

## **Lincoln Premier Unified Managed Account (UMA)**

### **Wrap Fee Program Brochure**

March 30, 2012

Lincoln Financial Advisors Corporation  
1300 South Clinton St., Suite 150  
Fort Wayne, IN 46802  
(800) 237-3813

[www.lfa-sagemark.com](http://www.lfa-sagemark.com)

**This wrap fee program brochure provides information about the qualifications and business practices of Lincoln Financial Advisors Corporation. If you have any questions about the contents of this brochure, please contact us at (800) 237-3813. 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 Advisors 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 Advisors 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 LFA 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 description of LFA’s Premier Manager asset management program was updated to include portfolio strategists, which also involved new fee disclosures.
4. The technology service provider for LFA’s Premier 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 Advisors 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 Advisors Corporation at (800) 237-3813 or [lfaria@lfg.com](mailto:lfaria@lfg.com).

## **Table of Contents**

Cover Page .....	1
Summary of Material Changes .....	2
Services, Fees, and Compensation .....	4
Account Requirements and Types of Clients .....	8
Portfolio Manager Selection and Evaluation .....	8
Client Information Provided to Portfolio Managers .....	8
Client Contact with Portfolio Managers .....	8
Performance-Based Fees and Side-By-Side Management .....	9
Methods of Analysis, Investment Strategies and Risk of Loss .....	9
Disciplinary Information.....	9
Other Financial Industry Activities and Affiliations .....	10
Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....	10
Brokerage Practices .....	11
Review of Accounts .....	11
Client Referrals and Other Compensation .....	11
Custody .....	11
Investment Discretion .....	12
Voting Client Securities .....	12
Financial Information.....	12
Privacy Policy .....	13

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

Lincoln Financial Advisors Corporation (“LFA”) is an investment advisor registered with the United States Securities and Exchange Commission (the “SEC”). LFA was incorporated in 1968, and has been registered with the SEC as an investment advisor since 1992.

LFA is wholly owned by The Lincoln National Life Insurance Company (“LNL”), which is wholly owned by Lincoln National Corporation (“LNC”). Lincoln Financial Group is the marketing name for Lincoln National Corporation and its affiliates.

LFA offers a wide variety of investment advisory programs and services. These services are sometimes marketed using the name Sagemark Consulting, a division of Lincoln Financial Advisors. Investment advisor representatives of LFA, including those who use the name Sagemark Consulting (together, “LFA Representatives”) assist clients in pursuing their financial goals by providing personalized financial planning services and investment solutions. LFA is committed to helping clients focus on their goals and assisting clients in planning for their futures. LFA uses sophisticated support systems to help clients determine an appropriate financial strategy to suit their individual needs. In addition, LFA provides clients with investment solutions to implement their financial plans.

As of 12/31/11, LFA managed \$7,655,460,009 of client assets on a non-discretionary basis. LFA did not manage any assets on a discretionary basis as of 12/31/11, but may do so if written authorization is provided by a client.

The disclosure brochures describing all of LFA’s investment advisory services, and all of LFA’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 LFA at (800) 237-3813 or by sending us an email at [lfaria@lfg.com](mailto:lfaria@lfg.com).

### **Lincoln Premier UMA Asset Management Program:**

#### **Overview:**

The Lincoln Premier Unified Managed Account Asset Management Program (“Premier UMA”) is sponsored by LFA, and Envestnet Portfolio Solutions, Inc. (“EPS”) is the investment manager. Premier UMA offers personalized investment advisory services and assistance in determining investment objectives and asset allocation.

Based on information you provide, your LFA Representative will assist you in evaluating your investment objectives, goals and risk tolerance. Your LFA Representative will then recommend a model portfolio (“Model Portfolio” or “Portfolio”). Once you choose a Portfolio, EPS will select the specific investments and actively manage them according to that Portfolio. Premier UMA seeks to achieve your investment objectives and financial goals. EPS uses strategic asset allocation to select and manage investments on a discretionary basis.

LFA provides investment advisory services such as asset allocation and periodic reviews of the account based on the Model Portfolio, including performance results, goals and objectives. EPS provides investment management and advisory services, including investment allocation, selection, and monitoring, and performance reporting.

The Premier UMA program is a professionally managed portfolio that may contain many types of investments, such as stocks, bonds, mutual funds, and exchange-traded funds (“ETFs”) selected by EPS based on information you provide all within a single account. EPS acts as investment manager for all Premier UMA accounts. EPS has arrangements with other investment advisors who provide research services (“Research Providers”). EPS will at times obtain security rankings and/or purchase and sale recommendations from Research Providers to assist them in managing assets.

