



# **Lincoln Financial Securities Corporation Custom Wealth Advantage Choice Wealth Management Program Form ADV, Part 2A**

January 26, 2024

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**This brochure provides information about the qualifications and business practices of Lincoln Financial Securities Corporation. If you have any questions about the contents of this brochure, please contact us at (800) 237-3813 or [LFNAdvisoryServices@lfg.com](mailto:LFNAdvisoryServices@lfg.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority. Registration as an investment adviser does not imply a certain level of skill or training.**

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

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

LFN11330

## Item 2: Material Changes

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This interim updating amendment to the brochure (this “Brochure”) for the Custom Wealth Advantage Choice Wealth Management Program (the “CWA Choice Program”) offered by Lincoln Financial Securities Corporation (“LFS”) is dated January 26, 2024 and the last annual updating amendment to this Brochure was dated March 30, 2023. Material changes to this Brochure since the last annual updating amendment dated March 30, 2023 include the following:

- LFS updated Item 4 of this Brochure to provide clients with notice that LFS’s parent company, Lincoln National Corporation (“LNC”), signed a stock purchase agreement with Osaic Holdings, Inc. (“Osaic”) on December 14, 2023 pursuant to which Osaic will acquire LNC’s wealth management business, including LFS. The transaction is expected to close in the first half of 2024, subject to customary closing conditions, including regulatory approvals. The change in ownership of LFS, which will occur upon closing of the transaction, will result in a technical assignment of LFS’s investment advisory agreements with clients. By signing an investment advisory agreement with LFS after receiving this Brochure, clients will be deemed to have consented to the assignment of their investment advisory agreement with LFS upon the closing of the transaction. The transaction will not affect clients’ investment advisory accounts or their relationship with their LFS investment adviser representatives (“IARs”), and there will be no change in the investment advice and services that clients are receiving under their investment advisory agreements with LFS.
- LFS updated Item 4 of this Brochure to provide clients with additional information regarding the material risks and costs associated with investments in alternative and non-traditional investments.
- LFS updated Item 5 of this Brochure to provide clients with information regarding changes that LFS, in its capacity as broker-dealer of record for accounts held with National Financial Services LLC (“NFS”), will be making to its cash sweep program effective on or about March 5, 2024. In particular, LFS updated Item 5 to provide clients with information regarding LFS’s Insured Bank Deposit Account (the “IBDA”) and Insured Bank Retirement Advisory Account (the “IBRAA” and, together with the IBDA, the “Programs”) that LFS will implement as the default and only cash sweeps available for clients’ IBDA-eligible accounts and IBRAA-eligible accounts, respectively, including information regarding the compensation that LFS will receive as a result of clients’ use of the Programs as their cash sweeps, LFS’s related conflicts of interest, and where clients can obtain additional information regarding the Programs. Additionally, LFS updated Item 5 to provide clients with information regarding the default and only cash sweep that will be available for selection by clients that are ineligible to participate in the Programs on and after March 5, 2024.
- LFS updated Item 5 of this Brochure to provide clients with: (1) updated information regarding the expenses that LFS incurs and the business development credits, net flows credits, and other revenue that LFS receives through its clearing agreement with NFS, as well as LFS’s related conflicts of interest; (2) additional detail regarding the program fees that clients incur in connection with the CWA Choice Program; (3) updated information regarding the marketing support payments that LFS receives from certain third parties; (4) updated information regarding the compensation and benefits that LFS’s IARs receive from LFS, as well as their related conflicts of interest; and (5) information regarding the conflicts of interest that LFS and its IARs have in connection with the securities-backed loans that LFS makes available to clients through certain third-party lenders.

You are strongly encouraged to read this Brochure in detail and contact your IAR with any questions. If you would like another copy of this Brochure or a copy of any other LFS brochure, please feel free to access and download it from our website at [www.lfsecurities.com](http://www.lfsecurities.com) under My accounts—Disclosures or at [www.lfg.com/public/individual/adv](http://www.lfg.com/public/individual/adv), or from the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You also may request another copy of this Brochure or a copy of any other LFS brochure by contacting LFS at (800) 237-3813 or [LFNAdvisoryServices@lfg.com](mailto:LFNAdvisoryServices@lfg.com).

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## Item 4: Advisory Business

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### ABOUT LFS

LFS was incorporated in 1969 and has been registered with the SEC as an investment adviser since 1985. LFS is wholly owned by Lincoln National Corporation (“LNC”), a publicly held entity. Lincoln Financial Group is the marketing name for LNC and its affiliates.

On December 14, 2023, LNC signed a stock purchase agreement with Osaic Holdings, Inc. (“Osaic”) pursuant to which Osaic will acquire LNC’s wealth management business, including LFS. The transaction is expected to close in the first half of 2024, subject to customary closing conditions, including regulatory approvals. The change in ownership of LFS, which will occur upon closing of the transaction, will result in a technical assignment of LFS’s investment advisory agreements with clients. By signing an investment advisory agreement with LFS after receiving this Brochure, clients will be deemed to have consented to the assignment of their investment advisory agreement with LFS upon the closing of the transaction. The transaction will not affect clients’ investment advisory accounts or their relationship with their IARs, and there will be no change in the investment advice and services that clients are receiving under their investment advisory agreements with LFS.

As of December 31, 2022, LFS managed approximately \$2.9075 billion of client assets on a non-discretionary basis and approximately \$1.0372 billion of client assets on a discretionary basis.

LFS offers a wide variety of investment advisory programs and services. LFS’s IARs assist clients in pursuing their financial goals by providing personalized financial planning services and investment solutions. Any information you receive from LFS or the IARs relating to the tax considerations affecting your financial arrangements or transactions is not intended to be tax advice and you should not rely upon it as tax advice. Neither LFS nor the IARs provide tax, legal, or accounting advice.

In addition to the CWA Choice Program described in this Brochure, LFS also offers the following advisory programs and services, which are described in separate Forms ADV, Part 2A:

- *Lincoln WealthLinc*<sup>SM</sup> Platform (which includes the *Lincoln WealthLinc* Access Program and the *Lincoln WealthLinc* Alliance Program) (“WealthLinc”);
- Custom Wealth Advantage Program (which includes the Custom Wealth Advantage Separately Managed Accounts Program, Custom Wealth Advantage Unified Portfolio, the Custom Wealth Advantage Mutual Fund Program, and the Custom Wealth Advantage Strategist Program) (the “CWA Program”); and
- Third-Party Asset Management Programs, Retirement Plan Services, Financial Planning Services, and Other Advisory Services.

For a detailed discussion of each of the advisory programs and services listed above, including the fees and expenses you will pay, the compensation LFS and the IARs will receive, and LFS’s and the IARs’ conflicts of interest in connection with them, you should refer to the Form ADV, Part 2A for the particular advisory program or service, which is available on our website at [www.lfsecurities.com](http://www.lfsecurities.com) under My accounts—Disclosures or at [www.lfg.com/public/individual/adv](http://www.lfg.com/public/individual/adv), and on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). These Forms ADV, Part 2A may also be requested by contacting LFS at (800) 237-3813 or [LFNAdvisoryServices@lfg.com](mailto:LFNAdvisoryServices@lfg.com).

### AVAILABLE ACCOUNTS AND RELATIONSHIP TYPES

When you choose to purchase products and services through LFS and work with an LFS financial professional, you have the option of investing through a transaction-based account, such as a brokerage account, a fee-based investment advisory program, or both. It is important for you to understand the services you will receive, the fees, costs, and expenses you will pay, and LFS’s and your LFS financial professional’s conflicts of interest in connection with each of these different types

of accounts and relationships with LFS and your LFS financial professional. These services, fees, costs, expenses, and conflicts of interest are summarized below and described in much greater detail in LFS's Form CRS, Regulation Best Interest ("Reg BI") Disclosure Document, and Forms ADV, Part 2A, as applicable, which are available on LFS's website at [www.lfsecurities.com](http://www.lfsecurities.com) under My accounts—Disclosures.

### **Transaction-Based Account, Such as a Brokerage Account**

With a transaction-based account, such as a brokerage account, you will pay commissions and other charges (such as sales loads on mutual funds and other securities and investment products) at the time of each transaction, such as the purchase or sale of a mutual fund, stock, bond, option, AI (as defined below), or other security or investment product. These commissions and other charges are LFS's and your LFS financial professional's primary source of compensation for the transaction-based advice your LFS financial professional provides when recommending such transactions. When serving as your broker, your LFS financial professional can make recommendations and provide guidance to you in selecting securities, other investment products, and services. Your LFS financial professional may also provide investment education and research services, which are incidental to the brokerage services LFS provides. A transaction-based account can potentially be more appropriate for you than a fee-based investment advisory account if you do not want ongoing investment advice on assets held in your account, or ongoing management of your account, and instead want only periodic or on-demand advice and recommendations specific to the purchase and sale of securities and other investment products. Additionally, this type of account can potentially result in lower costs for you if you expect to trade on an infrequent or occasional basis.

When LFS and your LFS financial professional make securities and investment strategy recommendations to you as broker-dealer for your transaction-based account, such as a brokerage account, LFS and your LFS financial professional are required to act in your best interest, without placing their financial or other interests ahead of your interests. Additionally, when LFS and your LFS financial professional provide investment advice to you on a regular basis regarding your Employee Retirement Income Security Act of 1974, as amended ("ERISA"), retirement plan account or individual retirement account ("IRA"), LFS and your LFS financial professional are fiduciaries within the meaning of Title I of ERISA and/or the Internal Revenue Code of 1986, as amended (the "Internal Revenue Code"), as applicable, which are laws governing retirement accounts. You should be aware that LFS and your LFS financial professional are subject to various conflicts of interest in connection with the recommendations and other services they provide to you in connection with your transaction-based accounts. These conflicts of interest result from various arrangements, including, but not limited to, the roles LFS and your LFS financial professional play in a transaction, LFS's and your LFS financial professional's compensation arrangements, and LFS's financial and other arrangements with custodians, clearing firms, other service providers, its affiliates, third-party product and service providers, and others. Important information regarding these conflicts of interest is provided in LFS's Form CRS and Reg BI Disclosure Document, as well in the other important client disclosures available on LFS's website, [www.lfsecurities.com](http://www.lfsecurities.com).

**For additional information on LFS's broker-dealer services and transaction-based account offerings, please see LFS's Form CRS and Reg BI Disclosure Document, which are available on LFS's website at [www.lfsecurities.com](http://www.lfsecurities.com) under My accounts—Disclosures. LFS's Form CRS and Reg BI Disclosure Document may also be requested by contacting LFS at (800) 237-3813 or [LFNAdvisoryServices@lfg.com](mailto:LFNAdvisoryServices@lfg.com). For detailed information regarding the commissions, trading/execution fees, and brokerage service charges that LFS establishes, controls, and charges clients when serving as broker-dealer of record for transaction-based accounts held with National Financial Services LLC ("NFS"), please see LFS's Fee and Commission Schedule for Accounts with NFS (the "LFS Fee Schedule"), which is provided to you at account opening, will change over time, and can be found on LFS's website at [www.lfsecurities.com](http://www.lfsecurities.com) under My accounts—Cost.**

**Before consenting to any broker-dealer relationship with LFS or an LFS financial professional, you should review the important disclosures referenced above, including those related to the services you will receive, the fees, costs, and expenses you will pay, the compensation LFS and its financial professionals will receive, and LFS's and its financial professionals' conflicts of interest. After reviewing these disclosures, please address any questions you may have with your LFS financial professional.**

## **Fee-Based Investment Advisory Program**

A fee-based investment advisory program, sometimes called a “managed account,” can potentially be more appropriate for you than a transaction-based account, such as a brokerage account, if you want ongoing investment advice and management of your account. LFS offers a number of different investment advisory programs and services and acts as the sponsor and broker-dealer in connection with some of those programs and services.

With a fee-based investment advisory account, you will pay an ongoing investment advisory fee based on the value of the assets held in your account in exchange for ongoing investment advice and management of your account and related services. This asset-based fee is LFS’s and your IAR’s primary source of compensation for the ongoing investment advice provided by your IAR. You generally will not be charged commissions for each purchase or sale of a security or other investment product in a fee-based investment advisory account; however, you will be charged for (1) any transaction, trading, and execution charges that are applicable to trades and other transactions (including, but not limited to, “step-out” trades) occurring within your account and (2) other fees, costs, and expenses applicable to your account, the brokerage and other services provided to you and your account, and the securities and other investment products purchased, held, and sold in your account, in each case as described in your account-opening documentation and in the prospectuses and other disclosure documents for the securities and other investment products you purchase, hold, and sell. Transaction, trading, and execution charges you pay are not used to compensate your IAR for their services in this type of account.

Certain investment advisory programs that LFS offers charge an “all-inclusive” bundled fee based on the value of the assets in your account. This bundled fee usually includes a portfolio management fee, transaction, trading, and execution costs, and investment advice and is sometimes referred to as a “wrap fee.” However, this bundled fee does not include costs associated with transactions that are executed at broker-dealers other than the one at which your account is held. Transactions executed at broker-dealers other than the one at which your account is held are sometimes called “step-out” trades and are described further in Items 5 and 12 below. Fees vary depending on which LFS advisory programs and services you use. LFS’s advisory program fees are billed either in arrears (*i.e.*, following the completion of the applicable billing period) or in advance (*i.e.*, at the beginning of the applicable billing period) depending on the program you select, and your billing methodology (*i.e.*, in arrears or in advance) will be specified in your client service agreement, Statement of Investment Selection or Statement of Insurance Selection, as applicable (“SIS”), or other account-opening documentation. Fees are charged either monthly or quarterly, as specified in your client service agreement, SIS, or other account-opening documentation, based on the assets held within your account for services including, but not limited to, ongoing investment advice, investment selection and recommendations, asset allocation, execution of transactions (depending on the program you are in), custody of securities, and account reporting services. Please see your client service agreement, SIS, and other account-opening documentation for additional information. After reviewing these documents, please address any questions you may have with your IAR.

