees for Custom Wealth Manager are based on an annual percentage of assets under management in program accounts and covers a number of services including investment management, custody, transactions, performance reporting, consulting, activity reporting, and tax reporting. For program accounts managed using an Equity and/or Balanced style the maximum program fee is 3.00%. Program accounts managed using a Fixed Income style are charged a maximum program fee of 2.50%. Fees may be negotiated based on the size and complexity of each client's circumstances. Fees are negotiated at the discretion of LFS.

CWM accounts are assessed the program fee quarterly in advance, based on the market value of account assets as of the last business day of the previous quarter. The program fee is charged at inception on a prorated basis to reflect the number of days remaining in the calendar quarter. Due to the administrative and trading costs of establishing CWM accounts, no pro rata refund is made if a client terminates an account within the first four full quarters after inception. Additionally, an early closing fee equal to the lesser of \$2,000 or a full quarter's fee, based on account value upon closing, applies to accounts closed within this period. The early termination fee may be waived in certain circumstances at the discretion of LFS.

If assets are deposited after the inception of a quarter or withdrawn prior to the end of a quarter, the fee chargeable with respect to such assets as of the next calculation date will be prorated based on the number of days during the quarter the assets were held in the program account, unless any such deposit or withdrawal is less than \$1,000. Custodial and/or maintenance fees normally applicable to retirement accounts and qualified retirement plans for which Pershing acts as custodian are included in the program fee. One-time fees related to the set-up of 401(k) plans and the termination of qualified retirement plans for which Pershing acts as custodian will apply.

LFS, subject to certain exceptions, will not act as principal on securities transactions for CWM accounts. There is no mark-up or markdown assessed by LFS on such trades. Cash balances in CWM accounts are swept to a money market fund. The client is responsible for the internal expenses of such funds, including management fees of the funds, as described in the prospectus of the money market fund. A portion of such expenses may be paid to LFS.

Clients receive a quarterly portfolio evaluation statement of account from Pershing detailing portfolio holdings and market prices, transaction confirmations and interest and dividend or capital gain payments, fee deductions, and account performance. Portfolio evaluations are reviewed by Pershing or Lockwood for accuracy prior to delivery to clients and are intended to inform clients as to how their investments have performed. Clients also receive a monthly activity statement from Pershing in months when there is qualifying activity. LFS urges clients to review the statements they receive from the account custodian in conjunction with their CWM performance reports. Clients may receive transaction confirmations for each transaction that occurs in their Program Account. Clients may elect to waive receipt of individual transaction confirmations, but are not required to do so. If so elected, the client can choose to resume receipt of confirmations at any time by providing written instruction to LFS. Year-end tax summaries including IRS Schedule D information, IRS 1099-INT and IRA 1099-DIV, if applicable are provided to Clients by Pershing.

In considering the CWM program and the brokerage related services provided by LFS, Pershing, and/or other parties, a prospective client should be aware that the program may cost a client more or less than purchasing the services separately from other advisers or broker-dealers. The factors that should be considered by a prospective client include the size of the client's portfolio, the nature of the investments to be managed, commission costs, custodial expenses, the anticipated level of trading activity and the amount of advisory fees and other charges for managing the client portfolio. LFS and the Advisers recommending this program will receive compensation as a result of a client's participation in the program. The amount of the compensation may be more than what LFS and/or the Advisers would receive if the client participated in other investment programs or paid separately for investment advice, brokerage, and other services. Therefore, LFS and the Advisers may have a financial incentive to recommend this program over other products and services.

In programs that use portfolio managers, a portion of the total fee up to 0.75% of assets under management may be paid to the portfolio manager for their services. The amount may vary by program and by manager.

A client agreement to which LFS is a party may generally be terminated at any time, by either party, for any reason on 30 days written notice. Any prepaid, unearned fees will be refunded, and any unpaid fees will be due.

Fees charged may vary by office and by LFS Representative. Certain LFS Representatives may provide comparable services for fees that are different from those charged by other LFS Representatives.

