

Custom Wealth Solutions

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. 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.

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

BD06901

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, or you may contact Lincoln Financial Securities Corporation at (800) 258-3648, or 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. These brochures may also be requested by contacting LFS at 800-258-3648 or by sending us an email at 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 SOLUTIONS

LFS is the sponsor of Custom Wealth Solutions (“CWS”), 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 use 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 Solutions provides clients access to continuous management of their investment portfolios through one or more of the following investment management programs:

- Separate Account Program (“SMA”)
- Multi-Manager Account Program (“MMA”)
- Unified Managed Account Program (“UMA”)
- Wrap Strategists Program
- Advisor Directed Models
- Third Party Models
- Mutual Fund Wrap Program

Through written agreement Envestnet Asset Management, Inc. (“Envestnet”) provides various administrative services to CWS clients using the Advisor Directed Models and for clients using the Separate Account Program, Multi-Manager Account Program (MMA), Unified Managed Account Program (UMA), Wrap Strategists Program, Third Party Models, and Mutual Fund Wrap Program, Envestnet provides various administrative services and investment management services to CWS clients.

Envestnet may also provide additional services to CWS program clients including:

- Assessment of the client’s investment needs and objectives
- Investment policy planning
- Development of an asset allocation strategy designed to meet the client’s objectives
- Recommendations on suitable style allocations
- Identification of appropriate managers and investment vehicles suitable to the client’s goals
- Evaluation of asset managers and investment vehicles meeting style and allocation criteria

- Engagement of selected asset managers and investment vehicles on behalf of the client
- Ongoing monitoring of individual asset manager's performance and management (for approved SMA managers and mutual funds only)
- Review of client accounts to ensure adherence to policy guidelines and asset allocation
- Recommendations for account rebalancing, if necessary
- Online reporting of client account(s) performance and progress

Once the client selects an Adviser and enters into an advisory relationship, the Adviser will obtain information from the client on their financial background, prior investment experience, investment objectives, goals and restrictions, if any, and risk tolerance, among other things. This review also considers the suitability and appropriateness of CWS for the client. LFS and the Adviser maintain the client profile information. Clients should update their profile information any time changes to their financial situation and/or investment objectives occur. When this happens LFS and Advisers may require clients to complete an investor profile questionnaire to determine whether the account and its investments remain suitable and appropriate. Once an advisory relationship is established, there are no restrictions on a client's ability to contact either LFS or their Adviser. The Adviser will contact the client periodically to determine if there have been any changes in their financial information so that the management of the account may be adjusted accordingly. In the event any information is received by LFS directly from the client, that information is communicated promptly to the Adviser. The information provided by the client is forwarded to Envestnet for review. Envestnet will analyze the information and recommend an appropriate strategy based on the client's needs and objectives, investment time horizon, risk tolerance and any other pertinent factors. Envestnet's research team uses a number of proprietary analytical tools and commercially available optimization software applications in developing its asset allocation strategies. Among the factors considered in designing these strategies are historical rates of risk and return for various asset classes, correlation across asset classes and risk premiums. Envestnet will then propose an overall strategy that includes asset allocation and investment portfolio recommendations for the asset classes.

Investment Strategies and Analysis

LFS's investment services generally cover exchange-listed, over-the-counter and foreign securities, warrants, fixed income securities, options on securities, variable life, corporate debt and municipal securities, U.S. Treasury and government agency bonds, unit investment trusts, commercial paper, CD's, variable annuities, and mutual fund shares. Certain mutual funds, annuity and insurance products, and other managed investment products, including money market funds, may be managed or distributed by an affiliate of LFS.

Each Adviser managing a CWS account chooses his/her own research methods, investment style, and management philosophy. The investment strategies used by an Adviser in implementing the investment services provided to clients may include long and short-term purchases. Advisers use a number of sources of financial information in their analysis of securities, which may include financial publications and analysis, research reports, timing and rating services, annual reports, prospectuses, and SEC filings, among other sources of information. Research services are received in various forms, which may include written reports, meetings, or telephone contacts with individuals and companies in the securities and financial industries. Various methods of analysis may be used including charting, technical and fundamental analysis.