LFS permits certain alternative or non-traditional investments, including, but not limited to, non-traded real estate investment trusts, oil and gas programs, managed futures funds, interval funds, hedge funds, funds of hedge funds, private equity funds, and other limited partnerships, private placements, and non-traded investment programs (collectively, “AIs”), to be held within Custom Wealth Advantage Wealth Management Program (“CWA”) accounts as “supervised” assets. The AIs LFS permits to be held within CWA accounts as supervised assets generally will be in a share class designed or intended to be used in connection with a fee-based account. In these cases, LFS and its IARs will serve in an investment advisory capacity with respect to the supervised AI, LFS and its IARs will provide investment advisory services and oversight on the supervised AI as they would with other supervised assets maintained in the CWA account, and the supervised AI will be included in the calculation of the CWA account’s advisory fee and performance. If these circumstances are applicable to your AI, the AI Worksheet you complete in connection with your AI investment or your other account documentation will inform you of the fact that your AI will be a supervised asset included in the calculation of your CWA account’s advisory fee and performance. Additionally, the quarterly performance reports you receive from LFS in connection with your CWA account will reflect your AI as a supervised asset included in the calculation of your CWA account’s advisory fee and performance.

Alternatively, certain AIs may only be held in CWA accounts as “unsupervised” assets for consolidated reporting purposes and convenience (*e.g.*, in certain cases where the AI was purchased on a commission basis outside of the CWA account and

is later transferred to the CWA account). In these cases, LFS and its IARs will not serve in an investment advisory capacity with respect to the unsupervised AI, LFS and its IARs will not provide investment advisory services or oversight on the unsupervised AI, and the unsupervised AI will be excluded from the calculation of the CWA account's advisory fee and performance. If these circumstances are applicable to your AI, the quarterly performance reports you receive from LFS in connection with your CWA account will reflect your AI as an unsupervised asset that is not included in the calculation of your CWA account's advisory fee and performance. While unsupervised AIs are not included in the calculation of CWA account advisory fees, clients' unsupervised AIs are subject to all other applicable fees as described in the transaction, trading, execution, and brokerage service fee schedules and other documentation applicable to their CWA account, including, but not limited to, AI annual custody and valuation fees.

Clients should carefully consider the investment objectives, risks, costs, and expenses of an AI and particular AI share class before investing. This and other important information is available in each AI's prospectus, private placement memorandum, or other offering documents, which can be obtained from your IAR. Clients should be aware that investing in AIs involves material risks, including illiquidity risks, risks related to the difficulty in valuing certain AIs as a result of the assets in which they invest, risks related to the inability to obtain daily or otherwise current valuations for certain AIs, and other special risks, and that clients could lose all or portion of their AI investment. Additionally, clients should be aware that AI investments will in certain circumstances involve additional fees and expenses, including, but not limited to, fees imposed by AI platforms and investment vehicles through which LFS makes certain AIs available to clients.

LFS's advisory fees generally are negotiable. Some programs, like the CWA Choice Program, charge separately for asset management services, ongoing investment advice, and transaction costs. In such programs, you will be charged for any transaction, trading, and execution fees, costs, and expenses that are applicable to trades and other transactions occurring within your account, as described in your account-opening documentation, in addition to your asset-based advisory fees. Applicable transaction, trading, execution, and other fees, costs, and expenses are described in detail in the applicable program's client service agreement; SIS; transaction, trading, execution, and brokerage service fee schedules; other account-opening documentation; and Form ADV, Part 2A.

When LFS and your LFS financial professional serve as investment adviser for your fee-based account, LFS and your LFS financial professional are required to act in your best interest, without placing their financial or other interests ahead of your interests. Additionally, when LFS and your LFS financial professional provide investment advice to you on a regular basis regarding your ERISA retirement plan account or IRA, LFS and your LFS financial professional are fiduciaries within the meaning of Title I of ERISA and/or the Internal Revenue Code, as applicable, which are laws governing retirement accounts. You should be aware that LFS and your LFS financial professional are subject to various conflicts of interest in connection with the investment advice and other services they provide to you in connection with your fee-based accounts. These conflicts of interest result from various arrangements, including, but not limited to, the roles LFS and your LFS financial professional play in a transaction, LFS's and your LFS financial professional's compensation arrangements, and LFS's financial and other arrangements with custodians, clearing firms, other service providers, its affiliates, third-party product and service providers, and others. Important information regarding these conflicts of interest is provided in LFS's Form CRS and Forms ADV, Part 2A, as well in the other important client disclosures available on LFS's website, [www.lfsecurities.com](http://www.lfsecurities.com).

**For additional information on LFS's investment advisory programs and services, please see LFS's Form CRS and Forms ADV, Part 2A, which are available through our website at [www.lfsecurities.com](http://www.lfsecurities.com) under My accounts—Disclosures or at [www.lfg.com/public/individual/adv](http://www.lfg.com/public/individual/adv), and through the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). LFS's Form CRS and Forms ADV, Part 2A may also be requested by contacting LFS at (800) 237-3813 or [LFNAdvisoryServices@lfg.com](mailto:LFNAdvisoryServices@lfg.com). For detailed information regarding the trading/execution fees and brokerage service charges that LFS establishes, controls, and charges clients when serving as broker-dealer of record for CWA accounts held with NFS, please see the LFS Fee Schedule, which is provided to you at account opening, will change over time, and can be found on LFS's website at [www.lfsecurities.com](http://www.lfsecurities.com) under My accounts—Cost.**

**Before consenting to any investment advisory relationship with LFS or an LFS financial professional, you should review the important disclosures referenced above, including those related to the services you will receive, the fees, costs, and expenses you will pay, the compensation LFS and its financial professionals will receive, and LFS's and**



its financial professionals' conflicts of interest. After reviewing these disclosures, please address any questions you may have with your LFS financial professional.

## CUSTOM WEALTH ADVANTAGE

LFS is the sponsor of CWA, an investment advisory program that provides clients with access to individualized investment management services. LFS allows its IARs and investment adviser representatives of certain independent registered investment advisers (collectively, "Advisers") to offer the investment advisory services described herein to their clients and potential clients. Through a written agreement with Envestnet Portfolio Solutions, Inc. ("EPS"), an investment adviser registered with the SEC, LFS has engaged EPS to provide various administrative services to CWA clients using the CWA Choice Program, and to provide administrative services and/or investment management services to clients electing other CWA investment programs.

CWA provides clients with access to ongoing investment management services for investment portfolios through the following CWA investment programs:

- **CWA Choice Program.** This program consists of portfolios managed by an Adviser, which may be composed of mutual funds, exchange-traded funds ("ETFs"), individual securities, AIs, annuity contracts, and other investments based upon the investment strategy agreed upon with the client.
- **CWA Separately Managed Accounts Program.** This program offers a broad array of investment strategies managed by third-party money managers ("Sub-Managers") contracted with EPS, or managed by EPS under a licensing agreement with a Sub-Manager.
- **CWA Unified Portfolio.** This program offers the investment strategies of Sub-Managers and third-party asset allocation providers ("Strategists"), mutual funds, and ETFs within a single account that is managed by EPS as an "overlay manager" in accordance with Sub-Manager, Strategist, mutual fund, and ETF allocations recommended or selected by an Adviser. If approved by LFS, CWA Unified Portfolio accounts may also include Adviser-directed portfolios, or "sleeves," consisting of mutual funds, ETFs, stocks, bonds, and other securities that are customarily available in investment advisory accounts.
- **CWA Mutual Fund Program.** This program consists of mutual fund portfolios managed by EPS in accordance with asset allocation models developed by LFS based on LFS's internal capital markets assumptions.
- **CWA Strategist Program.** This program consists of mutual fund, ETF, and other portfolios managed by EPS or LFS pursuant to the investment recommendations or model portfolios of one or more Strategists.

The CWA Separately Managed Accounts Program, CWA Unified Portfolio, the CWA Mutual Fund Program, and the CWA Strategist Program are described in greater detail in a separate CWA Program Form ADV, Part 2A – Appendix 1 (Wrap Fee Program Brochure), which is available on our website at [www.lfsecurities.com](http://www.lfsecurities.com) under My accounts—Disclosures or at [www.lfg.com/public/individual/adv](http://www.lfg.com/public/individual/adv), and on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The CWA Program Form ADV, Part 2A – Appendix 1 (Wrap Fee Program Brochure) and each of LFS's other Forms ADV, Part 2A may also be requested by contacting LFS at (800) 237-3813 or [LFNAdvisoryServices@lfg.com](mailto:LFNAdvisoryServices@lfg.com).

The client ultimately determines the portfolio manager for their account in CWA (the "Program Account"), whether electing LFS, an Adviser, EPS, or one or more Sub-Managers to manage the client's assets in the Program Account.

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



The minimum investment amount for CWA accounts varies by the CWA investment program selected and, if applicable, by the Sub-Manager or Strategist selected. Generally, the investment minimums for the CWA investment programs are as follows:

- CWA Choice Program – \$25,000
- CWA Separately Managed Accounts Program – \$100,000 for each Sub-Manager selected
- CWA Unified Portfolio – \$250,000
- CWA Mutual Fund Program – \$25,000
- CWA Strategist Program – \$10,000 to \$50,000 for each Strategist selected

Actual minimum investment amounts for any CWA investment strategy, Sub-Manager, or Strategist vary and are in certain cases higher or lower than listed above. The minimum investment amounts generally are negotiable at the discretion of LFS, EPS, Sub-Managers, or Strategists, as applicable.

Once the client selects an Adviser, the Adviser will request information from the client regarding the client's financial circumstances, investment experience, investment objectives, and risk tolerance, among other things, to determine whether CWA is suitable for and in the best interest of the client. IARs are required to meet certain licensing and training requirements, and in certain circumstances are required to receive approval from LFS, before they can offer certain advisory services or recommend or select certain securities or other investment products for your account. Please speak with your IAR about the advisory services they are authorized to provide and the securities and other investment products they are authorized to recommend and select for your account, as well as any limitations to which they may be subject.

Once a client establishes a Program Account, the Adviser will contact the client periodically to determine if there have been any changes in the client's financial situation, investment objectives, or other characteristics so that the investment strategy of the Program Account may be adjusted accordingly. The information provided by the client will be shared among LFS, the Adviser, EPS, and applicable Sub-Managers and will be used in formulating each of their respective recommendations and strategies in managing the client's assets.

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 changed. The Adviser can then determine whether the Program Account and its investments remain suitable for and in the best interest of the client, or if any changes should be recommended.

Once a client establishes an advisory relationship with LFS, there are no restrictions on the client's ability to contact LFS or the Adviser. Clients may also request direct contact with EPS, a Sub-Manager, or a Strategist; however, these contacts will occur at the sole discretion of EPS or the applicable Sub-Manager or Strategist.

#### **CWA Choice Program Accounts on Fidelity's Tax-Exempt Recordkeeping Platform**

Clients that have retirement plan accounts that are held on Fidelity's tax-exempt recordkeeping platform may authorize LFS and its IARs to provide discretionary investment management services to such accounts through the CWA Choice Program. To participate in this program, the client will be required to complete a Registered Investment Advisor Authorization Form or other appropriate documentation to, among other things: authorize LFS and their IAR to manage their retirement plan account through the CWA Choice Program; grant LFS and their IAR the ability to access information regarding their retirement plan account; authorize LFS and their IAR to provide trading instructions to Fidelity with respect to their retirement plan account; and authorize LFS to instruct Fidelity to deduct applicable investment advisory fees from their retirement plan account.

In this program, the client's IAR will provide investment management services utilizing the investment options available within the client's retirement plan account. The employer that sponsors the client's retirement plan is responsible for determining the investment options that are available within the client's retirement plan account, and the investment options available within retirement plan accounts typically are more limited than the full suite of investment options generally available to clients participating in the CWA Choice Program. For example, investments in 403(b)(7) accounts are limited to mutual funds and other regulated investment companies as defined for purposes of Section 403 of the Internal Revenue Code, so clients with that type of retirement plan will only be able to invest in mutual funds and other regulated investment companies. LFS and its IARs do not control the list of investment options available within the client's retirement plan account. The IAR's investment recommendations and decisions with respect to the client's retirement plan account will be limited by the investment options available within the client's retirement plan account and, as a result, can potentially differ from the investment recommendations and decisions the IAR makes for other CWA Choice Program accounts that are not subject to such investment limitations. Additionally, these limitations can potentially cause the investment performance, risk profile, and other characteristics of the client's retirement plan account to differ from those of other CWA Choice Program accounts that are not subject to such investment limitations. If the client's retirement plan permits the establishment of a Fidelity BrokerageLink account within the retirement plan, additional investment options generally will be available to the client.

The Sponsor Fee and Adviser Fee (each as defined below) for retirement accounts participating in this program are charged either monthly or quarterly as described under the heading Client Advisory Fees below. Retirement accounts on Fidelity's tax-exempt recordkeeping platform are held with Fidelity. Fidelity sets and will charge transaction, trading, execution, custody, brokerage service, and other fees, costs, and expenses in connection with the client's retirement plan account and Fidelity BrokerageLink account, if applicable, as described in client's retirement account-opening documentation. These fees, costs, and expenses are in addition to LFS's Sponsor Fee and Adviser Fee. The employer sponsoring the client's retirement plan is responsible for negotiating and determining all fees, costs, and expenses associated with the client's retirement plan, including, but not limited to, transaction, trading, and execution fees, brokerage service charges, and custodial costs. Except for the Sponsor Fee and Adviser Fee associated with a client's participation in the CWA Choice Program, LFS and its IARs do not negotiate or control any transaction, trading, and execution fees, brokerage service charges, custodial costs, or other fees, costs, and expenses related to the client's retirement plan. LFS and its IARs will not receive any compensation related to the client's retirement plan account or Fidelity BrokerageLink account, if applicable, other than the Sponsor Fee and Adviser Fee they charge for the investment advisory and related services they provide to the client's retirement plan account through the CWA Choice Program. Please see your retirement plan account-opening documentation, including any related transaction, trading, execution, and brokerage service fee schedules, for additional information on applicable fees, costs, and expenses. Please also see the prospectuses and other disclosure documents for each of the investment options available within your retirement plan for information regarding the fees, costs, and expenses related to purchasing, holding, and selling particular investment options, including, but not limited to, 12b-1 fees and other money market and mutual fund expenses.