All fees paid to LFS for investment advisory services are separate from the fees and expenses charged by mutual funds to their shareholders. These mutual fund fees and expenses are described in each fund's prospectus. These fees will generally include a management fee, other fund expenses, and a possible distribution fee. If the fund also imposes sales charges, a client may pay an initial or deferred sales charge.

A client can invest in a mutual fund directly without the services of LFS. In that case, the client would not receive the services provided by LFS, such as assisting the client in determining which investments are most appropriate to their financial condition and objectives. The client should review the fees charged by both the funds and LFS to fully understand the total amount being paid and evaluate the services being provided.

LFS Representatives may receive additional compensation and/or incentive awards for reaching certain levels of assets under management in the investment advisory programs, or generating a certain amount of fee revenue in a certain period. The client will not be charged any additional fees due to these circumstances. However, the receipt of additional compensation presents a conflict of interest and may affect the judgment of the LFS Representative.

Most LFS Representatives are Registered Representatives of LFS in its capacity as a broker-dealer, and may be licensed agents of The Lincoln National Life Insurance Company ("LNL"). In most cases, the LFS Representative may recommend products that are managed and/or sold by Lincoln companies. The LFS Representative may receive additional compensation on these products, provided that these products are suitable for the client's objectives. Additionally, Lincoln companies will profit from any sales of their products to clients of LFS. This presents a conflict of interest and gives LFS and its Representatives an incentive to recommend investment products based on the compensation received, rather than on a client's needs. All of this information is fully disclosed in writing to the client at the time of entering into an advisory contract.

LFS, LNL and their affiliated companies have suitability requirements, as well as regulatory and compliance rules and procedures which must be followed. In addition, LFS maintains a supervisory system that includes conducting periodic supervisory and compliance inspections and audits.

In most instances, LFS Representatives may only recommend products offered through LFS where LFS has a selling agreement with the product sponsors. This does not generally include "no-load" mutual funds or non-registered insurance or annuity products.

Clients have the option to purchase investment products recommended by LFS and its Representatives through other brokers or agents that are not affiliated with LFS.

Commissions and other compensation for the sale of investment products provide the primary compensation for LFS and many of its Representatives.

LFS does not generally reduce its advisory fees to offset any applicable commissions or markups.

LFS may receive revenue from various mutual fund companies, broker-dealers, investment advisors and/or their affiliates in connection with its investment advisory programs and services. The amounts LFS receives may vary depending on the particular investment. LFS Representatives may act as agents of the companies whose products they sell, and may provide services to clients on their behalf. LFS Representatives may be compensated by LFS and/or the product manufacturer via commissions, asset-based fees, and/or other compensation which may be built into the costs and charges of the product.

In some cases, LFS Representatives receive more compensation when placing Lincoln Financial Group manufactured products, and may qualify for additional compensation based on the volume of those sales over time. LFS Representatives are also eligible for additional compensation and/or other incentives based on factors such as sales volume of certain Lincoln products, the length of time that clients keep assets in the products, and/or the profitability of the products. They may also receive compensation based on the sales of Lincoln products by other Representatives. LFS Representatives may also participate in benefit programs whose costs are partially reimbursed by Lincoln affiliates, and/or which are based on sales volume of Lincoln products. LFS-affiliated companies may also benefit financially from the sale of Lincoln life insurance, annuity, mutual fund and asset management products offered by LFS Representatives.

Some experienced new planners moving their practices to LFS have been offered loans based on future sales of products and services offered by LFS, including both Lincoln and non-Lincoln products and services. In the past, some loans were offered based on Lincoln Financial Group products alone. The repayment of these loans may be fully or partly waived based on reaching certain sales levels, or may be funded by additional compensation for these sales.

Because of the way products are priced and marketed, LFS Representatives may also receive higher compensation for the sales of products offered by companies not affiliated with Lincoln Financial Group.

Depending on which product and/or service you purchase, you may also receive additional materials which disclose important information, such as product prospectuses, applications, and disclosure brochures.