Within the Adviser Directed Models, the Adviser will direct the investment and reinvestment of client assets in the Custom Wealth Solutions account ("Program Account"). The Program Account will be managed by the Adviser in accordance with an investment style selected by the Client, and subject to the Client meeting the program minimum account size. The Program Account will be managed by the Adviser based on the specific investment needs of the client on an ongoing basis utilizing investments that may include mutual funds, exchange traded funds, stocks, bonds, options, and variable annuity and insurance products. On a periodic basis, the Adviser will review each client's account and direct the management and allocation of the investments within the account depending on the client's investment objective. The client selects the Adviser who will manage the client's account. CWS program accounts are generally managed on a non-discretionary basis. In certain circumstances, and only after specific written consent is obtained from the client, a CWS account may be managed on a discretionary basis by the Adviser. Clients may impose reasonable limitations or restrictions on the Adviser, including the Adviser's discretionary authority. Any such limitations are to be in writing and may include, as an example, restrictions on the purchase of particular securities, industries or asset classes.

For CWS clients in the SMA, the client is offered access to the investment advisory services of professional portfolio management firms ("Portfolio Managers") and their different investment styles for the individual management of client accounts. Investment styles include Equity, Balanced and Fixed Income. Envestnet will recommend individual Portfolio Managers and investment vehicles that correspond to the proposed asset classes and styles. Adviser may recommend managers in this program to the client. The minimum investment in the SMA program is \$100,000 unless otherwise specified.

The Mutual Fund Wrap program consists of the Mutual Funds Solution ("MFS"). For clients in the MFS, Envestnet will select one or more mutual funds based on Envestnet's recommended investment strategy. MFS is a fully discretionary, mutual fund wrap program offering a series of model portfolios positioned at various points along the risk/return spectrum. The client is provided with an initial allocation that corresponds to the individual client's goals and objectives. Once the client's assets are invested, Envestnet may add, remove or replace mutual funds at its discretion. For more information on MFS, please see Envestnet's ADV, Part 2A and/or disclosure brochure.

For clients in the MMA, the client is offered a single portfolio that accesses multiple asset managers representing various asset classes. This investment model seeks to deliver many of the benefits of a traditional separately managed account in a single broadly-diversified portfolio for a minimum investment of \$250,000, investing in a broad range of various asset classes and styles. Envestnet allocates the portfolio across investment asset classes and complementary asset managers to create a blend that fits the client's investment needs and risk tolerance. Envestnet provides overlay management services for MMA accounts and the client directly owns the underlying securities in the portfolio.

A portion of MMA Program Assets may be invested in the PMC Funds, where appropriate, in conjunction with using multiple asset managers that comprise the investment models. Since Envestnet serves as the investment adviser to the PMC Funds, the amount that Envestnet receives with respect to MMA Program Assets that are invested in the PMC Funds may be greater than just the portion of the MMA Program Assets fee remitted to Envestnet. When the PMC Funds are used in a MMA portfolio, there is a corresponding reduction in the fee that Envestnet normally charges for the MMA Program Assets equal to the amount of any fees Envestnet or an affiliate of Envestnet receives from the PMC Funds.

The intent is to ensure that Envestnet and its affiliates in the aggregate receive no more compensation with respect to the Client's overall investments than the higher of either the Program Fee or the fees payable with respect to the PMC Funds. LFS and Adviser do not share in or received additional compensation as a result of client assets invested in the PMC Funds.

For clients in the UMA, the client is offered a single portfolio that, like the MMA program, accesses multiple asset managers representing various asset classes. This investment model seeks to deliver the benefits of a traditional separately managed account in a single broadly diversified portfolio for a minimum investment of \$150,000. Like the MMA, Envestnet defines the asset allocation models for UMA; however, in the UMA, the Adviser may customize the portfolio by selecting the specific, underlying investment vehicles in the appropriate model to meet the client's needs. Envestnet provides overlay management services for UMA accounts and client directly owns the underlying securities in the portfolio.

For CWS clients in Manager Blends, the client is offered portfolios consisting of models from multiple separate account managers for individual style categories for a minimum investment of \$100,000. By combining multiple managers across style and asset class into one portfolio, Manager Blends seeks to deliver broader diversification than a single asset manager within an individual style category or asset class. Envestnet provides overlay management services for Manager Blends accounts and the client directly owns the underlying securities in the portfolio. Each portfolio is allocated across style categories, e.g., Large Cap Growth, All Cap Core, etc.

With exception on the Adviser Directed Models, clients that participate in the CWS program are required to grant full discretionary investment authority to Envestnet, but Envestnet will generally limit the exercise of this authority to the following circumstances:

- For SMA, Envestnet generally will only use this grant of discretion to replace investment vehicles, including sub-managers, when it deems such a change is necessary; to rebalance a client's account as agreed between the client and Envestnet; and to liquidate sufficient assets to pay the Program Fee when necessary and advisable. However, there may be situations in which Envestnet will fully use this grant of discretion, such as to liquidate a position.
- For MFS, Envestnet will generally use this grant of discretion to invest in, hold and sell shares in various mutual funds; to liquidate any "in kind" assets that are transferred into the MFS program; and to liquidate sufficient assets to pay the Program Fee when necessary and advisable.
- For UMA, MMA, and Manager Blends, Envestnet generally will only use this grant of discretion as described in the previous circumstances for SMA and MFS Solution.