### **Account Restrictions**

You can elect to apply certain reasonable restrictions on the management of your Program Account, including restrictions that require your IAR to avoid investing in certain industries, companies, securities, or types of securities. While there is no additional charge for applying these types of restrictions to your Program Account, the application of such restrictions can potentially cause your Program Account's investment performance, risk profile, and other characteristics to differ from those of other CWA Choice Program accounts not subject to any industry, company, or security restrictions. If you would like to impose reasonable restrictions on the management of your Program Account, or modify reasonable restrictions that you have previously imposed, please contact your IAR.

## **Item 5: Fees and Compensation**

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### **CLIENT ADVISORY FEES**

Program fees for the CWA Choice Program are assessed based on an annual percentage of the total market value of the client's assets under management (including, but not limited to, all cash balances in the client's account and all client

balances in products and accounts used as “cash sweep” vehicles, including, but not limited to, LFS’s Insured Bank Deposit Account (the “IBDA”) and Insured Bank Retirement Advisory Account (the “IBRAA”), without deducting the balance of any margin loan, securities-backed loan (“SBL”), securities-backed line of credit (“SBLOC”), other loan or line of credit, or lien against the client’s account. Program fees for the CWA Choice Program are charged on either a monthly or quarterly basis in advance (*i.e.*, at the beginning of the applicable billing period). The client’s billing frequency (*i.e.*, monthly or quarterly) is specified in the client’s client service agreement, SIS, or other account-opening documentation. Program fees charged in advance for a billing month or quarter, as applicable, are calculated based on the average daily balance of the Program Account during the previous month or quarter. For program fees charged in advance, the program fee for the initial billing month or quarter, as applicable, is calculated based on the average daily balance of the Program Account from the billing commencement date through the end of the month in which billing commences. If a Program Account is opened on any day other than the first day of a billing month or quarter, as applicable, the program fee is prorated to the end of the billing month or quarter. Program fees are debited from the client’s Program Account or another account or product that the client designates for the purpose of payment of fees, as authorized in the client’s client service agreement, SIS, or other account-opening documentation. LFS may, in its sole discretion, permit program fees to be debited from commission-based accounts, other accounts outside of CWA, and, when applicable, directly from annuity contracts held within CWA. The maximum annual program fee in CWA is 3.00% of the client’s assets under management. However, there is a minimum annual Sponsor Fee of \$250 per household, which will result in an annual program fee percentage above 3.00% if the client’s household assets under management in CWA and WealthLinc fall below a certain threshold. LFS’s policy in determining client accounts that qualify as a household generally defines a “household” as accounts of spouses, domestic partners, and their minor children all residing at the same address and a client’s associated trusts and businesses. The total amount of assets within a client’s household will be aggregated upon the client’s request to achieve certain fee breakpoints and certain applicable annual minimums. LFS’s householding policy applies to the Sponsor Fee and Adviser Fee components of your program fee in the CWA Choice Program and does not discount or apply to any other fees, costs, or expenses associated with your CWA Choice Program account. In certain circumstances, LFS may, in its sole discretion, permit accounts falling outside of the criteria listed above to be grouped into a household. To the extent that your Program Account is subject to householding discounts for applicable program fee components, the total program fee rate you incur will in certain circumstances be lower than the total program fee rate reflected in the fee table in your SIS. Fees are negotiated with each client based upon, among other things, the size and complexity of each client’s circumstances. Each Adviser will negotiate with each client to determine the fees the client will be charged; therefore, fees vary among Advisers and clients and some Advisers charge higher fees than other Advisers for similar or identical services. The fees charged by each entity providing services to the CWA Choice Program vary based upon the securities and other investment products used, the size of the client’s account and/or household, and other factors.

The total program fee paid by the client in the CWA Choice Program includes LFS’s platform and administrative fee (the “Sponsor Fee”), which is shared between LFS and Advisers qualifying for AUM discounts (as described under the heading Program Costs below), and the Adviser’s fee (the “Adviser Fee”), which is shared between the Adviser and LFS in accordance with a compensation schedule, or “grid,” negotiated between the Adviser and LFS. Because the Sponsor Fee and Adviser Fee are asset-based fees, LFS and Advisers have a conflict of interest given their financial incentive to: (i) recommend that you participate in the CWA Choice Program; (ii) exercise their discretion to set Sponsor Fee and Adviser Fee rates at levels that generate the highest possible revenue and profit to them, which will result in correspondingly higher expenses for you; and (iii) recommend that you increase the amount of your assets invested through the CWA Choice Program, which will result in LFS’s and the Adviser’s receipt of higher Sponsor Fee and Adviser Fee payments and correspondingly higher expenses for you. Additionally, because Sponsor Fee and Adviser Fee calculations are based on the total market value of your assets under management, without deducting the balance of any margin loan, SBL, SBLOC, other loan or line of credit, or lien against your account, LFS and Advisers have a conflict of interest given their financial incentive to recommend that you use margin loans, SBLs, SBLOCs, and other available loans and lines of credit since your use of those products will maintain or increase the assets in your account on which the Sponsor Fee and Adviser Fee are charged, resulting in LFS’s and the Adviser’s receipt of higher Sponsor Fee and Adviser Fee payments and correspondingly higher expenses for you. LFS addresses these conflicts of interest by disclosing them to you and by requiring that there be a review of your account and transactions at account opening and periodically to determine whether they are suitable and in your best interest in light of your investment objectives, financial circumstances, and other characteristics. For additional information on LFS’s and IARs’ conflicts of interest in connection with margin loans, SBLs, and SBLOCs, see the section entitled Margin and Securities-Backed Loans and Lines of Credit below.

Please see the following description of applicable program fee components and their standard ranges in the CWA Choice Program.

### **CWA Choice Program**

For all CWA Choice Program accounts, you will pay the following standard annual fee ranges:

- **Sponsor Fee:**<sup>(1)</sup> Up to 0.20% of account assets
- **Adviser Fee:** The Adviser Fee is an asset-based fee determined between you and your IAR and, when combined with the Sponsor Fee, is subject to LFS's maximum annual program fee cap of 3.00% of assets under management as described above.

(1) There is a minimum annual Sponsor Fee of \$250 per household, which will result in an annual program fee percentage above 3.00% if the client's household assets under management in CWA and WealthLine fall below a certain threshold. Clients generally will incur the Sponsor Fee minimum if their household assets under management in CWA and WealthLine are below \$125,000. When applicable, a prorated portion of the minimum annual Sponsor Fee will be assessed against your CWA Choice Program account on a monthly or quarterly basis in accordance with the billing frequency applicable to your account.

For the CWA Choice Program, the Sponsor Fee and Adviser Fee rates applicable to your account size tier (including household assets, if applicable) are applied to all assets in your Program Account on a "linear" basis (*i.e.*, from dollar one). Please consult with your IAR for additional information regarding the program fee components applicable to your Program Account.

In addition to these asset-based program fees, CWA Choice Program clients incur separate fees, costs, and expenses for transactions, trading (the buying and selling of securities), and execution in CWA Choice Program accounts if they have elected a pricing schedule through which transaction costs apply. These transaction, trading, and execution fees, costs, and expenses vary depending on the type of mutual fund (*e.g.*, transaction fee ("TF") mutual funds versus no transaction fee ("NTF") mutual funds) or other security or investment product being purchased or sold. Further, CWA Choice Program clients incur separate brokerage service charges for various services provided by their broker-dealer of record in connection with their CWA Choice Program accounts.

For CWA Choice Program accounts held with NFS and for which LFS serves as broker-dealer of record, these transaction, trading, execution, and brokerage service charges are established, controlled, and charged by LFS in its sole discretion as the broker-dealer of record for your CWA Choice Program account and are detailed in the LFS Fee Schedule, which is provided to you at account opening, will change over time, and can be found on LFS's website at [www.lfsecurities.com](http://www.lfsecurities.com) under My accounts—Cost. LFS imposes these transaction, trading, execution, and brokerage service charges to, among other things, defray its costs associated with trade execution and related services and to compensate it for the various services it provides as your broker-dealer. LFS generally sets its transaction, trading, and execution charges in a manner that differs from the manner in which it incurs costs from NFS for clearance, execution, and certain related services. In particular, LFS charges CWA Choice Program clients the per-trade transaction, trading, and execution charges reflected in the LFS Fee Schedule; however, for most securities types, LFS pays NFS a monthly asset-based fee for clearance, execution, and certain related services that is based upon, and decreases with, the total amount of client assets that LFS and its affiliate, Lincoln Financial Advisors Corporation ("LFA"), have in managed accounts held with NFS. Additionally, while each CWA Choice Program client will incur a different level of aggregate transaction, trading, and execution costs (if applicable) based on the trading activity that takes place within their account, clients should understand that LFS generally sets its transaction, trading, execution, and brokerage service charges at amounts and rates, and using methodologies, that result in aggregate client charges that are higher than the related fees, costs, and expenses, if any, that LFS pays to NFS for clearance and execution of transactions and related services. For certain charges imposed by LFS (*e.g.*, charges related to the transfer of clients' non-retirement account assets to another firm ("ACAT Exit Fees")), LFS pays no related fees, costs, or expenses to NFS and LFS retains the entire amount of the charges. These transaction, trading, execution, brokerage service, and other fees set by LFS are sometimes called "markups" given the difference between the increased costs clients incur and the

related costs, if any, that LFS pays to NFS, and they vary by product, the type of service provided, the nature and amount of transactions involved (if applicable), the type of account, and other factors. Markups will result in your payment of higher fees, costs, and expenses than you would otherwise directly pay to NFS or other available service providers (e.g., on margin loans, cash debits, SBLs, and SBLOCs, and for transaction, trading, execution, brokerage service, and other charges). Markups will also cause you to receive lower interest rates and other payments than you would otherwise directly receive from NFS or other available service providers if you were to enter into arrangements directly with NFS or other available service providers where LFS did not impose markups or receive payments from NFS (e.g., on FCASH balances, short positions, and cash balances in accounts not selecting a cash sweep vehicle). LFS does not reduce its program fees to offset any applicable transaction, trading, execution, brokerage service, or other charges clients incur in connection with the CWA Choice Program. As a result, these charges are in addition to the program fees you pay LFS in connection with the CWA Choice Program, and you should consider the additional revenue that LFS receives as a result of these charges when evaluating the appropriateness of LFS's program fees.

These transaction, trading, execution, brokerage service, and other charges are a significant source of revenue and profit for LFS and LFS has a conflict of interest given its financial incentive to: (i) recommend itself as the broker-dealer of record and NFS as the custodian for your CWA Choice Program account (rather than other available broker-dealers and custodians), which enables LFS to establish, control, and charge these fees; (ii) exercise its discretion to set the method of calculating and amounts and rates of these charges in a manner and at levels that generate the highest possible revenue and profit for LFS, which will result in correspondingly higher expenses for you; (iii) recommend specific products, share classes, transactions, and other activities that result in LFS's receipt of the highest rate and amount of these charges, rather than other available products, share classes, transactions, and activities that generate relatively lower or no charges for LFS and would result in correspondingly lower expenses for you; (iv) recommend that you frequently transact in products and share classes, and frequently engage in transactions and activities, that generate the highest rate and amount of these charges for LFS; and (v) recommend that clients participate in LFS's managed account programs and increase their assets under management in LFS's managed account programs, as the monthly asset-based fee rate that LFS pays NFS for clearance, execution, and certain related services is based upon, and decreases with, the total amount of client assets that LFS and its affiliate, LFA, have in managed accounts held with NFS. For example, because transaction, trading, and execution fees, costs, and expenses vary depending on the type of mutual fund (e.g., TF mutual funds versus NTF mutual funds) or other security or investment product being purchased or sold, LFS earns more from, and has a financial incentive to recommend, transactions involving securities and other investment products with the highest transaction, trading, and execution charges, which will result in higher expenses for you, rather than other available securities and investment products with relatively lower or no transaction, trading, and execution charges. By way of example, as of the date of this Brochure, you would incur, and LFS would receive, a \$9 charge for the first 1,000 listed equity shares you trade, a \$40 charge for a corporate bond you trade, a \$15 minimum charge for a TF mutual fund you trade, and no charge for an NTF mutual fund you trade; however, LFS's monthly asset-based clearance, execution, and related service expense under its clearing agreement with NFS would remain constant in each of these scenarios. This example is illustrative only and is not intended to reflect the actual transaction, trading, and execution charges you will incur. Please refer to the current LFS Fee Schedule, which is available on LFS's website at [www.lfsecurities.com](http://www.lfsecurities.com) under My accounts—Cost, for a detailed description of the actual transaction, trading, execution, and brokerage service charges applicable to your CWA Choice Program accounts at NFS for which LFS serves as broker-dealer of record.

LFS addresses these conflicts of interest by disclosing them to you; providing you with the LFS Fee Schedule, which discloses the amount and rate of transaction, trading, execution, and brokerage service charges you will incur for CWA Choice Program accounts for which LFS serves as the broker-dealer of record, the services you receive, and the securities and other investment products you purchase, hold, and sell in your account; not sharing any transaction, trading, execution, or brokerage service charges with the IARs that recommend products, share classes, transactions, strategies, or services for your account; and by requiring that there be a review of your account and transactions at account opening and periodically to determine whether they are suitable and in your best interest in light of your investment objectives, financial circumstances, and other characteristics. See the section entitled Other Client Fees and Expenses below for further information on transaction, trading, execution, and brokerage service charges and LFS's role as broker-dealer of record on your CWA Choice Program account.