LFS has relationships with both affiliated and non-affiliated companies that may provide additional revenue and marketing support as well as education and training to LFS Representatives for the sale of various mutual fund, annuity, life insurance and alternative investment products. This revenue and marketing support does not affect the compensation to any LFS Representative or manager.

LFS has agreements with certain sponsors and custodians of advisory programs in which they provide compensation and expense reimbursements to LFS in support of the training, education and marketing support required of these products. In addition, LFS may impose certain administrative costs in connection with these programs. The method, timing and amount of payments vary by program and sponsor, and may include a direct reimbursement of certain expenses, payment of a specified dollar amount to participate in certain conferences, payment of a fee or service charge for a transaction, or a payment of a percentage of assets under management. These payments may include fees in connection with securities transactions, transaction or account-based administrative or service charges, and may include payments of 12(b)-1 fees or other asset-based fees from money market funds and other mutual funds. Payments calculated as a percentage of assets under management range from 0% to 0.25%. Administrative charges, if applicable, range from 0.05% to 0.25%. Sponsors of these programs may also directly pay for certain educational and training costs of LFS Representatives, and send their employees to meetings to provide education and training on these programs. The advisory services sponsors that provide payments to LFS as described above can be found on the LFS website at [www.lfsecurities.com](http://www.lfsecurities.com)

LFS, its Representatives, and clients may also receive the benefit of certain services provided by program sponsors and custodians. These services may include performance reporting, statement creation and delivery, technology systems including online access to account information, fee liquidation, notification and payment services, marketing material and other services related to the management of investment advisory accounts. Some of these services may involve additional charges to LFS, its Representatives, or to clients, while others are packaged and available as part of an investment advisory program without itemization of the cost of each product or service.

### **ACCOUNT REQUIREMENTS AND TYPES OF CLIENTS**

Minimum account sizes for Program Accounts and for each Portfolio Manager range from \$100,000 to \$500,000 depending on the investment objectives and Portfolio Managers chosen by the client.

LFS generally may provide investment advice to individuals, high net worth individuals, pension and profit sharing plans, charitable organizations, corporations or other business, and state or municipal government entities. Requirements for opening and maintaining an account, such as minimum account size, are listed above in the description for each advisory program or service, if applicable.

### **PORTFOLIO MANAGER SELECTION AND EVALUATION**

Participating Portfolio Managers are selected for the program by LFS. Lockwood and/or Pershing provides LFS with various quantitative and qualitative information on the Portfolio Managers. Utilizing this quantitative and qualitative information as well as information obtained from other sources, Portfolio Managers are reviewed and analyzed by LFS both on an initial and ongoing basis. This information may include rates of return, standard deviation of returns, risk-adjusted returns, assets under management, investment philosophy, adherence to investment style, as well as financial, operational, and client servicing resources. Portfolio Managers are also reviewed based on their business reputation, stability of management and investment staff, regulatory history, and experience and capability of managing wrap accounts. Periodically, LFS reviews the Portfolio Managers currently participating in CWM and to facilitate the addition of new managers to the program. Should a manager in LFS's opinion, fail to meet one or more of the above referenced criteria, LFS may replace that participating Portfolio Manager.

Not all Portfolio Managers calculate and report performance on a uniform and consistent basis, and LFS does not review or make any representations as to the accuracy of the stated performance.

LFS's review and selection of service providers for Custom Wealth Design is based on their ability to provide an overall set of services necessary to administer the program, which may include a variety of functions such as investment research, technology, and administrative support. If LFS, through its ongoing evaluation of any service provider, determines that they are no longer able to perform these services effectively, LFS may replace them with another service provider or discontinue the program.

### **CLIENT INFORMATION PROVIDED TO PORTFOLIO MANAGERS**

LFS forwards a copy of the completed CWM Investor Profile Questionnaire to the selected Portfolio Manager(s). Should your financial situation or investment objectives change and you wish to modify your investment objectives and/or account restrictions at any time, please notify your LFS Representative. Upon receipt, LFS forwards any material information to your Portfolio Manager(s).