In Third Party Model Portfolios, Envestnet has retained sub-advisers for the purposes of creating asset allocation model portfolios. Such sub-advisers shall be referred to herein as "Model Providers." Envestnet may, from time to time, replace existing Model Providers or hire others to create Third Party Model Portfolios. LFS as program sponsor elects which Third Party Model Portfolios are available in the CWS program. Clients acknowledge that neither LFS nor Envestnet can guarantee the continued availability of Third Party Model Portfolios created by particular Model Providers. The Model Providers are responsible for all investment selections made for the portfolios they create. The client and Adviser select which Third Party Model Portfolio is most appropriate for the client's needs and objectives. Model Providers may add or remove securities from their Third Party Model Portfolios from time to time in their sole discretion. The Model Providers will select and monitor the performance of the investments in their Third Party Model Portfolios and will periodically adjust and rebalance the Third Party Model Portfolios in accordance with their investment strategies. The Model Providers will retain discretion to select the appropriate Third Party Model Portfolio and the underlying investments for each client's account.

Program Accounts are held at National Financial Services LLC ("National Financial"). Fidelity Management Trust Company serves as custodian for Retirement Accounts. Execution and clearance of transactions is provided by National Financial.

Advisory Fees

The fees for the Custom Wealth Solutions program ("Program Fee") are assessed based upon an annual percentage of the client's assets under management and covers a number of services including investment management, custody, transactions, performance reporting, consulting, activity reporting, and tax reporting. This fee schedule includes all fees and charges for the Program services of LFS, Adviser, Envestnet and National Financial, and all brokerage charges, except for IRA and Qualified Retirement Plan account termination fees,

outgoing account transfer fees, and certain other administrative fees customary to a brokerage account. For clients using the Adviser Directed Models, ticket charges associated with trading in the Program Account may also apply. These fees are provided for in the written agreement with each client. A schedule of administrative charges is available upon request. The maximum annual Program Fee is 3.00% of client's assets under management. Fees are negotiated with each client based on the size and complexity of each client's circumstances. Each Adviser will negotiate with each client to determine the fees to be charged; therefore fees may vary among Advisers and clients. As the advisory fees and charges may be negotiable, those fees and charges may vary among CWS clients based upon a number of factors, including the anticipated level of account activity, the size of the client's account, the types of investments, the nature of related services provided, and the length of the advisory relationship with the client, among other things. Fees are negotiated at the discretion of, and within the means of, LFS, Envestnet, National Financial and Adviser.

Program Fees charged are calculated as an annual percentage of assets based on the market value of the account at the end of the quarter or as an average market value for the preceding quarter. Program Fees are charged on a calendar quarter basis in advance and prorated to the end of the quarter upon inception of the account or may be charged in arrears if using the average market value for the quarter. There is a minimum annual Program Fee charged per Account for participation in the Program. Other costs that may be assessed to the Client and that are not part of the Program Fee include fees for portfolio transactions executed away from Broker, dealer mark-ups, electronic fund and wire transfers, spreads paid to market-makers, dealer mark-ups, market maker spreads and exchange fees, among others. The minimum account size is \$50,000 unless specifically noted above. The minimum account size may be subject to adjustments for related accounts. The annual Program Fee schedule and account minimum may be negotiable in certain circumstances. Clients may terminate an advisory relationship within five business days of signing an advisory agreement without penalty or thereafter upon written notice by either party.

General Fee Information

In certain circumstances and at the discretion of LFS and Adviser, fees and account minimums may be negotiable. Fees are not based on a share of the capital gains or part of the capital gains of any Program Account. The Program Fee is charged at inception on a prorated basis to reflect the number of days remaining in the calendar quarter. 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.

A Program Account may be terminated, by either party, upon receipt of written notice to the other parties. Upon termination, any prepaid, unearned fees will be refunded to the client on a prorated basis. All fees paid to LFS for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds, variable annuities and certain other investment products. These fees and expenses are described in the prospectus of each such investment product. These fees will generally include a management fee, other expenses, and could include distribution fees. If the investment product also imposes sales charges, a client may pay an initial or deferred sales charge. A client could invest in a mutual fund directly, without the services of LFS or Adviser. In that case, the client would not receive the services provided by LFS or Adviser, which are designed, among other things, to assist the client in determining which mutual fund or funds are most appropriate to each client's financial condition and objectives. Accordingly, the client should review both the fees charged by the mutual funds and other investment products and the fees charged and services provided by LFS and Adviser to fully understand the total amount of fees to be paid by the client and thereby evaluate the advisory services being provided.