In the CWA Choice Program, LFS also offers advisor-directed portfolios where no separate transaction, trading, or execution charges apply to the client, and such charges are instead paid by the IAR. In cases where the IAR is responsible for paying transaction, trading, and execution charges for their client's CWA Choice Program account, the IAR has a conflict of interest given their financial incentive to avoid incurring transaction, trading, and execution charges by recommending that clients trade less frequently and use securities that do not incur transaction, trading, and execution charges, such as NTF mutual funds, resulting in lower or no transaction, trading, and execution charges to the IAR and potentially higher expenses, including internal security and other investment product expenses, for clients. We address this conflict of interest by disclosing it to clients, monitoring activity in client accounts, requiring that IARs document the account reviews they conduct with clients and the other ongoing advice they provide that may not result in transactions in a specific client account, crediting clients' CWA accounts for 12b-1 fees that LFS receives as broker-dealer of record from money market and other mutual funds held in clients' CWA accounts, and requiring that there be a review of client accounts and transactions at account opening and periodically to determine whether they are suitable and in clients' best interests in light of their investment objectives, financial circumstances, and other characteristics.

Transaction, trading, execution, and brokerage service charges applicable to CWA Choice Program accounts for which LFS does not serve as the broker-dealer of record, including, but not limited to, accounts on Fidelity's tax-exempt recordkeeping platform, are set by the broker-dealer of record for your account, are detailed in your account-opening documentation, and will change over time. Please refer to your account-opening documentation, including applicable transaction, trading, execution, and brokerage service fee schedules, for additional information. For additional information, please see Item 12, Brokerage Practices, below.

### **Additional Information**

For additional information regarding the total program fee applicable to your CWA Choice Program account, please review your client service agreement and SIS and address any questions you may have with your IAR. Additionally, please review LFS's CWA Total Program Fee Guide, which describes the program fees generally applicable to new accounts in CWA and is available on LFS's website at [www.lfsecurities.com](http://www.lfsecurities.com) under My accounts—Disclosures.

### **STEP-OUT TRADING**

Transactions executed at broker-dealers other than the one at which a client's account is held are sometimes called "step-out" trades. An investment manager that has the discretion to execute step-out trades with broker-dealers other than NFS will incur additional transaction, trading, or execution fees that the client will pay as a result of such step-out trades. Additional transaction, trading, or execution fees resulting from step-out trades will increase the client's cost and negatively impact investment performance. However, a step-out trade can potentially allow the investment manager to achieve better price execution. In cases where an asset-based fee that includes the cost of advisory, brokerage, and custodial services (*i.e.*, a "wrap fee") is assessed, the asset-based fee does not cover charges resulting from step-out trades effected by an investment manager with broker-dealers apart from NFS.

Investment managers are generally free to consider other broker-dealers' trading capabilities versus NFS's trading capabilities as part of their duty to seek best execution and obligations as investment advisers. Investment managers may decide to step-out for a variety of reasons, including to obtain an optimal combination of price and service for the client or to satisfy the investment manager's best execution obligation. Investment managers have the discretion to utilize step-out trades in circumstances including, but not limited to, those involving equity securities, fixed-income securities, derivatives (*e.g.*, options), thinly traded securities, illiquid securities, and ETFs. A step-out trade occurs in some instances when an investment manager purchases equity securities, fixed-income securities, derivatives (*e.g.*, options), thinly traded securities, illiquid securities, ETFs, or other securities from a different broker-dealer or the broker or dealer selling the securities to obtain a more favorable price or because the particular security is not available through NFS. In other instances, a step-out trade occurs when the investment manager executes a single trade for multiple clients by aggregating orders into a single "block." A "block" trade can potentially provide the client with a better overall price and/or return because a single order can potentially result in better execution versus placing multiple separate orders. When an investment manager executes a block order, that investment manager is seeking to obtain best execution and best price. Aggregating transactions into a single trade can potentially afford the investment manager more control over the execution of the trade, including potentially



avoiding an adverse effect on the price of the security that could result from effecting a series of separate, successive, and/or competing small trades with multiple broker-dealers or clearing firms.

CWA fees do not cover any fees, costs, or expenses resulting from step-out trades effected with, or through, broker-dealers or clearing firms other than NFS. They also do not cover any mark-ups or mark-downs (*i.e.*, adjustments to your purchase or sale price above or below the current market price of the applicable security) by any such other broker-dealers or clearing firms. As such, clients are responsible for any such additional transaction, trading, and execution fees, costs, and expenses in addition to the applicable program fees. Additional costs resulting from step-out trades typically are included in the net price of the securities traded and typically are not reflected as separately identifiable charges on your trade confirmations or account statements. It is expected that investment managers would typically consider trades executed through NFS to be without commissions or retail mark-ups or mark-downs when comparing the cost of trading securities with other broker-dealers. LFS would expect such a comparison by an investment manager to generally result in a decision to execute most trades through NFS. However, investment managers from time to time believe they are able to obtain better execution utilizing step-out trades.

A general description of the additional costs related to step-out trades can be found on our website at [www.lfg.com/public/individual/adv](http://www.lfg.com/public/individual/adv). If you have any questions regarding this information or step-out trading in your account and related costs, please contact your Adviser.

## **BEST EXECUTION**

In placing orders for the purchase and sale of securities and directing brokerage to effect these transactions, an investment manager's primary objective is to obtain the best qualitative execution for clients in each client transaction so that the client's cost per transaction is the optimal combination of price and service considering all relevant factors, including, but not limited to, the type of security, timeliness of execution, efficiency of execution, and any other relevant considerations. As such, an investment manager may choose to execute step-out trades as discussed above. Please see Item 12, Brokerage Practices, below for further information regarding these practices. A general description of the additional costs related to step-out trades can be found on our website at [www.lfg.com/public/individual/adv](http://www.lfg.com/public/individual/adv). If you have any questions regarding this information or step-out trading in your account and related costs, please contact your Adviser.

Actual fees charged to a specific client or account vary and are disclosed in the SIS signed by the client upon election of services under CWA. Fees are not charged on the basis of a share of capital gains on or capital appreciation of a client's assets or any portion of a client's assets. Additional transaction, trading, execution, and brokerage service charges clients will pay are detailed in their client service agreement, SIS, and other account-opening documentation, including the LFS Fee Schedule or other trading, transaction, execution, and brokerage service fee schedule applicable to their account.

Advisers will direct investments into certain securities, including, but not limited to, ETFs and mutual funds that participate in the custodian's designated NTF program. At times, these ETFs and mutual funds may elect to cease participation in the custodian's NTF program. LFS and Advisers have no control over, or discretion regarding, the mutual funds that are included within NFS's NTF mutual fund program. Please see the section entitled Other Client Fees and Expenses below for further information on NTF and TF mutual fund fees, costs, and expenses. Some mutual funds and custodians impose a short-term redemption fee upon liquidation of a mutual fund position if that position was not held for a sufficient amount of time as described in the applicable mutual fund's prospectus. None of LFS, the Adviser, custodian, or EPS determines or receives any portion of the short-term redemption fee imposed by a mutual fund. For additional information on any short-term redemption fee applicable to your mutual fund, please review your mutual fund's prospectus and address any questions you may have with your Adviser.

## **TERMINATING ACCOUNTS**

LFS's and its IARs' investment advisory services to a Program Account may be terminated by LFS or the client by providing written notice to the other party.

Upon termination of your participation in CWA, you will be entitled to a pro-rata refund of any prepaid, unearned monthly or quarterly program fees, as applicable, based upon the number of days remaining in the month or quarter after termination. Applicable pro-rata refunds will be made within a reasonable amount of time following termination in accordance with LFS's standard refund processing timelines. Please refer to your client service agreement, SIS, and other account-opening documentation for additional information regarding the timing of, and methodology used in calculating, your monthly or quarterly program fees and any applicable reimbursements.

## **CLEARING FIRM RELATIONSHIP**

LFS has engaged NFS to provide various services in connection with CWA accounts, including clearance and execution services, through a fully disclosed clearing agreement. Through its clearing relationship with NFS, LFS receives various revenue streams, including, but not limited to: compensation as a result of clients' use of the IBDA or the IBRAA as their cash sweep, as described under the heading Cash Sweep Program for Accounts Held with NFS—Bank Sweep Programs below and in LFS's Bank Sweep Program Disclosure Document, which is available at [www.lfsecurities.com](http://www.lfsecurities.com) under My accounts—Disclosures; 12b-1 fees on certain Fidelity money market funds used by clients as cash sweep vehicles; 12b-1 fees on mutual funds, including, but not limited to, mutual funds purchased by clients through NFS's NTF managed account program; revenue sharing payments from NFS based upon clients' cash sweep balances held in NFS's taxable interest bearing cash option, FCASH; interest payments from NFS based upon a portion of the aggregate short market value of clients' accounts; a portion of the interest rate clients pay on margin loans; a portion of the interest rate clients pay on cash debits in their accounts; interest on cash balances in client accounts that have not selected a cash sweep option; a portion of the interest rate clients pay on NFS SBLOCs; all or a portion of the transaction, trading, execution, and brokerage service charges established, controlled, and charged by LFS and disclosed in the LFS Fee Schedule; annual business development credits, as described below; and net flows credits, as described below.

LFS's receipt of these and other revenue streams through its clearing relationship with NFS supports and defrays the costs LFS has related to the ongoing operational and administrative maintenance of client accounts and compensates LFS for the various services it provides in its role as broker-dealer of record and/or program sponsor for such client accounts. LFS's receipt of these revenue streams is a factor that LFS considers when selecting and maintaining its relationship with a custodian and clearing firm, such as NFS, for its programs and client accounts. This presents a conflict of interest for LFS given LFS's financial incentive to select and maintain its relationship with custodians and clearing firms like NFS through which LFS will receive the highest rate and amount of revenue, rather than other available custodians and clearing firms through which LFS will receive relatively lower or no revenue.

Additionally, this presents a conflict of interest for LFS given LFS's financial incentive to recommend itself as your broker-dealer of record (rather than other available broker-dealers), which affords LFS the discretion to set the amounts and rates of many of the charges that result in LFS's receipt of these revenue streams in a manner that generates the highest possible revenue to LFS. For example, when LFS serves as your broker-dealer of record, LFS generally sets its transaction, trading, and execution charges in a manner that differs from the manner in which it incurs costs from NFS for clearance, execution, and certain related services. In particular, LFS charges CWA Choice Program clients the per-trade transaction, trading, and execution charges reflected in the LFS Fee Schedule; however, for most securities types, LFS pays NFS a monthly asset-based fee for clearance, execution, and certain related services that is based upon, and decreases with, the total amount of client assets that LFS and its affiliate, LFA, have in managed accounts held with NFS. Additionally, while each CWA Choice Program client will incur a different level of aggregate transaction, trading, and execution costs (if applicable) based on the trading activity that takes place within their account, clients should understand that LFS generally exercises its discretion to set its transaction, trading, execution, and brokerage service charges at amounts and rates, and using methodologies, that result in aggregate client charges that are higher than the related fees, costs, and expenses, if any, that LFS pays to NFS for clearance and execution of transactions and related services. For certain charges imposed by LFS (e.g., ACAT Exit Fees), LFS pays no related fees, costs, or expenses to NFS and LFS retains the entire amount of the charges. These transaction, trading, execution, brokerage service, and other fees set by LFS are sometimes called "markups" given the difference between the increased costs clients incur and the related costs, if any, that LFS pays to NFS, and they vary by product, the type of service provided, the nature and amount of transactions involved (if applicable), the type of account, and other factors. Markups will result in your payment of higher fees, costs, and expenses than you would otherwise directly pay to NFS or other available service providers (e.g., on margin loans, cash debits, SBLs, and SBLOCs, and for transaction,

trading, execution, brokerage service, and other charges). Markups will also cause you to receive lower interest rates and other payments than you would otherwise directly receive from NFS or other available service providers if you were to enter into arrangements directly with NFS or other available service providers where LFS did not impose markups or receive payments from NFS (e.g., on FCASH balances, short positions, and cash balances in accounts not selecting a cash sweep vehicle). LFS does not reduce its program fees to offset any applicable transaction, trading, execution, brokerage service, or other charges clients incur in connection with the CWA Choice Program. As a result, these charges are in addition to the program fees you pay LFS in connection with the CWA Choice Program, and you should consider the additional revenue that LFS receives as a result of these charges when evaluating the appropriateness of LFS's program fees.

Further, this presents a conflict of interest for LFS given LFS's financial incentive to recommend that clients open and maintain accounts with NFS and take actions that generate these revenues for LFS, rather than other lower-cost actions that generate relatively lower or no revenue for LFS. In particular, LFS has a financial incentive to recommend that clients: use the IBDA or the IBRAA, as applicable, as their cash sweep vehicle, rather than other available cash sweep vehicles that pay LFS relatively lower or no revenue; use Fidelity money market funds that pay LFS 12b-1 fees as cash sweep vehicles, rather than other available cash sweep vehicles that pay LFS relatively lower or no revenue; purchase mutual funds, including mutual funds available through NFS's NTF managed account program, that pay LFS 12b-1 fees, rather than other available mutual funds that pay LFS relatively lower or no revenue; use NFS's taxable interest bearing cash option, FCASH, as a cash sweep option, rather than other available cash sweep vehicles that pay LFS relatively lower or no revenue; engage in short sale transactions and increase the aggregate short market value of their accounts; use margin loans and increase their outstanding margin loan balances; incur cash debits in their accounts; maintain cash balances in their accounts outside of a cash sweep option, rather than selecting available cash sweep vehicles that pay LFS relatively lower or no revenue; use NFS SBLOCs and increase their outstanding NFS SBLOC balances; and engage in transactions and actions that generate the transaction, trading, execution, and brokerage service charges disclosed in the LFS Fee Schedule, rather than other transactions and actions that generate relatively lower or no revenue to LFS.

We address these conflicts of interest by disclosing them to you, crediting your CWA account for 12b-1 fees that we receive as broker-dealer of record from money market and other mutual funds held in your CWA account, ensuring the revenue LFS receives from these sources is not shared with the Advisers providing investment advisory services and investment recommendations to you and your account, and by requiring that there be a review of your account and transactions at account opening and periodically to determine whether they are suitable and in your best interest in light of your investment objectives, financial circumstances, and other characteristics.