### **CLIENT CONTACT WITH PORTFOLIO MANAGERS**

Clients may communicate directly with, Portfolio Manager(s), although clients are encouraged to direct communications through their LFS Representative.

## **ADDITIONAL INFORMATION**

### **PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

LFS and its Representatives do not charge fees based on a share of capital gains or capital appreciation of client assets.

### **METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

LFS provides financial consulting using both fundamental and technical approaches to financial planning. The financial plans provide analysis and advice in the following areas: investments, cash management, risk management, retirement planning and estate planning.

LFS Representatives perform analysis for asset management programs, which are provided to clients. This analysis relies on research reports and information provided by third parties who are contracted to provide such information.

In the financial planning process, LFS's Representatives will assist clients, through the use of approved questionnaires and software, in identifying their financial objectives. LFS Representatives will recommend asset allocation strategies made up of different categories of financial assets in order to address specific client-identified economic and tax concerns. For all asset management programs used by LFS, the specific security analysis methods, sources of information and investment strategies depend upon and are determined by the applicable third party asset management vendors or process selected by the client.

Investing in securities involves risk of loss that clients should be prepared to bear.

## **DISCIPLINARY INFORMATION**

Below is a description of legal or disciplinary events that may be material to a client or prospective client's evaluation of LFS and its advisory business:

- On July 8, 2010, LFS signed an Administrative Consent Order with the State of Nevada Securities Division ("Division") in which it agreed to payment of a \$25,000 civil penalty plus \$1,000 in records inspection costs related to the Division's finding that the Firm had violated provisions of Chapter 90 of the Nevada Revised Statutes and Nevada Administrative Code. The Firm was cited for failing to supervise a sales representative who did not follow established policies and procedures with respect to obtaining prior compliance approval for conducting a seminar. LFS was also ordered to pay restitution for market losses to a seminar attendee who subsequently became a securities client of the Firm.
- On June 15, 2010, LFS entered into a Consent Order with the Texas State Securities Board ("Board") as a result of a finding that it had violated Section 115.10(b)(1) of the Board Rules. Between 2004 and 2006, LFS failed to require the agents of the firm to indicate clearly their role in creating a book that discussed investment related issues, and to identify the book as marketing material. In addition to a formal reprimand, LFS paid an administrative fine in the amount of \$40,000.
- On January 15, 2010, LFS entered into a Consent Order with the Vermont Department of Banking, Insurance, Securities & Health Care Administration ("Administration") as a result of a finding that it had violated 9 V.S.A. § 5402(d) by having employed individuals designated as Administrative Only Representatives ("AOR's") at a Vermont location. These individuals were not securities registered in Vermont and the Administration concluded that, in some instances, their activities brought them within the definition of "agent" as defined under Vermont law. In resolution to the matter, the Firm agreed to pay:
  - \$1,500 in back registration fees relating to the AOR's
  - \$2,000 to the Securities Investor Education and Training Fund
  - \$6,000 administrative penalty
  - \$500 in costs relating to the investigation of the matter
- On November 7, 2008, LFS signed a Consent Order with the New Hampshire Bureau of Securities Regulation and paid a \$2,500 administrative fine in resolution of a client complaint where the representative solicited and executed four mutual fund trades between March 1, 2004 and April 30, 2004 without being properly licensed in NH. In addition, the firm was ordered to pay restitution to the client of \$20,000.
- On February 16, 2011 the Financial Industry Regulatory Authority ("FINRA") notified LFS of its acceptance of a Letter of Acceptance, Waiver and Consent (the "Letter") signed and submitted to FINRA on December 21, 2010. The Letter noted that between 2002 and 2009 LFS failed to adequately protect customer records and information in the firm's client portfolio management system and allowed certain employees to access its web-based customer account system by using shared log-on credentials without establishing adequate procedures and without controlling or monitoring who had access to the common log-on credentials. In addition, LFS failed to require security software and anti-virus protection and to audit computers owned by its registered representatives and used in connection with LFS's securities business. As a result of the foregoing, LFS violated Rule 30 of Regulation S-P, NASD Rules 3010, 2110 and FINRA Rule 2010. LFS was censured and fined \$450,000, and the fine was paid in full on February 23, 2011.
- On or about December 15, 2004, LFS (formerly known as Jefferson Pilot Securities Corporation) was fined \$125,000, censured, and ordered to review its procedures regarding the preservation of E-mail communications as required by SEC Rule 17(a)(4) and NASD Rules 3110 & 2110. The matter was resolved on March 16, 2005 with the firm agreeing to a Letter of Acceptance, Waiver, and Consent. In addition, the firm was required to review its procedures relating to the preservation of E-mail communications and certify to the NASD that had established systems and procedures designed to achieve compliance with the laws and regulations concerning the preservation of E-mail communications.
- On or about November 15, 2004, LFS (formerly known as Jefferson Pilot Securities Corporation) was fined \$125,000 and censured by NASD regarding the firm's failure to timely file Forms U4 and U5 as required by Article V, Sections (2)(C) and (3)(B) of NASD bylaws during the period January 2002 through March 2004. On November 30, 2004, the firm agreed to a Letter of Acceptance, Waiver & Consent regarding the matter. In addition, the firm agreed to conduct periodic internal audits to evaluate the effectiveness of its system for complying with the reporting requirements, and an officer of the firm will certify that such audits have occurred.
- On March 27, 2003, LFS entered into a consent order with the Commonwealth of Virginia State Corporation Commission in which it agreed to payment of a \$15,000 fine plus \$11,500 in investigation costs related to an allegation that the firm failed to adequately supervise the general securities activities of one of its former representatives.