EPS’s discretion in the program account is subject to the terms and conditions of the Client Services Agreement, including any reasonable restriction on investments you request. EPS has unlimited discretion to make changes to investments in the Premier UMA program, within the parameters of the selected portfolio model. This includes discretion to replace or reduce securities, mutual funds, ETFs, or Research Providers. When Research Providers are used, EPS will consider the recommendations of each Research Provider regarding security rankings and/or model portfolios in order to help achieve the objectives in the Statement of Investment Selection. While EPS intends to manage the assets according to the strategy and recommendations of the Research Provider being used, your specific holdings may vary at any time from the Research Provider’s recommendations.

#### **Process:**

Your LFA Representative will consult with you and gather financial information such as: financial goals, risk tolerance, liquidity needs, age, occupation, income, net worth, tax considerations and other factors which might impact how your account is allocated. Your LFA Representative may also use various questionnaires and software to assist you in identifying your investment objectives and risk tolerance. After evaluating these criteria, your LFA Representative will recommend a Model Portfolio. Premier UMA offers seven core asset allocation Model Portfolios, which correspond with specific investment objectives. Each Model Portfolio is offered on either a tax sensitive or non-tax sensitive basis depending on your specific account needs. Your LFA Representative will give you a strategy report showing the asset allocation of the recommended Portfolio (“Strategy Report”). You will sign the Statement of Investment Selection accepting the recommended Portfolio. The Statement of Investment Selection will be provided to EPS, who will manage your account according to the selected Portfolio.

You will open a Premier UMA brokerage account (“Account”) with an introducing broker-dealer (“Broker”) in your name. You will fund the Account by depositing cash or transferring securities. If particular securities cannot be held and/or sold by Broker, you must liquidate these securities before transferring the proceeds into the Account. LFA, in its capacity as a broker-dealer, may be Broker on the Account.

Physical custody of all Premier UMA Accounts will be maintained by a designated custodian (“Custodian”). Custodian will perform all custodial functions, such as crediting interest and dividends, and crediting principal on called or matured securities.

Each LFA Representative will generally offer Premier UMA through a particular brokerage platform, which includes a specific Broker and Custodian. In order to participate in Premier UMA using the services of your LFA Representative, you must direct that your Premier UMA Account(s) are to be opened with Broker and Custodian.

Custodian will send confirmations of each purchase and sale to you, LFA, EPS and your LFA Representative, unless you elect to suppress immediate transaction confirmations. For any month where there is Account activity, Custodian will send you a statement showing transactions and positions held in the Account as of the statement closing date. Custodian will execute purchase and sale orders received from EPS and/or Broker and perform clearance of these trades. Custodian will also provide administrative services on Premier UMA Accounts, which includes deducting Account fees, sending checks, processing deposits, withdrawals, and transfers, and any processes you instruct.

EPS will invest the assets based on the parameters of each Portfolio. Subject to any limitations you describe in your responses to the financial profile or other analysis (including any reasonable investment restrictions that you may place), EPS will have full authority to supervise and direct the investment of Account assets without prior consultation except as noted below. Your core asset allocation will be composed of various asset classes based on your selected Portfolio. EPS will implement the strategy using no-load and/or load waived mutual funds, stocks, bonds, and ETFs. You will authorize EPS to perform the trades required to manage the Premier UMA accounts. EPS will initiate all transactions in Premier UMA accounts. EPS will send you quarterly performance reports describing your account performance and positions, and monitor the holdings in your account based on your selected Portfolio.

The Premier UMA account is managed according to the Portfolio you select. EPS will rebalance the Account as needed. However, this typically occurs when the Portfolio has deviated from its target asset allocation by more than 10% for thirty consecutive market days or more.

LFA serves as the primary sponsor of Premier UMA and is responsible for, among other things: (1) the suitability of the Premier UMA account for you; (2) confirming with you the accuracy and completeness of the information in the Profile and Investment Strategy Report; and (3) compliance with regulations on sales, marketing and disclosures.

Your LFA Representative will monitor your account and review your current allocation and periodically discuss your account’s performance with you. Your LFA Representative will also be available to answer any questions you may have.