## **PROGRAM COSTS**

In considering the CWA Choice Program and the services provided by LFS, your broker-dealer (which may also be LFS), the custodian, EPS, and their respective affiliates and representatives, a prospective client should be aware that the program can potentially cost the client more than purchasing the services separately from other investment advisers or broker-dealers. Additionally, a prospective client should be aware that particular CWA investment programs will cost the client more than other individual LFS investment programs, or combinations of other LFS investment programs, through which the client can access similar investment strategies, features, services, and products. The factors that a prospective client should consider when evaluating any CWA investment program include, but are not limited to: the size of the client's portfolio; the nature of the investments to be managed; the investment strategies to be utilized; applicable transaction, trading, execution, and brokerage service costs; custodial expenses; the client's anticipated level of trading activity; the client's need for ongoing advice and account monitoring; the client's need for other features and services available in the program; the amount of advisory and other fees for managing the client's portfolio; and the client's ability to obtain necessary and desired investment strategies, features, services, and products through other less costly alternatives that are available through LFS or otherwise.

LFS and Advisers recommending CWA will receive compensation as a result of a client's participation in the program. The amount of the compensation LFS and the Adviser will receive can potentially be higher than what LFS or the Adviser would receive if the client participated in other LFS investment programs or paid separately for investment advice, brokerage services, and other services. Additionally, LFS will receive more compensation, and IARs may negotiate higher fees for their services, in connection with a client's participation in certain LFS investment programs than others. Further, Advisers

who have a certain level of client assets invested in CWA and/or WealthLinc receive quarterly payments from LFS based on a percentage of the aggregate Sponsor Fees paid by their clients (“AUM discounts”). Moreover, certain IARs receive the benefit of discounted Sponsor Fees for CWA, which can potentially allow the IAR to charge a higher Adviser Fee than they otherwise would. Additionally, as described in greater detail in the section entitled IAR Compensation below, IARs are eligible for various forms of additional compensation and benefits based on their total client assets under management in CWA and/or WealthLinc, the total revenue they generate for LFS, and/or the net paid annual premium they generate on certain insurance and annuities business. Therefore, the IARs and LFS have a conflict of interest given their financial incentive to recommend that you participate in the programs and services that provide them with the highest rate and amount of overall compensation and benefits, and increase your assets under management in those programs, rather than other available programs and services that result in their receipt of relatively lower or no overall compensation and benefits. In particular, the IARs and LFS have a conflict of interest given their financial incentive to recommend that you participate in CWA, and increase your assets under management in CWA, over other available programs and services for which LFS and the IARs receive relatively lower or no compensation and benefits, such as third-party sponsored programs for which LFS does not receive a Sponsor Fee and for which IARs do not receive certain additional benefits. Further, LFS and IARs have a conflict of interest as a result of their financial incentive to recommend the LFS investment programs for which they can negotiate and receive the highest or relatively higher compensation. We address these conflicts of interest by disclosing them to you and by requiring that there be a review of your account and transactions at account opening and periodically to determine whether they are suitable and in your best interest in light of your investment objectives, financial circumstances, and other characteristics.

## **OTHER CLIENT FEES AND EXPENSES**

In addition to the program fees and transaction, trading, execution, and brokerage service charges described above, clients will incur applicable fees, costs, and expenses imposed by third parties in connection with the investments made through their Program Accounts. These fees, costs, and expenses that clients will incur, when applicable, include, but are not limited to: the internal expenses of money market mutual funds (including those used as cash sweep vehicles) and other mutual funds, including, but not limited to, management fees, 12b-1 fees, sub-transfer agency fees, other shareholder servicing expenses, custodial expenses, legal expenses, accounting expenses, transfer agent expenses, administrative expenses, and other operating expenses; mutual fund networking fees; deferred sales charges on previously purchased mutual fund shares transferred into a Program Account; other transaction charges and service fees; and other charges permitted or required by law. When serving as the broker-dealer of record for your Program Account, LFS receives all or a portion of certain of these fees, including 12b-1 fees, and, as such, LFS has a conflict of interest given its financial incentive to recommend that you use products, share classes, and strategies that provide LFS the highest rate and amount of compensation, rather than other available products, share classes, and strategies that provide LFS relatively lower or no compensation. We address this conflict of interest by disclosing it to you, crediting your CWA account for 12b-1 fees that we receive as broker-dealer of record from money market and other mutual funds held in your CWA account, not sharing any of these revenues with the Advisers that recommend transactions or strategies for your account, and by requiring that there be a review of your account and transactions at account opening and periodically to determine whether they are suitable and in your best interest in light of your investment objectives, financial circumstances, and other characteristics. Further information regarding the various fees, costs, and expenses charged by a money market mutual fund or other mutual fund, ETF, AI, annuity, or other security or investment product is available in the applicable prospectus or other offering documents, which clients should thoroughly review before investing.

A client can invest in mutual funds and other securities and investment products directly, without the services of LFS or an Adviser. In that case, the client will not receive the services provided by LFS or the Adviser, which are designed, among other things, to assist the client in determining on an ongoing basis which mutual funds or other investments are suitable for and in the best interest of the client given the client’s investment objectives, financial circumstances, and other characteristics. Accordingly, the client should review both the fees charged and expenses incurred by the mutual funds and other securities and investment products and the fees charged and services provided by LFS and the Adviser to understand the total amount of fees to be paid by the client and thereby evaluate the services being provided against all related costs.

As described above, other fees, costs, and expenses that will be charged to the client, when applicable, and that are not part of the program fee include, but are not limited to: transaction, trading, and execution charges; brokerage service charges,

including, but not limited to, inactive brokerage account fees, cash management account fees, retirement account annual maintenance fees, retirement account termination fees, ACAT Exit Fees, AI custody and valuation fees, electronic fund and wire transfer fees, overnight check fees, returned check fees, stop payment fees, interest on cash debit balances, fees for legal transfers and legal returns of stock certificates, securities safekeeping fees for physical certificates, reorganization fees, fees for direct registration of securities, quarterly paper statement and trade confirmation delivery fees, and tax return filing fees; fees for step-out portfolio transactions executed away from your custodian and clearing firm; dealer mark-ups and mark-downs (*i.e.*, adjustments to your purchase or sale price above or below the current market price of the applicable security); spreads paid to market-makers; charges imposed by securities exchanges and regulators, including, but not limited to, transaction fees imposed by the SEC; and other fees and charges customary to securities brokerage accounts.

Transaction, trading, and execution fees will apply when certain assets are traded in CWA Choice Program accounts that have elected a pricing schedule through which transaction costs apply or are liquidated prior to LFS and its Advisers commencing investment management services. Transaction, trading, and execution fees, costs, and expenses vary depending on the type of mutual fund (*e.g.*, TF mutual funds versus NTF mutual funds) or other security or investment product being purchased or sold.

For accounts for which LFS serves as broker-dealer of record, transaction, trading, execution, and brokerage service fees, costs, and expenses are detailed in the LFS Fee Schedule, which is provided to you at account opening, will change over time, and can be found on LFS's website at [www.lfsecurities.com](http://www.lfsecurities.com) under My accounts—Cost. When LFS serves as the broker-dealer of record for your CWA Choice Program account, LFS has a duty to ensure that its transaction, trading, and execution charges are reasonable in light of its best execution responsibilities. For additional information on the transaction, trading, execution, and brokerage service charges that LFS establishes, controls, and charges, as well as LFS's related conflicts of interest, please see the section entitled Client Advisory Fees above.

Trading, transaction, execution, and brokerage service charges applicable to accounts for which LFS does not serve as the broker-dealer of record, including, but not limited to, accounts on Fidelity's tax-exempt recordkeeping platform, are set by the broker-dealer of record for your account, are detailed in your account-opening documentation, and will change over time. Please refer to your account-opening documentation, including applicable transaction, trading, execution, and brokerage service fee schedules, for additional information.

When serving as the broker-dealer of record on your account, LFS is responsible for and performs a number of broker-dealer functions and services with respect to your account and any securities transactions therein. LFS's responsibilities include, but are not limited to: collecting, verifying and maintaining documentation about you and your account; approval and acceptance of your account; reviewing and supervising activities, including trading activities, within your account; reviewing and either accepting or rejecting any transactions within your account; transmission of all orders with respect to your account; supervision of all orders and accounts, including maintaining compliance with best interest standards and regulatory requirements, as applicable; and ensuring that any mutual fund orders are in compliance with the terms of the applicable prospectus. LFS maintains substantial operational, compliance, and technology resources in support of its broker-dealer operations necessary to provide these and other services in connection with your account and any transactions effected in your account.

In the CWA Choice Program, LFS offers advisor-directed portfolios where no separate transaction, trading, or execution charges apply to the client, and such charges are instead paid by the IAR. In cases where the IAR is responsible for paying transaction, trading, and execution charges for their client's CWA Choice Program account, the IAR has a conflict of interest given their financial incentive to avoid incurring transaction, trading, and execution charges by recommending that clients trade less frequently and use securities that do not incur transaction, trading, and execution charges, such as NTF mutual funds, resulting in lower or no transaction, trading, and execution charges to the IAR and potentially higher expenses, including internal security and investment product expenses, for clients. We address this conflict of interest by disclosing it to clients, monitoring activity in client accounts, requiring that IARs document the account reviews they conduct with clients and the other ongoing advice they provide that may not result in transactions in a specific client account, crediting clients' CWA accounts for 12b-1 fees that LFS receives as broker-dealer of record from money market and other mutual funds held in clients' CWA accounts, and requiring that there be a review of client accounts and transactions at account opening and periodically to determine whether they are suitable and in clients' best interests in light of their investment objectives,

financial circumstances, and other characteristics. LFS also offers advisor-directed portfolios with separate asset-based advisory fees and transaction, trading, and execution fees, costs, and expenses assessed to the client. In that case, in addition to the asset-based advisory fee you pay for investment advice, you will also pay separate per-trade transaction, trading, or execution fees, costs, and expenses. However, these separate per-trade transaction charges do not include sales commissions payable to the IAR.

LFS does not retain 12b-1 fees that it receives as broker-dealer of record from money market and other mutual funds held in CWA accounts. LFS credits 12b-1 fees that it receives as broker-dealer of record from money market and other mutual funds held in clients' CWA accounts back to the client accounts that generated the 12b-1 fee payments to LFS. However, LFS does not credit 12b-1 fees for any CWA accounts for which it does not serve as the broker-dealer of record, including, but not limited to, accounts on the Fidelity tax-exempt recordkeeping platform. Additionally, LFS does not credit clients' CWA accounts for any 12b-1 fees that clients incur but that are not paid to LFS, including, but not limited to, 12b-1 fees that clients incur but that are paid to NFS or any other third parties. For example, all NTF mutual funds participating in NFS's NTF mutual fund program pay NFS, rather than LFS, any 12b-1 fees included as part of their expense ratios. In this case and all similar circumstances where 12b-1 fees are paid to parties other than LFS, LFS does not credit clients' CWA accounts for these 12b-1 fees and clients will incur the full amount of such 12b-1 fees. **Clients will not receive 12b-1 fee credits from LFS in any circumstances where (1) LFS is not the broker-dealer of record on their CWA account or (2) 12b-1 fees are paid to parties other than LFS (e.g., in connection with NTF mutual funds' payment of 12b-1 fees to NFS, rather than LFS, in connection with NFS's NTF mutual fund program).**

For complete fee details, please see your client service agreement and SIS, the LFS Fee Schedule or other transaction, trading, execution, and brokerage service fee schedule applicable to your account, and the supporting documentation you received in connection with the program, including applicable mutual fund and other securities and investment product prospectuses and other offering documents.

## **MARGIN AND SECURITIES-BACKED LOANS AND LINES OF CREDIT**

If you enter into a margin loan, SBL, or SBLOC with a lender for one of your CWA accounts, LFS will receive compensation from certain lenders based on the total amount of your outstanding margin loan, SBL, or SBLOC balance. With margin loans, when LFS serves as broker-dealer of record for your CWA account, LFS exercises its discretion to establish, control, and receive a portion of the interest rate that you pay NFS on your outstanding margin loan balance. The amount of interest NFS pays LFS varies depending on your outstanding margin loan balance and other factors and increases the interest rate that NFS would otherwise directly charge you for your margin loan. With SBLs and SBLOCs, LFS is compensated through payments from your lender (e.g., NFS or certain other SBL and SBLOC lenders LFS makes available to you) based on the amount of your outstanding SBL or SBLOC balance. The total amount of compensation LFS receives varies depending on each individual SBL and SBLOC and increases the interest rate that the applicable lender would otherwise directly charge you for your SBL or SBLOC.

LFS has a conflict of interest as a result of its financial incentive to: recommend itself as the broker-dealer of record and NFS as the custodian for your CWA account (rather than other available broker-dealers and custodians), which enables LFS to establish, control, and receive a portion of the interest rate that you pay on margin loans and NFS SBLOCs; exercise its discretion when serving as the broker-dealer of record for your CWA account to set your margin interest and NFS SBLOC interest rates at levels that generate the highest possible revenue and profit for LFS, which will result in correspondingly higher expenses for you; and recommend that you purchase securities that require the use of margin, apply for margin loans, SBLs, and SBLOCs, use margin loans, SBLs, and SBLOCs, and increase the amount of your outstanding margin loan, SBL, and SBLOC balances, in each case because LFS will receive more compensation when you do so. Additionally, in the case of SBLs and SBLOCs, not all available lenders pay LFS compensation and those that do pay LFS different rates and amounts of compensation. As a result, LFS has a conflict of interest given its financial incentive to recommend that you utilize SBLs and SBLOCs from lenders that pay LFS the highest rate and amount of compensation, rather than SBLs and SBLOCs from lenders that pay LFS relatively lower or no compensation.