## **OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

LFS is a registered broker-dealer, and its investment advisor representatives are also generally registered representatives of LFS.

LFS's principal business is as a broker-dealer selling investment products and services, including stocks, bonds, mutual funds, annuities, insurance products and options. LFS and its executive officers spend the majority of their time with these business activities. Some of

LFS's executive officers are also officers of The Lincoln National Life Insurance Company and Lincoln Life & Annuity Company of New York. The proportion of time spent on each of these activities cannot be readily determined.

If a client needs certain types of products or services that are not offered by LFS, LFS may refer the client to various third party entities that provide these products or services. LFS may be paid referral fees paid by these third parties. Examples of these types of products and/or services may include business valuation, foundation formation, tax strategies, and other services.

LFS is affiliated with the following companies due to common ownership by Lincoln National Corporation:

- The Lincoln National Life Insurance Company (insurance company)
- Lincoln Life & Annuity of New York (insurance company)
- LFA, Limited Liability Company (insurance agency)
- Lincoln Financial Distributors, Inc. (broker-dealer)
- Lincoln Financial Advisors Corporation (broker-dealer, investment advisor, and insurance agency)
- Lincoln Financial Investment Services Corporation (broker-dealer)
- Lincoln Investment Advisors Corporation (investment advisor)
- First Penn-Pacific Life Insurance Company
- California Fringe Benefit and Insurance Marketing Corporation (insurance agency)
- JPSC Insurance Services, Inc.
- LFD Insurance Agency, LLC (insurance agency)
- Lincoln Financial Group Trust Company, LLC (trust company)
- Lincoln Investment Management Company (investment adviser)
- Westfield Assigned Benefits Company (insurance agency)

Conflicts of interest may be created by financial incentives and/or compensation arrangements between LFS and its affiliates. These conflicts of interest and the steps taken by LFS to address them are described above in the section on "Fees and Compensation."

LFS may recommend or select other investment advisors for clients and receive compensation directly or indirectly from those advisors. This creates a material conflict of interest in that LFS and its Representatives have a financial incentive to recommend advisors based on compensation paid. These conflicts of interest and the steps taken by LFS to address them are described above in the section on "Fees and Compensation."