EPS will adjust your Premier UMA account periodically to keep your account’s asset allocation and investments in line with your stated objectives. Your overall financial condition will be evaluated at least annually to identify any changes in your situation and determine if any new circumstances warrant a change in your investment objective and/or portfolio. 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 LFA Representative. Any relevant changes will be communicated to EPS, if applicable. If you elect a new Model Portfolio, you will sign a new Statement of Investment Selection, which will be provided to EPS. EPS will then manage your account based on the new Portfolio selected.

You provide LFA, your LFA Representative, and EPS with the necessary authorization to perform their obligations in Premier UMA. Neither your LFA Representative nor LFA takes discretion on any assets in your Premier UMA account. Neither EPS, LFA, nor your LFA Representative have the authority or ability to make deposits, withdrawals, transfers or any other non-trading decisions without authorization from you, except for charging advisory fees as described below. You must authorize and approve all such actions.

Premier UMA accounts are reviewed as agreed upon by you and your LFA Representative, as transactions occur, or as requested by you. Your LFA Representative will also receive quarterly reports on your account. You will receive confirmation statements if any trades are placed and a monthly statement for every month where activity takes place. You will also receive a quarterly performance report.

#### Special Notice Regarding Plans Governed by ERISA

Accounts governed by ERISA (The Employee Retirement Income Security Act) will not generally be accepted in Premier UMA. If an ERISA account is accepted, investments selected by EPS will be limited to “no transaction fee” mutual funds that are not affiliated with LFA. ERISA accounts may not use Portfolio Managers and are not eligible to purchase certain investments that may otherwise be available to non-ERISA accounts, including but not limited to, stocks, bonds, exchange-traded funds, mutual funds that charge transaction fees, and mutual funds issued or managed by an affiliate of LFA or Broker.

### Evaluating the Cost of a Wrap-Fee Program

Portfolio management services, if purchased separately, may cost more or less than they would under a “wrap fee,” as described below. Your LFA Representative may receive more or less compensation than they would have if you used another program or paid separately for investment advice, brokerage and other services. Therefore, your LFA Representative may have a financial incentive to recommend this program over other programs or services. Factors affecting the total cost of the services would include, but are not limited to, the costs of separate professional account management services, frequency or volume of trading, or lack of trading activity, and the costs of trading.

### Lincoln Premier UMA Asset Management Program Fees and Compensation

The minimum account size for Premier UMA is \$250,000. The maximum program fee is 3%. Fees and minimum account size may be negotiated based on the size and complexity of each your circumstances, including factors such as your investment objectives, family or other related accounts, assets under management and investment strategy. Fees and minimum account size are negotiated at the discretion of LFA, your LFA Representative, EPS, Broker and Custodian.

LFA charges an annual program fee based on a percentage of the average daily balance in your account for the quarter. Premier UMA fees cover various services, including investment management, custody, transactions, performance reporting, consulting, activity reporting, and tax reporting. The fee includes charges for the services of LFA, your LFA Representative, EPS, Broker, and Custodian, 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.

Fees are billed quarterly, generally in arrears, based on the average daily balance of the account for the entire billing period. There may be situations where fees are billed quarterly in advance. The manner in which fees will be deducted from the account is described in the Client Services Agreement and authorized by you. There may be other fees to cover execution, brokerage and custodial costs. LFA may receive revenue related to assets held, transactions, and activity in Accounts. This revenue may include a portion of any transaction fees charged to you, asset-based revenue from NTF mutual funds, revenue from cash balances held in certain money market funds designated as “cash sweep” vehicles, and other revenue from mutual funds paid under Rule 12(b)-1 under the Investment Company Act of 1940. LFA, your LFA Representative, Broker, Custodian, EPS, and each of their respective affiliates may share in these fees. The availability of these fees may be a factor in negotiating your annual program fee.

The total fee paid by you includes a portion for LFA and your LFA Representative. The amount of this fee may be more than your LFA Representative would receive if you used other programs. Fees charged may vary by office and by LFA Representative. Certain LFA Representatives may provide similar services for fees that are different from those charged by other LFA Representatives. The portion of the total fee paid to LFA may increase based on the total value of your accounts in the program.

The Custodian pays revenue to LFA for providing certain support services. This revenue, which is based on the amount of mutual fund assets held in Premier UMA accounts, may be used by LFA to offset the costs of administering the program.

Fees generally include charges of LFA and various unaffiliated service providers, including fees for asset allocation advice, investment management, reporting, and certain brokerage and custodial charges. LFA may pay a portion of the total fee to unaffiliated service providers and/or investment advisors, including EPS, for services such as investment consulting, performance reporting, and other services.

