

## **Lincoln Premier Manager Wrap Fee Program Brochure**

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**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).**

## **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).

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

Lincoln Financial Advisors Corporation (“LFA”) is an investment adviser 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”). LFA was incorporated in 1968, and has been registered with the SEC as an investment adviser 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 LFA. Investment adviser 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 various support systems and services to help clients determine an appropriate financial strategy to suit each Client’s individual needs. In addition, LFA provides clients with access to investment solutions that can be used in the implementation of a client’s financial plan.

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 Manager Asset Management Program**

#### **Overview:**

LFA is the sponsor of the Premier Manager asset management program (“Premier Manager”), an investment advisory program offered primarily to individuals, corporations, pension and profit sharing plans, trusts, estates, charitable organizations, banks and other entities. LFA may allow its investment adviser representatives (“IARs”), advisory representatives of affiliated investment advisers, or advisory representatives of independent registered investment advisers (collectively with IARs, “Advisers”), to offer the investment advisory services described here to their clients and potential clients. Through a written agreement with Envestnet Portfolio Solutions, Inc. (“EPS”), an investment adviser registered with the SEC, LFA has engaged EPS to provide various administrative and investment management services for clients electing the Premier Manager investment programs.

Premier Manager provides clients access to continuous management services for investment portfolios held in Premier Manager brokerage accounts (each, a “Program Account”) through the following investment management programs:

- (i) The Premier Manager Mutual Fund Program, consisting of mutual fund portfolios managed by EPS.
- (ii) The Premier Manager Strategist Program, consisting of mutual fund and/or exchange traded fund (“ETF”) portfolios managed by EPS pursuant to the investment recommendations of one or more third-party asset allocation providers (each, a “Strategist”).

Once the client selects an Adviser and enters into an advisory relationship, the Adviser will request information from the client regarding the client’s financial background, investment experience, investment objectives, and risk tolerance, among other things, in determining the suitability and appropriateness of Premier Manager for the client. A client should promptly contact their Adviser any time the client’s financial situation or investment objectives change, or if any of the information previously provided to the Adviser has materially changed. The Adviser can then determine whether the account and its investments remain appropriate, or if any changes should be recommended.

Once an advisory relationship is established, there are no restrictions on a client’s ability to contact LFA or the Adviser. The Adviser will contact the client periodically to determine if there have been any changes in the client’s financial information so that the investment strategy of the Program Account may be adjusted accordingly. The Adviser will share the information provided by the client with EPS, and EPS will base its investment recommendations on the information provided by the client.

#### **Investment Strategies and Analysis**

LFA’s investment services generally cover exchange-listed, over-the-counter and foreign securities, ETFs, warrants, fixed income securities, options, variable life and annuity contracts, corporate debt, municipal securities, U.S. Treasury and government agency bonds, unit investment trusts, commercial paper, CDs, 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 LFA.

Within the Premier Manager program, EPS offers various investment strategies for consideration by a client based on the client’s needs and objectives, investment time horizon, risk tolerance and other relevant factors. EPS’s research team uses a number of analytical tools and software applications in developing its asset allocation and investment strategies. Among the factors considered in designing these strategies are historical rates of risk and return for various asset classes and correlation among asset class returns. EPS will propose a strategy that includes asset allocation and investment portfolio recommendations for the asset classes. A client may elect one or more strategies offered by EPS that is aligned with the client’s objectives and risk tolerance. For more information on EPS’s investment management services, please see EPS’s ADV, Part 2A and/or disclosure brochure.

For the Premier Manager Mutual Fund program, EPS will create an asset allocation portfolio consisting of one or more mutual funds based on the investment strategy selected by the client. Within this program, a client may select one of the Active Passive Portfolios, portfolios consisting entirely or substantially of EPS's proprietary mutual funds, the ActivePassive Funds®. EPS is the investment adviser to the ActivePassive Funds and receives a management fee from each fund, which varies by fund and is described in the ActivePassive Funds' prospectus. EPS does not receive additional compensation for Program Accounts managed in an Active Passive Portfolio. The Premier Manager Mutual Fund program is a fully discretionary mutual fund wrap program managed by EPS, offering model portfolios with various risk and return profiles. Once the client's assets are invested, EPS may add, remove or replace mutual funds at its discretion.