## **CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

LFS has adopted an Investment Advisor Code of Ethics, and all investment adviser representative and certain other individuals defined as "access persons" are required to understand and follow its provisions. Through this Code, LFS strives to ensure high standards of professional excellence and ethical conduct among its associates. The Code is aligned with Lincoln Financial Group's long standing shared values of: Integrity, Commitment of Excellence, Responsibility, Respect, Fairness, Diversity and Employee Ownership. LFS will provide a copy of its Code of Ethics to any client or prospective client on request. If you would like a copy of LFS's Investment Advisor Code of Ethics, please call (800) 258-3648 or send an email request to [LFSAdvisoryServices@lfg.com](mailto:LFSAdvisoryServices@lfg.com).

LFS may engage in principal transactions mainly involving debt securities. These securities may be recommended to LFS's clients on a fully disclosed basis, and are conducted on a "riskless transaction" basis. Under these circumstances, LFS may buy or sell securities it recommends to its clients as a principal. All of this information is fully disclosed.

LFS and its Representatives may purchase securities for their own investment purposes, and in doing so may purchase securities that are also recommended to clients. This could create a conflict of interest in that LFS Representatives may have an incentive to put their own interests ahead of clients. LFS procedures require that client orders be placed ahead of orders for LFS accounts or accounts of LFS Representatives. Personal securities transactions by LFS Representatives are recorded and monitored by LFS. LFS procedures also prohibit LFS orders and orders for the benefit of LFS Representatives from inclusion in any applicable "block trades," orders aggregated across client accounts for the purpose of seeking cost-effective execution of client orders. LFS policies require that best execution be sought for all client orders in which LFS or its Representatives are responsible for order entry. Where a conflict of interest exists, this is disclosed to the client in the client services agreement or the disclosure documents for that program.

## **BROKERAGE PRACTICES**

LFS Representatives generally recommend LFS as broker-dealer for investment products. However, the client is under no obligation to purchase products from LFS or the LFS Representative, as described in the advisory contract. The client pays the same fee for advisory services whether or not products are purchased from the LFS Representative. The client also pays the same price and commissions for products whether or not LFS provided a financial plan to the client.

LFS's advisory business does not generally include blocking trades, negotiating commissions, or obtaining volume discounts. Lower commissions or better execution may be achieved elsewhere. Different commissions may be charged to different clients.

In certain circumstances, Representatives may recommend brokers other than LFS. In most cases, the other broker would be recommended because of the role they play in an asset management program. Not all advisors require clients to direct brokerage. By directing brokerage, LFS may not be able to achieve most favorable execution of client transactions, and this practice may cost clients more money.

For additional information on conflicts of interest created by the recommendation of LFS as a broker-dealer, or the recommendation of certain other broker-dealers for asset management programs, including compensation arrangements between LFS and other broker-dealers, please see the section on "Fees and Compensation" above.

In the Custom Wealth Series programs, LFS serves as the broker-dealer, with either Pershing LLC or National Financial Services serving as custodian.

## **REVIEW OF ACCOUNTS**

Custom Wealth Manager accounts are reviewed on a routine basis by the Client's Adviser to determine whether the portfolio is being managed in accordance with client investment objectives. Additional reviews may take place at the Client's request or as a result of significant market or economic developments. LFS's management also receives quarterly supervisory reports for some programs. These reports are reviewed by LFS and may be discussed with the LFS Representative, if applicable. When necessary, they are reviewed with the client.

Clients receive a quarterly portfolio evaluation statement of account from Lockwood detailing portfolio holdings and market prices, transactions and interest and dividend or capital gain payments, fee deductions, and account performance. Portfolio evaluations distributed by Lockwood, use in-house reporting software or software provided by CheckFree Investment Services, Inc. Portfolio evaluations are intended to inform Clients as to how their investments have performed. Clients also receive a monthly activity statement from Pershing in months when there is qualifying activity. Clients may receive transaction confirmations for each transaction that occurs in their Program Account unless the client elects to waive receipt of transaction confirmation. Year-end tax summaries including IRS Schedule D information, IRS 1099-INT and IRA1099-DIV, if applicable, are provided to Clients. Confirmation and tax reporting are provided by Pershing.