Fees will not be charged on the basis of a share of capital gains or capital appreciation of your funds or any portion of your funds.

Additional fees may include: outside custodial fees; IRA/QRP custodial fees; transfer taxes; dividend reinvestment costs; odd-lot differentials; handling charges; electronic fund and wire transfer fees; and any other charges imposed by law or otherwise agreed to.

Each mutual fund, money market fund, unit investment trust, ETF, or similar investment vehicle in the Account has its own internal fees and expenses, including 12(b)-1 fees, which are listed in each prospectus. These fees and expenses are separate from the Advisory Fee and are established by the board of directors of each investment vehicle, and are subject to change from time to time. Please see the prospectus for further details. A portion of these fees may be paid to LFA, your LFA Representative, Broker and Custodian, and may be used to offset the costs of administering the program.

All existing securities in your account, with the exception of any mutual funds that already meet the allocation for the Portfolio, will be sold by EPS. EPS will use the proceeds to purchase the pre-selected no-load and/or load waived mutual funds for your Portfolio. The liquidation of some assets, whether they are sold before or after they are transferred into the account, may result in charges to you. Certain mutual funds carry surrender charges, back end sales loads or transaction charges which may be assessed upon liquidation. You are responsible for any charges associated with your holdings. All transaction charges will be clearly noted on your confirmation statements. There may also be markups or markdowns on individual fixed income securities. Neither LFA nor your LFA Representative will retain any portion of surrender charges, back-end sales loads, markups or markdowns. These charges are governed by your brokerage account agreement with Broker. The sale of securities may result in a capital gain or loss for you. Liquidations may have a negative effect on your tax situation. You are responsible for monitoring the cost basis and realized gains and losses on the transactions in your account.



Trades in securities that generally trade in “dealer markets,” such as fixed-income securities, may be executed through broker-dealers other than LFA, and the net purchase or sale prices shown on trade confirmations may reflect commissions, dealer markups or markdowns, and spreads. LFA may withhold any tax to the extent required by law, and may pay such taxes to the appropriate governmental authority.

A portion of the total fee up to 0.85% of assets under management may be paid to the portfolio manager for their services. This amount may vary.

A client agreement to which LFA 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 LFA Representative. Certain LFA Representatives may provide comparable services for fees that are different from those charged by other LFA Representatives.

All fees paid to LFA 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 LFA. In that case, the client would not receive the services provided by LFA, 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 LFA to fully understand the total amount being paid and evaluate the services being provided.

LFA 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 LFA Representative.

Most LFA Representatives are Registered Representatives of LFA in its capacity as a broker/dealer, and licensed agents of The Lincoln National Life Insurance Company (“LNL”). In most cases, the LFA Representative may recommend products that are managed and/or sold by Lincoln companies. The LFA 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 LFA. This presents a conflict of interest and gives LFA 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.

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

In most instances, LFA Representatives may only recommend products offered through LFA where LFA 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 LFA and its Representatives through other brokers or agents that are not affiliated with LFA.

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

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

LFA 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 LFA receives may vary depending on the particular investment. LFA Representatives may act as agents of the companies whose products they sell, and may provide services to you on their behalf. LFA Representatives may be compensated by LFA 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, LFA 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. LFA 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. LFA 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. LFA-affiliated companies may also benefit financially from the sale of Lincoln life insurance, annuity, mutual fund and asset management products offered by LFA Representatives.

Some experienced new planners moving their practices to LFA have been offered loans based on future sales of products and services offered by LFA, 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, LFA 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.

LFA has agreements with certain sponsors and custodians of advisory programs in which they provide compensation and expense reimbursements to LFA in support of the training, education and marketing support required of these products. In addition, LFA 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 LFA Representatives, and send their employees to meetings to provide education and training on these programs.

LFA, 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 LFA, 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.

LFA has relationships with both affiliated and non-affiliated companies that may provide additional revenue and marketing support as well as education and training to LFA 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 LFA Representative or manager. For current information regarding specific revenue and marketing support, including a list of product sponsors, please go to: [www.lfa-sagemark.com](http://www.lfa-sagemark.com).

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

The minimum account size for Premier UMA is \$250,000. The maximum program fee is 3%. Fees and minimum account size may be negotiated based on the size and complexity of each your circumstances, including factors such as your investment objectives, family or other related accounts, assets under management and investment strategy. Fees and minimum account size are negotiated at the discretion of LFA, your LFA Representative, EPS, Broker and Custodian.