Additionally, LFS and your IAR have a conflict of interest in recommending that you use margin loans, SBLs, and SBLOCs since the asset-based program fees they receive from you are charged on your total account value, without deducting the



balance of any outstanding margin loan, SBL, or SBLOC. For example, if LFS and your IAR recommend that you utilize a margin loan to purchase securities, the full value of those securities will be subject to LFS's and your IAR's asset-based program fees, which will increase the compensation they will receive from you and increase your overall expenses. Similarly, LFS and your IAR have a conflict of interest in recommending that you use margin loans, SBLs, and SBLOCs for liquidity purposes rather than liquidating your holdings or withdrawing cash from your accounts. This is true because LFS and your IAR will financially benefit from your margin loan, SBL, or SBLOC because you don't have to liquidate assets in your account to pay for things with cash, which would diminish the assets held in the account and the asset-based program fees and other compensation that would be earned by LFS and your IAR from holding and engaging in future transactions with those assets (including, but not limited to, compensation that LFS receives in connection with your cash holdings as described under the heading Cash Sweep Program for Accounts Held with NFS below and otherwise herein). For example, by encouraging you to take out a margin loan, SBL, or SBLOC to fund a purchase or financial need rather than liquidate securities or withdraw cash from your accounts, LFS and your IAR will continue to earn asset-based program fees on your full account value, without deducting the balance of your outstanding margin loan, SBL, or SBLOC, and LFS will continue to receive compensation in connection with your cash holdings as described under the heading Cash Sweep Program for Accounts Held with NFS below and otherwise herein. However, your IAR does not share in any compensation that LFS receives from NFS or other lenders in connection with your outstanding margin loan, SBL, and SBLOC balances.

LFS addresses these conflicts of interest by disclosing them to you; disclosing the interest rates and other fees that you will incur in connection with margin loans, SBLs, and SBLOCs; disclosing the fact that LFS calculates and charges program fees based upon an annual percentage of the total market value of your assets under management, without deducting the balance of any margin loan, SBL, SBLOC, other loan or line of credit, or lien against your account; not sharing any compensation that LFS receives from lenders in connection with your outstanding margin loan, SBL, and SBLOC balances with the IARs that recommend products, share classes, transactions, strategies, or services for your account; and by requiring that there be a review of your account and transactions at account opening and periodically to determine whether they are suitable and in your best interest in light of your investment objectives, financial circumstances, and other characteristics.

## **MUTUAL FUND CATEGORIES AND SHARE CLASSES**

To the extent that you invest in mutual funds through your CWA account, the mutual funds will either be NTF mutual funds or TF mutual funds. With NTF mutual funds, you will not incur per-trade transaction, trading, or execution fees in connection with each purchase and sale. With TF mutual funds, if you have elected a pricing schedule through which transaction costs apply, you will incur per-trade transaction, trading, and execution fees in connection with each purchase and sale as described in the LFS Fee Schedule or other transaction, trading, and execution fee schedule applicable to your account. As mentioned above, internal mutual fund fees and expenses, including, but not limited to, 12b-1 fees, vary across mutual funds and share classes, including NTF and TF mutual funds, as set forth in the prospectus for each mutual fund and share class. Please consult with your IAR to ensure you know and understand the types of mutual funds and share classes being utilized in your account and their applicable fees and expenses, including internal expenses and transaction charges, if any, you will incur when trading such funds and share classes.

When you purchase a money market or other mutual fund that includes a 12b-1 fee as part of its expense ratio, as disclosed in the mutual fund's prospectus, you will indirectly incur the expense of that 12b-1 fee. 12b-1 fees are typically charged by load-waived Class A and non-institutional share class mutual funds, sometimes also referred to as NTF mutual funds; however, other mutual funds and share classes, including certain TF mutual funds, charge 12b-1 fees and you should refer to your prospectus for specific information regarding your mutual fund and share class. Mutual fund share classes that pay 12b-1 fees typically have higher internal expenses than other available share classes that do not incur 12b-1 fees. However, in many cases 12b-1 fee paying mutual fund share classes do not incur transaction fees when executing a trade at the clearing firm. These higher internal expenses, including 12b-1 fees, are assessed to investors who purchase and hold higher internal expense share classes, including NTF mutual funds. In certain circumstances, NTF mutual funds will cost you more overall than TF mutual funds that assess a transaction charge but have lower internal expenses. In CWA, LFS credits client accounts for 12b-1 fees that LFS receives as broker-dealer of record from money market and other mutual funds held in clients' CWA accounts, which reduces the net cost to the client by the amount credited. However, as described in greater detail above, LFS does not credit clients' CWA accounts for: (1) any 12b-1 fees for any CWA accounts for which LFS does not serve as broker-dealer of record, including, but not limited to, accounts on the Fidelity tax-exempt recordkeeping platform; and (2)

any 12b-1 fees that clients incur but that are not paid to LFS, including, but not limited to, 12b-1 fees paid directly to NFS or any other third parties (including in connection with NTF mutual funds' payment of 12b-1 fees to NFS, rather than LFS, in connection with NFS's NTF mutual fund program). Other mutual fund share classes that have lower internal expenses and do not pay 12b-1 fees are available; however, depending on the particular mutual fund, those share classes may incur transaction fees with any purchase or sale. Each share class has eligibility standards as described in the mutual fund's prospectus or statement of additional information.

Transaction, trading, and execution fees, costs, and expenses vary depending on the mutual fund (e.g., TF mutual funds versus NTF mutual funds) or other security or investment product being purchased or sold in your CWA account. When LFS serves as the broker-dealer of record for your CWA account, transaction, trading, execution, and brokerage service charges are detailed in the LFS Fee Schedule, which is provided to you at account opening, will change over time, and can be found on LFS's website at [www.lfsecurities.com](http://www.lfsecurities.com) under My accounts—Cost. Transaction, trading, execution, and brokerage service charges applicable to accounts for which LFS does not serve as the broker-dealer of record, including, but not limited to, accounts on Fidelity's tax-exempt recordkeeping platform, are set by the broker-dealer of record for your account, are detailed in your account-opening documentation, and will change over time. Please refer to your account-opening documentation, including applicable transaction, trading, execution, and brokerage service fee schedules, for additional information.

In all circumstances where LFS does not serve as the broker-dealer of record for your CWA account—including, but not limited to, when your CWA account is held on Fidelity's tax-exempt recordkeeping platform—and you invest in a mutual fund that incurs a 12b-1 fee, because LFS is not the broker-dealer of record on your account, neither LFS nor any IAR receives those 12b-1 fees nor are those 12b-1 fees credited back to your CWA account by LFS or your IAR. Additionally, LFS does not credit clients' CWA accounts for any 12b-1 fees that clients incur but that are not paid to LFS, including, but not limited to, 12b-1 fees paid directly to NFS or any other third parties. For example, all NTF mutual funds participating in NFS's NTF mutual fund program pay NFS, rather than LFS, any 12b-1 fees included as part of their expense ratios. In this case and all similar circumstances where 12b-1 fees are paid to parties other than LFS, LFS does not credit clients' CWA accounts for these 12b-1 fees and clients will incur the full amount of such 12b-1 fees. **Clients will not receive 12b-1 fee credits from LFS in any circumstances where (1) LFS is not the broker-dealer of record on their CWA account or (2) 12b-1 fees are paid to parties other than LFS (e.g., in connection with NTF mutual funds' payment of 12b-1 fees to NFS, rather than LFS, in connection with NFS's NTF mutual fund program).**

Many mutual funds offer multiple share classes that represent the same underlying investments, but have different fees and expenses (including, but not limited to, 12b-1 fees) and differ in their availability for investment based upon certain eligibility requirements. For instance, in addition to the more commonly offered retail share classes (typically, Class A (including load-waived A shares), B, and C shares), many mutual funds offer institutional share classes or other share classes that are specifically designed for purchase in fee-based investment advisory accounts. Institutional share classes or classes of shares designed for purchase in fee-based investment advisory accounts often have lower expense ratios than other share classes. However, these share classes often have higher transaction costs and will, in certain circumstances, have specific eligibility criteria as described in the mutual fund's prospectus or statement of additional information.

Your IAR's assessment of the appropriate share class is based on a range of different considerations, including, but not limited to: whether transaction charges are applied to the purchase or sale of the particular mutual fund or share class; your anticipated level of trading activity in the mutual fund or share class; your anticipated holding period for the mutual fund or share class; the asset-based advisory fee charged for your account; the overall cost structure of the advisory program, including the Sponsor Fee; operational considerations associated with accessing or offering particular share classes (including the presence of selling agreements with the mutual fund sponsors and the ability to access particular share classes through the custodian); and share class eligibility requirements. The factors considered, and the weighting of the importance of each of these factors, varies among IARs. The transaction costs and advisory program cost structure are determined by your broker-dealer and LFS, respectively, and are determined based on factors such as the availability of cost sharing, 12b-1 distribution fees, shareholder servicing fees, and other compensation associated with offering a particular class of shares.

In selecting or recommending particular mutual fund share classes, IARs may (but are not required to) consider the overall costs and expenses associated with providing ongoing advice and services to the client. Accordingly, the advisory fees that

are charged on an account or in the aggregate at the client relationship level may take into consideration the mutual fund share classes in which clients are invested. Clients that are invested in institutional share classes could have higher advisory fees and be assessed higher transaction charges and surcharges for the purchase and sale of mutual funds. Conversely, clients that are invested in retail share classes could be charged lower advisory fees, have lower transaction charges, and receive 12b-1 credits or other fee offsets to reduce the impact of being invested in a share class with higher internal expenses. Clients that prefer or request that transaction charges be minimized or avoided will be invested in share classes with higher internal expenses but lower or no transaction-based charges (such as NTF mutual funds). The higher internal expenses charged to clients who hold higher internal expense share classes, including NTF mutual funds, will adversely affect the performance of their account when compared to other available share classes of the same funds that assess lower internal expenses.

**As a general matter, clients should not assume that their assets will always be invested in the money market or other mutual fund share class with the lowest possible internal expenses or costs. Your IAR may recommend, select, or have your CWA account hold a money market or other mutual fund share class that charges higher internal expenses and costs than other available share classes for the same fund after taking into account overall cost (including both internal expenses and applicable trading, transaction, and execution fees), share class eligibility criteria, and other relevant factors. Please contact your IAR for more information about share class eligibility, transaction costs, and internal mutual fund expenses, including 12b-1 fees, and please review your money market or other mutual fund's prospectus for detailed information regarding the fund's expenses and other important matters.**

## **CUSTODIAN AND CLEARING FIRM RELATIONSHIPS**

LFS has a conflict of interest given its financial incentive to select or recommend NFS as the custodian for client accounts, increase or maintain the amount of client assets held with NFS, and maintain its relationship with NFS given the compensation that LFS and its affiliate, LFA, receive through their custody and clearing arrangements with NFS, as well as the payments they would be required to make to NFS if their arrangements with NFS were terminated. For example, in addition to the various revenue streams described above, under the clearing agreement between LFS and NFS, LFS receives annual business development credits from NFS during the term of the clearing relationship. Additionally, LFS receives annual asset-based payments from NFS based upon net new client cash and securities transferred into accounts at NFS from other accounts not custodied or introduced by NFS or its affiliates ("net flows credits") and, if LFS's clearing agreement with NFS is terminated by LFS or NFS for specified reasons, LFS is required to repay NFS for a portion of the net flows credits that LFS received prior to termination. Further, if LFS's clearing agreement with NFS is terminated by LFS or NFS for specified reasons, LFS is required to make significant early termination fee payments to NFS. LFS's receipt of business development credits, net flows credits, and the other revenue streams described herein, as well as LFS's related repayment and termination fee obligations to NFS under the clearing agreement, present a conflict of interest for LFS given its financial incentive to: (i) select and maintain NFS as the custodian for client accounts, rather than other available custodians and clearing firms through which LFS receives relatively lower or no business development credits, net flows credits, and other compensation and (ii) recommend that clients transfer assets to, and increase their assets held with, NFS, rather than other available custodians that provide LFS relatively lower or no business development credits, net flows credits, and other compensation. We address these conflicts by disclosing them to you and by requiring that there be a review of your account and transactions at account opening and periodically to determine whether they are suitable and in your best interest in light of your investment objectives, financial circumstances, and other characteristics.

The revenue streams that LFS receives under its clearing and custodial arrangement with NFS are designed, in part, to compensate LFS for the various services it provides and are a significant source of revenue for LFS. Under LFS's arrangements with NFS and other custodians, LFS is responsible for providing the custodians with various services, including, but not limited to, (i) clerical assistance in completing account opening paperwork and opening client accounts, (ii) clerical assistance in maintaining client accounts, processing asset transfers and money movement, (iii) reconciling and assisting in updating client account information, (iv) clerical assistance in connection with client questions and account information research, (v) helping clients with using brokerage and account services such as periodic investment programs and check writing services, (vi) notifying custodian of certain customer complaints, and (vii) monitoring activity in client accounts.

## COMPENSATION FOR THE SALE OF SECURITIES; MARKETING SUPPORT ARRANGEMENTS

Clients have the option to purchase securities and other investment products recommended by LFS and the IARs through other brokers or agents that are not affiliated with LFS. Commissions and other compensation for the sale of securities and other investment products, including, but not limited to, “no load” and other mutual funds, provide sources of compensation for LFS and many of the IARs. LFS’s and IARs’ receipt of this compensation presents a conflict of interest and gives LFS and its IARs a financial incentive to recommend securities and other investment products, including “no load” and other mutual funds, based on the compensation they will receive, rather than on a client’s needs. However, commissions are not charged by LFS or the IARs in connection with transactions in CWA (though clients will incur applicable transaction, trading, execution, and brokerage service charges as detailed in their account-opening documentation).

Depending on which products and services you purchase and use, you will receive various materials, including, but not limited to, product prospectuses, client service agreements, SISs, account and other applications, and other disclosure documents, that provide important information regarding the fees and expenses you will incur in connection with the products and services you have chosen, the compensation and benefits LFS and your LFS financial professional will receive in connection with those products and services, and LFS’s and your LFS financial professional’s conflicts of interest in connection with those products and services. You should read and evaluate this information carefully and contact your LFS financial professional with any questions you may have before proceeding.