## **CLIENT REFERRALS AND OTHER COMPENSATION**

For a description of the economic benefits received by LFS and its Representatives from entities who are not clients, as well as conflicts of interest created by those benefits and how they are addressed, please see the section on "Fees and Compensation" above.

### **Solicitor Relationships**

#### **Overview:**

LFS may pay referral fees to solicitors based on a written agreement if allowed by SEC and state regulations. A document describing the relationship will be provided to the client at or before the client signs an advisory contract. The amount of the solicitor fee may vary based on different factors, such as the types of services performed by the solicitor. The solicitor's fee does not increase the fees paid by the client. Clients are obtained primarily through the efforts of LFS's Representatives.

#### **Solicitor Relationship Process:**

The solicitor will give the client a copy of LFS's Form ADV Part 2A and Part 2B, or Disclosure Brochure, and a separate Disclosure Letter. The Disclosure Letter will describe the relationship between LFS and the solicitor, and the compensation that the solicitor is being paid to refer the client to LFS. In order for the solicitor to receive the referral fees, the client must confirm in writing that they have received a copy of LFS's Disclosure Brochure and the Disclosure Letter.

#### **Solicitor Fees:**

LFS will pay the solicitor a referral fee which will come from the advisory fee charged to the client. The advisory fee will not be increased due to the solicitor's relationship with LFS.

LFS may refer clients to Lincoln Financial Advisors Corporation (LFA) for financial planning or asset management services and may receive a portion of the fee charged to the client for these services. LFA is an affiliated investment adviser of LFS. Therefore, the may be a conflict of interest in referring clients to LFA for these services.

## **CUSTODY**

LFS does not generally provide custodial services for client assets. However, in certain cases where clients have authorized LFS to deduct advisory fees from their brokerage accounts, LFS may be considered to have access to cash in those accounts.

Clients will receive account statements from the broker-dealer or other qualified custodian that holds their accounts, and clients should carefully review these statements. It is important to compare the information on these statements with reports you receive from

LFS. Please note that there may be minor variations due to calculation methods. If you have any questions, please contact your LFS Representative.

### **INVESTMENT DISCRETION**

LFS generally provides investment management services on a non-discretionary basis, meaning that LFS obtains client authorization before entering any buy or sell orders in client accounts, aside from the ability to approve or reject quarterly reallocations in the SEI Mutual Fund Program. LFS will provide investment management services on a discretionary basis, where client consent is not needed prior to entering buy and sell orders in an account, only when written authorization providing discretionary authority is granted by such client. In any event, discretionary authority is limited to trading, and will not extend to money movement, including the withdrawal of funds from the client's account.

### **VOTING CLIENT SECURITIES**

LFS does not accept authority to vote client securities or proxies. Clients will receive their proxies or other solicitations directly from their custodian, unless the client has provided proxy voting authority to a third party such as an investment manager. If you have any questions regarding a particular solicitation, please contact your LFS Representative.

### **FINANCIAL INFORMATION**

LFS does not have any financial condition that is reasonably likely to impair its ability to meet its contractual commitments to clients.

## LINCOLN FINANCIAL ADVISORS CORPORATION<sup>®</sup> PRIVACY PRACTICES NOTICE LINCOLN FINANCIAL SECURITIES CORPORATION<sup>®</sup> PRIVACY PRACTICES NOTICE

Lincoln Financial Advisors Corporation and Lincoln Financial Securities Corporation (both a part of Lincoln Financial Network or LFN) are committed to protecting your privacy. To provide the products and services you expect from a financial services leader, we must collect personal information about you. **We do not sell your personal information to third parties.** We share your personal information with third parties as necessary to provide you with the products or services you request and to administer your business with us. This Notice describes our current privacy practices. While your relationship with us continues, we will update and send our Privacy Practices Notice as required by law. Even after that relationship ends, we will continue to protect your personal information. This Notice explains our information sharing arrangement and provides information on how to contact us if you have questions regarding our privacy practices.