For the Premier Manager Strategist Program, EPS will manage asset allocation portfolios consisting of mutual funds and/or ETFs based on the investment recommendations of the Strategist(s) selected by the client. Each Strategist shall be retained by EPS pursuant to an agreement with each Strategist for portfolio management services on terms and in the manner that EPS deems appropriate. For each Strategist, EPS has entered into a licensing agreement, whereby EPS performs model management, administrative and/or trading duties pursuant to the direction of the Strategist. In such case the Strategist is acting in the role of an investment model provider with respect to a client, and not as an investment adviser.

Clients that participate in the Premier Manager program will grant full discretionary investment authority to EPS as further described in the client services agreement. EPS will generally use this grant of discretion to invest in, hold and sell shares in various mutual funds and/or ETFs; to liquidate any "in kind" assets that are transferred into the program; and to liquidate sufficient assets to pay program fees when necessary and advisable.

Specific information regarding the terms of the discretionary trading authority granted to EPS is found in the applicable client services agreement and supporting documentation that a client receives in connection with the Premier Manager program.

#### Special Notice Regarding Plans Governed by ERISA

EPS has unlimited discretion over investment changes in Premier Manager accounts, within the parameters of the selected investment portfolio. This includes the discretion to adjust asset allocations and replace or reduce mutual funds in Premier Manager accounts, provided that, for ERISA accounts, EPS will obtain prior written consent from a client for (i) any change involving the addition of a new Fund affiliated with EPS (i.e. a Fund not previously authorized for use in the Program) or (ii) any increase in the management fee paid to EPS or an affiliate by the Fund.

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

The client will be assessed a fee for the services provided through the Premier Manager program based on an annual percentage of the client's assets held in the program (the "Program Fee"). Program Fees are generally charged quarterly, in arrears based on the average daily balance of the Program Account during the quarter, but Program Fees may also be charged in advance based on the average daily balance of the Program Account for the previous quarter for some accounts. The Program Fee calculation methodology applicable to any specific account is described in the applicable client services agreement. In either case, the initial fee is prorated to the end of the quarter if the account is opened on any day other than the first day of a quarter. Program Fees will be debited from the client's Program Account, or such other account that the client designates for the purpose of payment of fees. 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, and some Advisers may charge higher fees than other Advisers for similar services. Program Fees will be debited from the account in accordance with the client authorization in the client services agreement. There is a minimum annual Program Fee charged per Program Account for participation in the Program.

The Program Fee paid by the client includes the LFA advisory fees, the Adviser's fees, and EPS's administrative and management fees. Depending on the program selected, a portion of the program fees may be paid to a Strategist, broker-dealer and/or custodian to compensate each of them for their respective services. Fees charged by each entity providing services to the program vary based on the program selected, investment products used, and the size of the account and/or household, among other factors. For certain investment strategies such as those involving ETFs, the custodian and/or broker-dealer may charge an asset-based fee to account for trading costs, or transaction-based charges may apply. This may be included in the Program Fee or may be assessed as a separate charge or charges by the custodian or broker-dealer. The standard range of asset-based fees for each party is as follows:

LFA:	up to 0.20% of account assets
EPS:	up to 0.18% of account assets
Strategists:	up to 0.50% of account assets
Custodian:	up to 0.38% of account assets

Actual fees assessed to a specific client or account will vary, and will be disclosed in the statement of investment selection signed by the client upon election of services under the Premier Manager program. Fees will not be charged on the basis of a share of capital gains or capital appreciation of a client's funds or any portion of a client's funds. Other costs that may be assessed to the Client and that are not part of the Program Fee include retirement account maintenance fees, retirement account termination fees, fees for portfolio transactions executed away from broker-dealer, dealer mark-ups, electronic fund and wire transfers, spreads paid to market-makers, dealer mark-ups,

market maker spreads and exchange fees, and other fees and charges customary to securities brokerage accounts. Transaction fees may apply when certain assets are liquidated prior to EPS commencing investment management services.