LFS has agreements with many mutual fund families, AI sponsors, insurance companies, third-party (or turn-key) asset management program (“TAMP”) sponsors, Strategists, and other counterparties (collectively, “sponsors”) under which sponsors provide additional compensation, sometimes called “marketing support,” to LFS. These marketing support payments are a significant source of revenue to LFS and subsidize the cost of educational programs and marketing activities that are designed to help facilitate the utilization of these sponsors’ programs, products, and services and to make our IARs more knowledgeable about these sponsors’ programs, products, and services. In addition, these payments allow these sponsors’ representatives to attend and participate in LFS conferences where IARs are present, one-on-one marketing meetings, and due diligence presentations. In some cases, these payments also compensate LFS for administrative services it provides in connection with the sponsors’ product offerings. The method, timing, rate, and amount of these marketing support payments vary by sponsor, program, product, share class, asset class, investment strategy, and service, but marketing support payments typically are paid using one or more of the following methodologies: payment of a percentage of each sale (or of the premium paid on annuities and insurance products); payment of a flat amount per sales transaction; payment of an annual fee based on a percentage of total LFS client assets held with the sponsor; and/or payment of a flat annual fee. Payment rates and amounts vary by sponsor, but, as of the date of this Brochure, sponsors generally pay LFS: up to 1.5% of the gross amount of each sale (or of the premium paid on annuities and insurance products); up to \$250 per sales transaction; up to 0.15% annually of total LFS client assets held with the sponsor; and/or flat annual fees that do not exceed \$350,000 annually. Accordingly, with respect to the arrangements where payments are based on a percentage of each sale (or of the premium paid on annuities and insurance products), a flat amount per sales transaction, or total client assets held with the sponsor, the payments LFS receives will increase with the amount of client assets placed with the sponsor.

In addition to the marketing support payments that LFS receives through the formal marketing support arrangements described above, sponsors, including, but not limited to, those that have formal marketing support arrangements with LFS, make flat dollar payments to LFS from time to time. These payments are not always made as part of a formalized agreement, but are for specific activities, including, but not limited to, exhibit booth space, presentation opportunities at LFS meetings or similar events, attendance at conferences, educational events for IARs, and participation in other training and educational events. Some sponsors also reimburse LFS and, indirectly, IARs for certain expenses in connection with due diligence meetings, training and educational events, seminars that offer educational opportunities for clients, and similar events. Some sponsors also provide LFS and IARs with nominal gifts and gratuities, including, but not limited to, merchandise bearing the brand or logo of the sponsor.

The marketing support payments LFS receives from sponsors create financial incentives for LFS that result in conflicts of interest for LFS. In particular, LFS has a conflict of interest given its financial incentive to include the sponsors, programs, products, share classes, and services that make marketing support payments to LFS on LFS’s platform and to recommend that you utilize sponsors, programs, products, share classes, and services that make such payments to LFS, rather than other

available sponsors, programs, products, share classes, and services that do not make such payments to LFS. In addition, LFS has a financial incentive to include the sponsors, programs, products, share classes, and services that make the highest rate and amount of marketing support payments to LFS on LFS's platform and to recommend that you utilize those sponsors, programs, products, share classes, and services, rather than other available sponsors, programs, products, share classes, and services that make relatively lower or no marketing support payments to LFS. Additionally, certain sponsors make marketing support payments to LFS only in connection with certain programs, products, share classes, asset classes, investment strategies, and services (and not others that are available), and certain sponsors pay LFS more or less marketing support depending on the particular program, product, share class, asset class, investment strategy, or service used. Given these facts, LFS has a conflict of interest given its financial incentive to recommend that you use the programs, products, share classes, asset classes, investment strategies, and services that generate the highest rate and amount of marketing support payments to LFS, rather than other available programs, products, share classes, asset classes, investment strategies, and services that generate relatively lower or no marketing support payments to LFS. Further, LFS limits the third-party variable annuities and fixed indexed annuities that are available through LFS to those offered by third-party sponsors that make marketing support payments to LFS. As a result, LFS and IARs cannot recommend variable annuities or fixed indexed annuities from third-party sponsors that do not make these payments to LFS and that could potentially cost you less overall and otherwise be in your best interest. This presents a conflict of interest for LFS and IARs given their financial incentive to recommend the variable annuities and fixed indexed annuities that are available through LFS's platform. LFS addresses these conflicts of interest by disclosing them to you, not sharing any marketing support payments with the IARs that recommend sponsors, programs, products, share classes, asset classes, investment strategies, or services for your account, and requiring that there be a review of your account and transactions at account opening and periodically to determine whether they are suitable and in your best interest in light of your investment objectives, financial circumstances, and other characteristics.

You should be aware that there are sponsors, programs, products, share classes, asset classes, investment strategies, and services available through LFS that do not pay LFS any marketing support payments and therefore are generally less expensive for you to use than sponsors, programs, products, share classes, asset classes, investment strategies, and services that do make such payments to LFS.

For up-to-date information regarding LFS's marketing support arrangements, including a list of sponsors with which LFS has formal marketing support arrangements, a description of the revenue LFS receives, and LFS's related conflicts of interest, please see the marketing support disclosures available on LFS's website at [www.lfsecurities.com](http://www.lfsecurities.com) under My accounts—Disclosures. Please review these marketing support disclosures in detail and discuss any questions you may have with your IAR.

LFS, the IARs, and clients also receive the benefit of certain services provided by sponsors and custodians. These services include, but are not limited to, 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 will result in additional fees, costs, and expenses to LFS, the IARs, and clients, while others are packaged and available as part of an investment advisory program without itemization of the cost of each product or service. LFS's and IARs' receipt of these additional service benefits presents a conflict of interest given their incentive to recommend or select sponsors and custodians that provide them with the highest level of services at the lowest cost, rather than other available sponsors and custodians that provide a lower level of services or similar services at a higher cost. LFS addresses this conflict of interest by disclosing it to you and by requiring that there be a review of your account and transactions at account opening and periodically to determine whether they are suitable and in your best interest in light of your investment objectives, financial circumstances, and other characteristics.

## **IAR COMPENSATION**

Some IARs receive additional compensation and benefits (including, but not limited to, AUM discounts and educational and other opportunities) for reaching certain levels of assets under management in LFS's investment advisory programs. Similarly, some IARs receive additional compensation and benefits (including, but not limited to, LNC stock options; funds or reimbursements for approved business expenses; participation in deferred compensation programs; complementary or discounted access to technology tools and platforms; dedicated business

development, practice management, technology, and other support services; priority call center and other enhanced back-office services; and other rewards and recognitions) for generating a certain amount of total production (*i.e.*, total revenue from Lincoln Financial Group and non-Lincoln Financial Group securities, investment advisory, and insurance and annuities business) or net paid annual premium on certain Lincoln Financial Group and non-Lincoln Financial Group insurance and annuities business (“net paid annual premium”) within a certain time period, typically one year. While qualification for additional compensation and benefits is typically measured over the course of one year, IARs can qualify for certain additional compensation and benefits based on prior years of consistent qualification or by meeting certain year-over-year total production or net paid annual premium growth thresholds. Further, some IARs receive annual recognition trips for them and, in certain cases, their family members and/or other guests based on their total production or net paid annual premium ranking as compared to their peers at LFS. Clients are not charged any additional fees as a result of IARs’ receipt of these types of additional compensation and benefits from LFS. However, IARs’ receipt of additional compensation and benefits presents a conflict of interest for IARs that has the potential to affect IARs’ judgment and the recommendations and selections they make for you and your accounts. In particular, these forms of compensation and benefits give your IAR a financial incentive to recommend that you bring your assets from another firm to LFS, increase the amount of assets in your accounts with LFS, and purchase products and services through LFS or sponsored by LFS’s parent company, Lincoln Financial Group, so that they can achieve the assets under management, total production, and/or net paid annual premium thresholds required to receive additional compensation and benefits from LFS.

IARs are eligible for a prospective grid rate increase when they meet or exceed a certain amount of total production (*i.e.*, total revenue from Lincoln Financial Group and non-Lincoln Financial Group securities, investment advisory, and insurance and annuities business) in a given year. Once an IAR meets or exceeds their individual total production threshold in a given year, they qualify for a specified percentage increase in their applicable grid rate schedule for any total production earned for the remainder of the year. A grid rate is the amount of an IAR’s total production that they will split or share with LFS. For example, an IAR entitled to an 85% grid rate split is generally retaining 85% of their total production and LFS is retaining the other 15% of their total production. These prospective grid rate increases are not applied in subsequent years and an IAR’s grid rate reverts to their standard grid rate the following year until they meet or exceed their individual total production threshold in that subsequent year. Additionally, LFS offers prospective grid rate increases to LFS office of supervisory jurisdiction managers (“OSJ Managers”) when their total OSJ production meets or exceeds certain thresholds in a given year. Similar to the IAR grid rate increases described above, once an OSJ Manager’s total OSJ production meets or exceeds their individual total OSJ production threshold in a given year, they qualify for a specified percentage increase in their applicable grid rate schedule for any total OSJ production earned for the remainder of the year. Additional compensation earned by OSJ Managers as a result of these grid rate increases are not paid to the OSJ Manager until the following year. There are certain exclusions from what is considered OSJ Manager qualifying total production, and such exclusions are not eligible for increased grid rate payment amounts (*e.g.*, production generated by IARs within the OSJ who do not meet or exceed certain minimum production thresholds in a calendar year, production generated by IARs who transfer from one OSJ to another during a year, and certain other production is excluded from the calculation of an OSJ Manager’s total OSJ production for purposes of these grid rate increases). IARs’ and OSJ Managers’ receipt of grid rate increases presents a conflict of interest for IARs’ and OSJ Managers’ given their financial incentive to recommend that clients’ increase their assets with LFS and engage in revenue-generating transactions and other activities so that they can achieve the total production thresholds that will result in their receipt of increased grid rates. Additionally, this presents a conflict of interest for OSJ Managers’ since they have a financial incentive to spend more time on revenue generating activities within their OSJ than on their supervisory responsibilities.

We address these conflicts of interest by disclosing them to you, applying grid rate increases on a prospective (rather than retroactive) basis, and by requiring that there be a review of your account and transactions at account opening and periodically to determine whether they are suitable and in your best interest in light of your investment objectives, financial circumstances, and other characteristics.

Most IARs can recommend annuities, model portfolios, and other products that are created, managed, and/or sold by Lincoln Financial Group companies, including, but not limited to, the Lincoln National Life Insurance Company (“LNL”), Lincoln Life & Annuity Company of New York (“LLANY”), and Lincoln Financial Investments Corporation (“LFI”), provided that the recommendations are suitable and in the client’s best interest given the client’s investment objectives, financial circumstances, and other characteristics. IARs, LFS, and other Lincoln Financial Group companies will profit when LFS



clients purchase or use Lincoln Financial Group products as a result of IARs' recommendations. This presents a conflict of interest as LFS and the IARs have a financial incentive to recommend products based on the compensation they and their affiliates receive, rather than on a client's needs. We address this conflict of interest by disclosing it to you and by requiring that there be a review of your account and transactions at account opening and periodically to determine whether they are suitable and in your best interest in light of your investment objectives, financial circumstances, and other characteristics.

In some cases, IARs receive more compensation when placing Lincoln Financial Group manufactured products and qualify for additional compensation and benefits based on the volume of those sales over time. IARs also receive additional compensation and other benefits based on factors including sales volume of or total assets in certain Lincoln Financial Group products (including, but not limited to, specific investment advisory programs like CWA and WealthLinc), the length of time that clients keep assets in the products, and the profitability of the products. IARs also receive compensation based on the sales of Lincoln Financial Group products by other financial professionals. Some IARs participate in benefit programs whose costs are partially reimbursed by Lincoln Financial Group affiliates and/or which are based on sales volume of Lincoln Financial Group products. LFS-affiliated companies also benefit financially from the sale of Lincoln Financial Group life insurance, annuity, mutual fund, asset management, and other products offered by IARs. These arrangements present conflicts of interest for LFS and IARs as they create financial incentives for LFS and IARs to recommend products for which they and their affiliates receive the highest rate and amount of compensation and other benefits, rather than other available products for which they and their affiliates receive relatively lower or no compensation and benefits. We address this conflict of interest by disclosing it to you and by requiring that there be a review of your account and transactions at account opening and periodically to determine whether they are suitable and in your best interest in light of your investment objectives, financial circumstances, and other characteristics. Because of the way products are priced and marketed, in certain circumstances, IARs will receive higher compensation for the sale of products offered by companies not affiliated with Lincoln Financial Group. In these circumstances, IARs have a conflict of interest given their financial incentive to recommend these other products.

Certain IARs who move their practices to LFS receive significant loans from LFS to help facilitate their transition from a prior firm to LFS. These loans are based on a percentage of the revenue earned, compensation received, or assets serviced or managed by the IAR at their prior firm. LFS makes these loans to IARs at interest rates and on other terms that are more favorable than IARs would be able to obtain from other lenders. Depending on the arrangement between LFS and the IAR, the repayment of these loans is fully or partly forgiven or waived by LFS when the IAR reaches specified sales or revenue generation levels or when the IAR has been affiliated with LFS for a specified length of time. With respect to loans that are forgiven or waived by LFS based on sales or revenue generation, certain loans are forgiven or waived by LFS based on the IAR's total sales and revenue generation across all products and services offered through LFS, including both Lincoln Financial Group and non-Lincoln Financial Group products and services, while other loans are forgiven or waived by LFS based solely upon the IAR's accumulation of assets in LFS's CWA and/or WealthLinc investment advisory programs or sale of other proprietary Lincoln Financial Group products and services. In certain circumstances, loan forgiveness and waivers are also funded by additional compensation for sales and revenue generation. These forgivable loan arrangements create conflicts of interest for the IAR because they have an additional financial incentive to remain affiliated with LFS until their outstanding loan balance is forgiven or waived by LFS; encourage clients to engage LFS to provide services and, in particular, those services that result in the forgiveness or waiver of their outstanding loan balance, rather than other available services (*e.g.*, an IAR may recommend that a client select an LFS investment advisory account relationship over a broker-dealer account relationship in order for the IAR to earn additional loan forgiveness based on their accumulation of assets in LFS's CWA and/or WealthLinc investment advisory programs); encourage clients to purchase products and services through LFS and, in particular, those products and services that result in the forgiveness or waiver of their outstanding loan balance, rather than other available products and services; and otherwise achieve specified levels of sales or revenue generation that will result in the forgiveness or waiver of their outstanding loan balance, which has the potential to impact the account-type, product, and service recommendations and selections the IAR makes for you and your account. LFS's current production-based forgivable loan program is governed by controls and policies that are designed to help ensure that the loan amount provided to any IAR is not disproportionate to the IAR's applicable production and compensation amounts earned historically. Additionally, the amount that is forgiven in any one year of the term of the loan is capped, unless an exception is granted. This structure and approach are designed to avoid unduly influencing an IAR to generate disproportionate production or compensation in any given year in an attempt to have large outstanding loan

balances forgiven. Please see your IAR's Form ADV, Part 2B for additional information regarding any forgivable loans they have outstanding with LFS.