LFA 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**

LFA's review and selection of EPS was based on EPS's ability to provide an overall set of services necessary to administer the program, which may include a variety of functions such as investment management, research, technology, and administrative support. If LFA, through its ongoing evaluation of EPS, determines that EPS is no longer able to perform these services effectively, LFA may replace EPS with another service provider or discontinue the program.

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

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

Your Statement of Investment Selection and any applicable relevant information that you provide will be communicated to EPS, who will manage the account in accordance with the selected Portfolio.

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 LFA Representative. Any relevant changes will be communicated to EPS, if applicable. If you elect a new Model Portfolio, you will sign a new Statement of Investment Selection, which will be provided to EPS. EPS will then manage your account based on the new Portfolio selected.

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

Under certain circumstances, you may request direct contact with EPS. However, these consultations occur at the sole discretion of EPS.



## **ADDITIONAL INFORMATION**

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

LFA 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**

LFA 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.

LFA 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, LFA's Representatives will assist clients, through the use of approved questionnaires and software, in identifying their financial objectives. LFA 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 LFA, 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 LFA and its advisory business:

- On March 16, 2007, the Rhode Island Securities Department entered into a Consent Agreement with LFA. LFA employed two investment adviser representatives from October 2005 to June 2006 who regularly met with clients and provided investment advisory services at an office location in Rhode Island. The representatives were not properly licensed or exempt from licensing in the state of Rhode Island. The Securities Department took the position that this activity constituted conduct in violation of Section 7-11-203 of RIUSA and the rules promulgated thereunder. On June 24, 2006 applications for licensure for the representatives were submitted to Rhode Island and became effective on June 25, 2006. LFA paid an administrative penalty in the amount of \$5,000.
- On October 9, 2006, LFA entered into a Consent Agreement with the North Dakota Securities Department and paid a civil penalty of \$4,000. In March 2001, LFA, through one of its agents, conducted four securities transactions in the state when the agent was not registered in the state. North Dakota took the position that LFA was in violation of N.D.C.C., Section 10-04-10(2).
- On September 30, 2003, the Nevada Securities Division issued a Letter of Acceptance, Waiver and Consent ("AWC") to LFA for failure to comply with NRS 90.360.2, 90.392.1 and 90.310. A Registered Representative of LFA began conducting business from her residence in Nevada on or about April, 1996; however, LFA did not register the address as a branch in Nevada until March 13, 2003. LFA signed the AWC on October 17, 2003, agreeing to properly license all branch offices in Nevada and to properly withdraw the registrations when branches closed. LFA paid a civil penalty in the amount of \$5,000 on October 20, 2003.
- On February 16, 2011 the Financial Industry Regulatory Authority ("FINRA") notified LFA of its acceptance of a Letter of Acceptance, Waiver and Consent (the "Letter") signed and submitted to FINRA by LFA on December 21, 2010. The Letter noted that between 2007 and 2009 LFA 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. As a result of the foregoing, LFA violated Rule 30 of Regulation S-P, NASD Rules 3010, 2110 and FINRA Rule 2010. LFA was censured and fined \$150,000, and the fine was paid in full on February 23, 2011.
- On August 16, 2005 the National Association of Securities Dealers ("NASD") notified LFA of its acceptance of a Letter of Acceptance, Waiver and Consent (the "Letter") signed and submitted to the NASD by LFA on August 5, 2005. The Letter noted the following regarding NASD Rules 2110 and 2830(K): LFA, in connection with an agreement between mutual fund complexes and LFA's clearing firms, received from one or both of its clearing firms, directed brokerage commission payments that involved the use of trading commissions to generate payments for participation in LFA's preferred partner program. LFA was censured and fined \$950,000. The Fine was paid in full on August 29, 2005.
- On July 1, 2005 the NASD notified LFA of its acceptance of a Letter of Acceptance, Waiver and Consent (the "Letter") signed and submitted to the NASD by LFA on 5/23/2005. The Letter noted the following: (1) from approximately 7/21/2001 until 8/31/2003 LFA received notice of 12 events that were subject to reporting requirements and failed to report to the NASD within 10 business days after it knew of the events in violation of NASD Rules 2110 and 3070(B); (2) from approximately 7/21/2001 until 8/31/2003, LFA received 345 written customer grievances and failed to report 206 to the NASD by the 15<sup>th</sup> day of the month following the calendar quarter in which the complaints were received in violation of NASD Rules 2110 and 3070(C); and (3) LFA failed to prepare and maintain adequate written supervisory procedures to ensure compliance with NASD Rule 3070(C) in violation of NASD Rules 2110 and 3010.