For some investment strategies, EPS will purchase predominantly mutual funds that participate in the applicable custodian's designated no transaction fee ("NTF") program. At times, these NTF mutual funds may elect to cease participation in the NTF program. When that occurs a client may be assessed a transaction fee with the liquidation of that particular fund. Some mutual funds may impose a short-term redemption fee upon liquidation of a mutual fund position if that particular position was not held for a sufficient amount of time as described and outlined in the individual mutual fund's prospectus. Neither LFA, Adviser, nor EPS determine or receive any portion of the short-term redemption fee imposed by a mutual fund.

In addition to the program fee and transaction charges noted above, Client may also incur certain charges imposed by third parties in connection with the investments made through Program Accounts. These may include, but are not limited to, the following: mutual fund or money market 12b-1 and subtransfer fees, mutual fund or money market management fees and administrative expenses, certain deferred sales charges on previously purchased mutual funds transferred into the account, other transaction charges and service fees, and other charges permitted or required by law. LFA and Adviser may receive a portion of these fees. Further information regarding charges and fees assessed by a mutual fund is available in the appropriate prospectus.

#### General Fee Information

Clients may terminate an advisory relationship within five business days of signing an advisory agreement without penalty or thereafter upon written notice to LFA. 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, and any earned, unpaid fees will be payable immediately. A client could invest in mutual funds and other investment products directly, without the services of LFA or Adviser. In that case, the client would not receive the services provided by LFA or Adviser, which are designed, among other things, to assist the client in determining which mutual funds or other investments are appropriate to each client's financial condition and objectives. A client should review both the fees charged by the mutual funds and other investment products and the fees charged and services provided by LFA and Adviser to better understand the total amount of fees to be paid by the client and thereby evaluate the advisory services being provided.

Premier Manager accounts are held at Pershing or through Fidelity at NFS as described above, and clients must generally use the selected custodian or an affiliate thereof for execution services. EPS will have the authority to effect transactions for the Program Accounts with or through another broker, dealer or bank if EPS believes that "best execution" of transactions may be obtained through such other broker, dealer or bank, including any broker-dealer that is affiliated with LFA, Adviser or EPS. LFA serves as introducing broker dealer on Premier Manager accounts held at Pershing. Through its clearing relationship with Pershing, LFA will receive certain revenue related to assets held, transactions, and activity in Program Accounts. LFA may also receive revenue from Fidelity with respect to assets held and transactions processed through Fidelity. In either case, such revenue may include a portion of any transaction charge assessed to a client or Adviser, asset-based revenue from mutual funds designated by Pershing or Fidelity 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. LFA, the Adviser, Pershing, Fidelity and EPS and each of their respective affiliates may share in these fees. The availability of these fees from Pershing and Fidelity 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 LFA, the selected broker-dealer, the selected custodian, and EPS 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 Premier Manager 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, LFA and their respective principals and affiliates may have a financial incentive to recommend Premier Manager over other programs or services. The Adviser, LFA 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.

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 better 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 or total 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 IARs are Registered Representatives of LFA in its capacity as a broker-dealer, and licensed agents of 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 IARs and its business.

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 Representative; however, commissions are not charged by LFA or its Representatives in connection with transactions in the Premier Manager program.

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 services are purchased by a client, the client may 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 to LFA 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 investment amount varies by the investment strategy selected, and may vary further by the Strategist selected by Client. Generally, the investment minimums are as follows:

- (i) \$50,000 for the Premier Manager Mutual Fund Program, except that the minimum will be \$25,000 if a model consisting of ActivePassive Funds is selected
- (ii) \$50,000 for each Strategist selected for the Premier Manager Strategist Program

Actual minimum investment amounts for any investment strategy or Strategist may be higher or lower than listed above. The minimum investment requirements may be negotiable at the discretion of LFA, and at the discretion of EPS or Strategist as 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 investment 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**

The information gathered from the client will be shared among LFA, Adviser and EPS, and will be used in formulating each of their respective recommendations and strategies in managing client assets.