### INFORMATION WE MAY COLLECT AND USE

We collect personal information about you to help us identify you as our customer or our former customer; to process your requests and transactions; to offer investment or insurance services to you; to pay your claim; or to tell you about our products or services we believe you may want and use. The type of personal information we collect depends on the products or services you request and may include the following:

- **Information from you:** When you submit your application or other forms, you give us information such as your name; address; Social Security number; and your financial; health; and employment history.
- **Information about your transactions:** We keep information about your transactions with us, such as the products you buy from us; the amount you paid for those products; your account balances; and your payment history.
- **Information from outside our family of companies:** If you are purchasing insurance products, we may collect information from consumer reporting agencies such as your credit history; credit scores; and driving and employment records. With your authorization, we may also collect information, such as medical information from other individuals or businesses.
- **Information from your employer:** If your employer purchases group products from us, we may obtain information about you from your employer in order to enroll you in the plan.

### HOW WE USE YOUR PERSONAL INFORMATION

We may share your personal information within our companies and with certain service providers as allowed by law. They use this information to process transactions you have requested; provide customer service; and inform you of products or services we offer that you may find useful. Our service providers may or may not be affiliated with us. They include financial service providers (for example, third party administrators; broker-dealers; insurance agents and brokers, registered representatives; reinsurers and other financial services companies with whom we have joint marketing agreements). Our service providers also include non-financial companies and individuals (for example, consultants; vendors; and companies that perform marketing services on our behalf). Information we obtain from a report prepared by a service provider may be kept by the service provider and shared with other persons; however, we require our service providers to protect your personal information and to use or disclose it only for the work they are performing for us, or as permitted by law.

When you apply for one of our products, we may share information about your application with credit bureaus. We also may provide information to group policy owners, regulatory authorities and law enforcement officials and to others when we believe in good faith that the law requires disclosure. In the event of a sale of all or part of our businesses, we may share customer information as part of the sale. **We do not sell or share your information with outside marketers who may want to offer you their own products and services; nor do we share information we receive about you from a consumer reporting agency. You do not need to take any action for this benefit.**

## **SECURITY OF INFORMATION**

We have an important responsibility to keep your information safe. We use safeguards to protect your information from unauthorized disclosure. Our employees are authorized to access your information only when they need it to provide you with products, services, or to maintain your accounts. Employees who have access to your personal information are required to keep it confidential. Employees are trained on the importance of data privacy.

## **WHEN REGISTERED REPRESENTATIVES LEAVE LINCOLN FINANCIAL NETWORK**

We understand that the relationship you have with your registered representative is important to you. If your registered representative's affiliation with Lincoln Financial Network ends and he or she chooses to move to a different broker-dealer, or if your registered representative's relationship with LFN is terminated, your LFN registered representative may be allowed to take with him or her copies of all client and account documentation (including but not limited to: account applications; customer statements; and other pertinent forms related to your account), so your registered representative is able to continue the relationship with you and service your account through his or her new firm. LFN will also retain copies of your client and account documentation. You do not need to take action if it is your choice to allow your LFN registered representative to keep copies of your confidential information should he or she leave our firm.

If you do not want your registered representative to keep copies of your confidential information should he or she decide to end the relationship with Lincoln Financial Network in the future, you have the right to opt out. If your account with us is a joint account, we will treat the opt out request by a joint account owner as applying to all owners on the account. If you choose to opt out now; at any time in the future; or wish to withdraw your opt out request, contact us by phone at 800-248-2285. If it is your choice to opt out there will be a 30-day period before your opt out will take effect.

If you have questions about your personal information we have on file, your request should be directed to:

Lincoln Financial Network  
Attn: Privacy Reply  
One Granite Place  
Concord, NH 03301-3258

**Please include all account numbers you maintain with LFN with your correspondence.**

\*This information applies to the following Lincoln Financial Network companies:

Lincoln Financial Advisors Corporation  
Lincoln Financial Securities Corporation  
JPSC Insurance Services, Inc.  
LFA, Limited Liability Company