LFA implemented procedures to file all requisite disclosures under NASD Rules 2110 and 3070 and has prepared adequate written supervisory procedures in compliance with Rule 3070(C). LFA executed the Letter on 5/23/05 and agreed to pay any monetary sanctions imposed upon notice from the NASD Finance Department. On July 15, 2005 LFA paid the NASD \$75,000 for full payment of the fine issued in connection with the Letter.

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

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

LFA's principal business is as a broker-dealer selling investment products and services, including stocks, bonds, mutual funds, annuities, insurance products and options. LFA and its executive officers spend the majority of their time with these business activities. Some of LFA'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 LFA, LFA may refer the client to various third party entities that provide these products or services. LFA 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.

LFA 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 Securities 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 LFA and its affiliates. These conflicts of interest and the steps taken by LFA to address them are described above in the section on "Fees and Compensation."

LFA 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 LFA and its Representatives have a financial incentive to recommend advisors based on compensation paid. These conflicts of interest and the steps taken by LFA 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**

LFA 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, LFA 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. LFA will provide a copy of its Code of Ethics to any client or prospective client on request. If you would like a copy of LFA's Investment Advisor Code of Ethics, please call (800) 237-3813, extension 3056, or e-mail us at: [lfaria@lfg.com](mailto:lfaria@lfg.com).

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

LFA, its Representatives, and/or other associated persons may buy or sell securities identical to those recommended to clients for their personal accounts. In addition, any related person(s) may have an interest or position in certain securities which may also be recommended to clients. This could create a conflict of interest in that LFA Representatives may have an incentive to put their own interests ahead of clients. Personal securities transactions by LFA Representatives are recorded and monitored by LFA.

## **BROKERAGE PRACTICES**

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

LFA'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 LFA. 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, LFA 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 LFA as a broker-dealer, or the recommendation of certain other broker-dealers for asset management programs, including compensation arrangements between LFA and other broker-dealers, please see the section on "Fees and Compensation" above.

In the Lincoln Premier Series programs, Fidelity Institutional Wealth Services serves as the broker-dealer, with its affiliate, National Financial Services serving as custodian for most accounts. Lincoln Premier Series accounts may also be held with LFA serving as introducing broker-dealer and Pershing LLC serving as custodian.

## **REVIEW OF ACCOUNTS**

Accounts in asset management programs are reviewed as agreed upon by the LFA Representative and client, as transactions occur, or as requested by the client. Additionally, LFA Representatives receive quarterly reports of client accounts. LFA's management also receives quarterly performance reports for some programs. These reports are reviewed by LFA and may be discussed with the LFA Representative, if applicable. When necessary, they are reviewed with the client.

Clients in asset management programs receive confirmations as activity occurs and/or monthly statements of account activity. Asset management programs provide written reports to clients at least quarterly.

## **CLIENT REFERRALS AND OTHER COMPENSATION**

For a description of the economic benefits received by LFA 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:**

LFA 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 may increase the fees paid by the client. Clients are obtained primarily through the efforts of LFA's Representatives.

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

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

#### **Solicitor Fees:**

LFA will pay the solicitor a referral fee which will come from the advisory fee charged to the client. The advisory fee may be increased due to the solicitor's relationship with LFA.

## **CUSTODY**

LFA does not generally provide custodial services for client assets. However, in certain cases where clients have authorized LFA to deduct advisory fees from their brokerage accounts, LFA 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 LFA. Please note that there may be minor variations due to calculation methods. If you have any questions, please contact your LFA Representative.

LFA and its Representatives do not generally take possession of client funds or securities. However, under very limited circumstances, certain LFA Representatives may provide services that require access to client accounts to perform functions such as bill paying. While LFA and its Representatives do not accept authority to take possession of client assets, this level of account access may be considered “custody” under SEC rules. These accounts are held with qualified custodians.

### **INVESTMENT DISCRETION**

LFA generally provides investment management services on a non-discretionary basis, meaning that LFA 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. LFA 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**

LFA 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 LFA Representative.

### **FINANCIAL INFORMATION**

LFA 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.  
GB07367

## **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