Custom Wealth Solutions accounts are held at National Financial and clients must use National Financial or an affiliate for execution services. LFS serves as introducing broker dealer on CWS accounts. Through its respective clearing relationship with National Financial, LFS will receive certain revenue related to assets held, transactions, and activity in Program Accounts. Such revenue may include a portion of any transaction charge assessed to a client or Adviser, asset-based revenue from mutual funds designated by National Financial as "No Transaction Fee" mutual funds, revenue from cash balances held in certain money market mutual funds designated as "cash sweep" vehicles, and other revenue from mutual funds pursuant to Rule 12b-1 under the Investment Company Act of 1940. LFS, the Adviser, National Financial, and Envestnet and each of their respective affiliates may share in these fees. The availability of these fees may be a factor in negotiating the client's annual account fee.

In considering the investment programs described in this brochure and the brokerage-related services provided by LFS, National Financial and Envestnet and their respective affiliates, 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 a client's portfolio, the nature of the investments to be managed, commission costs, custodial expenses, if any, the anticipated level of trading activity and the amount of advisory fees for managing the client portfolio. Advisers recommending CWS will receive compensation as a result of a client's participation in the program. The amount of the compensation may be more than what the Adviser would receive if the client participated in other investment programs or paid separately for investment advice, brokerage and other services. Therefore, the Advisers, LFS and their respective principals and affiliates may have a financial incentive to recommend CWS over other programs or services. The Adviser, LFS and their respective principals and affiliates may recommend buying and selling securities for their own accounts or for the accounts of other clients which differ from advice given or actions taken in providing advisory services to the Program Account.

Where discretionary authority is granted to Adviser, the authority is limited to determining which securities shall be bought or sold in

which amount on behalf of the client. Clients understand the Custom Wealth Solutions program is sponsored by LFS and accounts are held by National Financial. Clients should recognize that by directing the use of a particular broker-dealer, the Adviser may be unable to achieve best execution (if applicable).

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

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

The minimum account size for CWS is \$50,000. The minimum investment in the SMA program is \$100,000 unless otherwise specified. The minimum investment in the MMA program is \$250,000. The minimum investment in the UMA program is \$150,000. For CWS clients in Manager Blends, the minimum investment is \$100,000. The minimum account size may be subject to adjustments for related accounts. The annual Program Fee schedule and account minimum may be negotiable in certain circumstances.

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

Envestnet selects Portfolio Managers for the program by evaluating certain quantitative and qualitative data. Portfolio Managers are reviewed and analyzed by Envestnet 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, business reputation, stability of management and investment staff, regulatory history, and experience and capability in managing wrap accounts. Envestnet periodically reviews the Portfolio Managers to facilitate the addition of new managers to the program. If Envestnet determines that a Manager fails to meet one or more of the above referenced criteria, Envestnet may replace that Manager. Portfolio Managers may be affiliated with LFS. LFS may also independently review and analyze the Portfolio Managers and recommend their addition or removal from the program.

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 Solutions 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

Client profile information, such as financial background, prior investment experience, investment objectives, goals and restrictions, if any, and risk tolerance, will be provided to the portfolio manager(s) as applicable. 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

Under certain circumstances, clients may request direct contact with a Portfolio Manager. However, these consultations occur at the discretion of each manager.

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.

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

Client portfolio transactions and securities holdings are reviewed on a continuing basis by the Adviser and/or Envestnet and by LFS. Accounts are typically reviewed on a quarterly basis by the Adviser though more frequent reviews may be done based on significant market or economic developments, a change in a client’s objectives or financial circumstances, or at the client’s request. 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 monthly activity statement from National Financial in months when there is qualifying activity. Clients will receive transaction confirmations for each transaction that occurs in their Program Account unless the client elects to waive receipt of transaction confirmations. Year-end tax summaries including IRS Schedule D information, IRS 1099INT and IRA 1099-DIV, if applicable are

provided to clients. Clients will also receive quarterly performance statements on their CWS Program Account. Transaction confirmations and tax reports are provided by National Financial or its affiliates.

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, there 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[®] PRIVACY PRACTICES NOTICE LINCOLN FINANCIAL SECURITIES CORPORATION[®] 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.**

Lincoln Financial Network is the marketing name for Lincoln Financial Advisors and Lincoln Financial Securities, both members of FINRA and SIPC.

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