The client should contact his or her Adviser promptly with any changes in client's financial situation or investment objectives, and if the client wishes to modify his or her investment objectives and/or account restrictions at any time.

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

Under certain circumstances, you may request direct contact with EPS or a Strategist. However, these consultations occur at the sole discretion of EPS or the applicable Strategist. A client may contact his or her Adviser at any time.

## **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:

- a 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.

- α 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).
- α 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.
- α 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.
- α 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.
- α 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 15th 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 adviser 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**

Accounts in the Premier Manager program (each, a “Program Account”) will be held at Pershing LLC (“Pershing”) with LFA serving as introducing broker-dealer, or at National Financial Services LLC (“NFS”) with Fidelity Brokerage Services LLC (“Fidelity”) serving as introducing broker-dealer. Pershing will serve as custodian for retirement accounts held at Pershing, while Fidelity Management Trust Company will serve as custodian for retirement accounts held at NFS.

In order to participate in Premier Manager, you must direct the use of a specific broker-dealer and custodian. By directing the execution of all transactions through a particular broker-dealer, a client may pay more or less in commissions than clients of LFA or EPS that do not direct the use of a particular broker-dealer. In directing all transactions through a particular broker-dealer, a client may not necessarily obtain commission rates and execution as favorable as those of other broker-dealers.

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, or to use the Premier Manager program for investment management services. 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.

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.

### **REVIEW OF ACCOUNTS**

For Premier Manager programs managed by EPS, client accounts, portfolio transactions and securities holdings are reviewed on a continuing basis by EPS. These accounts are reviewed periodically by the Advisor and LFA although 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. LFA Representatives receive quarterly reports of client accounts, and may discuss these reports periodically with clients. Generally, 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.

Clients will receive transaction confirmations for each transaction that occurs in their Program Account unless the client elects to waive

receipt of transaction confirmations. Clients also receive a monthly activity statement from the custodian for every month in which qualifying activity takes place, as well as a performance report describing account performance and positions from EPS on a quarterly basis. LFA urges clients to review the statements provided by the custodian in conjunction with the Premier Manager performance reports.

## **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 or appropriate disclosure brochure, a separate disclosure letter, and the Form ADV Part 2B applicable to the solicitor, if applicable. 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, but in no event will the advisory fee exceed the maximum fee permitted for the Premier Manager program.

## **CUSTODY**

Accounts in the Premier Manager program (each, a “Program Account”) will be held at Pershing LLC (“Pershing”) with LFA serving as introducing broker-dealer, or at National Financial Services LLC (“NFS”) with Fidelity Brokerage Services LLC (“Fidelity”) serving as introducing broker-dealer. Pershing will serve as custodian for retirement accounts held at Pershing, while Fidelity Management Trust Company will serve as custodian for retirement accounts held at NFS.

LFA does not generally provide custodial services for client assets. However, since clients in the Premier Manager program will authorize LFA to deduct advisory fees from client brokerage accounts, LFA may be considered to have custody of client assets for this limited purpose. Clients will receive account statements from the custodian that holds their accounts at least quarterly, and LFA urges clients to carefully review those custodial statements. It is important that clients compare the information on the custodial statements with reports that may be received from LFA or EPS. Clients should be aware that there may be minor variations these reports due to calculation methods. Clients should contact their LFA Representative with any questions regarding their statements.

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**

Clients that participate in the Premier Manager program will grant full discretionary investment authority to EPS as further described in the client services agreement. EPS will generally use this grant of discretion to invest in, hold and sell shares in various mutual funds and/or ETFs; to liquidate any “in kind” assets that are transferred into the program; and to liquidate sufficient assets to pay program fees when necessary and advisable. Specific information regarding the terms of the discretionary trading authority granted to EPS is found in the applicable client services agreement and supporting documentation that a client receives in connection with the Premier Manager program.

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. 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 other than for the liquidation of fees as authorized in the applicable client agreement.

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

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

### INFORMATION WE MAY COLLECT AND USE

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

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

### HOW WE USE YOUR PERSONAL INFORMATION

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

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

## **SECURITY OF INFORMATION**

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

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

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

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

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

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

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

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

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