The conflicts of interest arising from the IAR compensation arrangements described above are addressed by the fact that LFS and its affiliates have designed and implemented reasonable policies and procedures to help ensure that IARs make recommendations, including account-type recommendations, and provide advice that is suitable for and in the best interest of their clients in compliance with applicable best interest requirements and fiduciary obligations. In particular, LFS addresses these conflicts by disclosing them to you and requiring that there be a review of your account and transactions at account opening and periodically to determine whether they are suitable and in your best interest in light of your investment objectives, financial circumstances, and other characteristics. In addition, LFS maintains a supervisory system that includes conducting periodic supervisory and compliance inspections and audits related to the advice and recommendations being provided by IARs.

## **CASH SWEEP PROGRAM FOR ACCOUNTS HELD WITH NFS**

In its capacity as broker-dealer of record for accounts held with NFS, LFS offers a "cash sweep" program that allows clients to have their cash balances awaiting investment (*e.g.*, from cash deposits, securities transactions, dividend and interest payments, and other activities) automatically deposited, or "swept," into a core account investment vehicle, or "cash sweep," that LFS makes available for their account type. Effective on or about March 5, 2024, LFS's cash sweep program will provide clients with access to LFS's Insured Bank Deposit Account (the "IBDA"), LFS's Insured Bank Retirement Advisory Account (the "IBRAA" and, together with the IBDA, the "Programs"), or a money market mutual fund as described below. For additional information regarding the cash sweep available for your account type, please speak with your IAR and review the information in this Brochure, in your account-opening documentation, and at [www.lfsecurities.com](http://www.lfsecurities.com) under My accounts—Disclosures.

### **Bank Sweep Programs**

#### ***IBDA - Insured Bank Deposit Account (Symbol: QBLFQ)***

Effective on or about March 5, 2024, LFS will designate its Insured Bank Deposit Account, or "IBDA" (Symbol: QBLFQ), as the default and only cash sweep that is available for use by IBDA-eligible accounts held with NFS. The IBDA will be available to: individuals, acting for themselves or through an agent or fiduciary, whether having a single account or a joint account; trust accounts; sole proprietorships; certain IRAs and health savings accounts ("HSAs") that do not participate in any of LFS's fee-based investment advisory programs; certain tax-exempt non-profit organizations; and accounts beneficially owned by entities organized to make a profit, including corporations, limited liability companies, partnerships, limited liability partnerships, associations, business trusts, and other organizations. Account types that will not be eligible to participate in the IBDA include accounts for: employee benefit plans, including those subject to Title I of ERISA and those subject to Sections 403(b) or 457 of the Internal Revenue Code; Keogh plans; voluntary employees' benefit association, or "VEBA," plans; small employer plans, such as SEP IRAs, SIMPLE IRAs, and solo 401(k) plans; IRAs and HSAs that participate in any of LFS's fee-based investment advisory programs; and non-U.S. clients.

Clients using the IBDA as their cash sweep will have their cash balances awaiting investment automatically swept into Federal Deposit Insurance Corporation ("FDIC") insurance eligible accounts at one or more FDIC-insured program banks ("Program Banks") that participate in the IBDA. Through the IBDA, participating clients will be eligible for up to a maximum of \$2.5 million in FDIC insurance coverage for individual accounts or up to \$5.0 million in FDIC insurance coverage for joint accounts, subject to clients' total amounts on deposit with the Program Banks, applicable FDIC rules, Program Bank availability, and other factors. Additionally, clients participating in the IBDA will receive interest on their cash deposits with the Program Banks ("Program Deposits") through the IBDA at a rate that varies based on the amount of their Program Deposits through the IBDA, as described in LFS's Interest Rate Schedule, which is available from your IAR and at [www.lfsecurities.com](http://www.lfsecurities.com) under My accounts—Disclosures. The interest rates payable on clients' Program Deposits through the IBDA are subject to change without notice to clients, so clients should consult LFS's Interest Rate Schedule frequently. Interest on clients' Program Deposits through the IBDA will be accrued daily, compounded monthly, and reflected on clients' account statements from NFS. Clients are solely responsible for monitoring the total amount of deposits

they have with each Program Bank (both through the IBDA and outside of the IBDA) in order to determine the extent of FDIC insurance coverage available to them on their deposits and to identify any of their deposits that are not covered by FDIC insurance.

In connection with the IBDA, LFS, NFS, and IntraFi Network LLC, the administrative service provider for the Programs (the “Administrator”), are paid fees by each Program Bank that participates in the IBDA based on a percentage of clients’ average daily Program Deposits through the IBDA. These fees are equal to a percentage of all clients’ Program Deposits through the IBDA. Actual amounts will vary, but in no event will the total amount of fees that LFS receives and retains exceed 600 basis points (6.00%) annually across all clients’ deposit accounts with the Program Banks (“Deposit Accounts”) in the IBDA, as determined by the total Program Deposits in the IBDA over a 12-month rolling period. LFS will in certain circumstances earn fees that are higher or lower than that amount from individual Program Banks participating in the IBDA. LFS reserves the right to reduce all or a portion of the fees it receives in connection with the IBDA, and the amount of any such reductions may vary among clients. For additional information regarding the compensation that LFS receives in connection with clients’ use of the IBDA as their cash sweep and LFS’s related conflicts of interest, see the sections entitled Disclosures Applicable to Both the IBDA and the IBRAA and Additional Information Regarding the IBDA and the IBRAA below.

### ***IBRAA - Insured Bank Retirement Advisory Account (Symbol: QRLFQ)***

Effective on or about March 5, 2024, LFS will designate its Insured Bank Retirement Advisory Account, or “IBRAA” (Symbol: QRLFQ), as the default and only cash sweep that is available for use by IBRAA-eligible accounts held with NFS. Eligibility for the IBRAA will be limited to certain IRAs and HSAs that participate in LFS’s fee-based investment advisory programs. Account types that will not be eligible for the IBRAA include: SEP IRAs; SIMPLE IRAs; IRAs and HSAs that do not participate in any of LFS’s fee-based investment advisory programs; and accounts for non-U.S. clients.

Clients using the IBRAA as their cash sweep will have their cash balances awaiting investment automatically swept into FDIC insurance eligible accounts at one or more FDIC-insured Program Banks that participate in the IBRAA. Through the IBRAA, participating clients will be eligible for up to a maximum of \$2.5 million in FDIC insurance coverage for their accounts, subject to clients’ total amounts on deposit with the Program Banks, applicable FDIC rules, Program Bank availability, and other factors. Additionally, clients participating in the IBRAA will receive interest on their Program Deposits through the IBRAA at the rate described in LFS’s Interest Rate Schedule, which is available from your IAR and at [www.lfsecurities.com](http://www.lfsecurities.com) under My accounts—Disclosures. The interest rate payable on clients’ Program Deposits through the IBRAA is subject to change without notice to clients, so clients should consult LFS’s Interest Rate Schedule frequently. Interest on clients’ Program Deposits through the IBRAA will be accrued daily, compounded monthly, and reflected on clients’ account statements from NFS. Clients are solely responsible for monitoring the total amount of deposits they have with each Program Bank (both through the IBRAA and outside of the IBRAA) in order to determine the extent of FDIC insurance coverage available to them on their deposits and to identify any of their deposits that are not covered by FDIC insurance.

In connection with the IBRAA, LFS receives a level monthly fee for each account that participates in the IBRAA. LFS’s monthly per account fee does not vary based on the amount of clients’ Program Deposits in the IBRAA. The amount of LFS’s monthly per account fee: (i) will be no less than \$0.01 and no more than \$30.00; (ii) varies based on the Federal Funds Target Rate (the “FFT Rate”) as of the date that is two business days prior to the end of the preceding month; and (iii) will be calculated by the Administrator based on a fee schedule set by LFS (the “IBRAA Fee Schedule”) and disclosed in LFS’s Bank Sweep Program Disclosure Document, which is available at [www.lfsecurities.com](http://www.lfsecurities.com) under My accounts—Disclosures. LFS generally anticipates that the monthly per account fee that it charges in connection with the IBRAA will be offset by the amounts paid by the Program Banks in connection with clients’ Program Deposits in the IBRAA. However, LFS reserves the right to withdraw from clients’ accounts LFS’s full monthly per account fee, or any portion thereof, in the event or to the extent that the amounts received from the Program Banks for the month are less than LFS’s monthly per account fee specified in the IBRAA Fee Schedule for the same month. NFS and the Administrator will also each charge a monthly fee in connection with the IBRAA, which will be based on a percentage of clients’ average daily Program Deposits through the IBRAA and deducted from the amounts paid by the Program Banks in connection with clients’ Program Deposits in the IBRAA. For additional information regarding the compensation that LFS receives in connection with clients’

use of the IBRAA as their cash sweep and LFS's related conflicts of interest, see the sections entitled Disclosures Applicable to Both the IBDA and the IBRAA and Additional Information Regarding the IBDA and the IBRAA below.

### ***Disclosures Applicable to Both the IBDA and the IBRAA***

As summarized herein and described in greater detail in LFS's Bank Sweep Program Disclosure Document, which is available at [www.lfsecurities.com](http://www.lfsecurities.com) under My accounts—Disclosures, clients' use of the IBDA or the IBRAA as their cash sweep creates significant financial benefits for LFS, NFS, and the Administrator, and conflicts of interest for LFS.

In connection with their participation in the IBDA or the IBRAA, the Program Banks pay higher interest rates than the interest rates that clients will receive on their Program Deposits. The amount of the fees paid to LFS, NFS, and the Administrator will directly affect and significantly reduce the interest rates clients are paid on their Program Deposits, because the fees LFS, NFS, and the Administrator receive significantly reduce the amount of interest paid by the Program Banks that is available to be paid to clients on their Program Deposits. In connection with the IBDA, LFS retains the difference between the interest paid by the Program Banks and the interest clients receive, after the fees due to NFS and the Administrator are paid. LFS refers to this differential between the interest paid by the Program Banks and the interest clients receive as the "fees" that LFS, NFS, and the Administrator receive in connection with the IBDA. In connection with the IBRAA, LFS receives a level monthly fee for each account that participates in the IBRAA, as described above. LFS sets the fees that it charges in connection with the Programs. This discretion creates a conflict between LFS's interests and clients' interests because LFS's determination of its share of the interest it retains as compensation directly affects and significantly reduces the interest clients earn on their Program Deposits. The higher the compensation paid to LFS, the lower the interest paid to clients; the lower the compensation paid to LFS, the higher the interest paid to clients. With limited exception, LFS will retain a substantially greater share of the interest received from the Program Banks as compensation in connection with clients' Program Deposits than what is credited to clients. Additionally, with limited exception, LFS will retain a substantially greater share of the interest received from the Program Banks as compensation in connection with clients' Program Deposits than what is paid to NFS and the Administrator. The fees paid to LFS, NFS, and the Administrator will have a greater impact on the interest rates that clients receive than the amount of interest paid by each Program Bank. The fees LFS charges are not based on LFS's costs in connection with maintaining the Programs and are in addition to other compensation that LFS and IARs receive with respect to clients' accounts. The fees that LFS receives in connection with the Programs are higher than the compensation that LFS would receive in connection with other core account investment vehicles that NFS makes available, including money market mutual funds, that LFS has not selected as the default and only cash sweep for IBDA-eligible and IBRAA-eligible accounts.

Clients participating in the IBDA or the IBRAA through accounts enrolled in any of LFS's fee-based investment advisory programs, including the CWA Choice Program, should understand that LFS receives significant fees from the Program Banks as a result of clients' Program Deposits and that these fees are in addition to the asset-based investment advisory fees that investment advisory clients directly pay LFS in connection with their Program Deposits. As described above, LFS charges investment advisory clients asset-based investment advisory fees based on the total market value of their assets under management, including, but not limited to, their Program Deposits. As a result, LFS receives two layers of fees on investment advisory clients' Program Deposits when they participate in the IBDA or the IBRAA through accounts enrolled in any of LFS's fee-based investment advisory programs (*i.e.*, asset-based investment advisory fees and fees from the Program Banks). When the interest rate that investment advisory clients receive on their Program Deposits is lower than the asset-based investment advisory fees that they pay LFS in connection with their Program Deposits, investment advisory clients will experience net negative overall returns with respect to their Program Deposits. When evaluating the appropriateness of LFS's asset-based investment advisory fees, investment advisory clients should consider the fees that LFS receives from the Program Banks in connection with the Programs.

The fees that LFS receives from the Program Banks in connection with clients' Program Deposits are a significant source of revenue and profit for LFS and present conflicts of interest for LFS. In particular, LFS has conflicts of interest in connection with the Programs given its financial incentive to: (i) exercise its discretion to set the fees that it charges in connection with clients' Program Deposits (and therefore, the revenue that it receives) at high levels, which will directly affect and significantly reduce the interest rate payable to clients (*i.e.*, the higher the fees set, imposed, and received by LFS, the lower the interest rate payable to clients on their Program Deposits); (ii) exercise its discretion to select the IBDA and

the IBRAA as the default and only core account investment vehicles, or “cash sweeps,” that are available for use by IBDA-eligible accounts and IBRAA-eligible accounts, respectively, rather than other cash sweeps made available by NFS that would generate relatively lower or no revenue for LFS and provide higher yields or returns to clients; (iii) recommend or advise that all IBDA-eligible and IBRAA-eligible account holders use the IBDA and the IBRAA, respectively, as their cash sweep, rather than closing their accounts, transferring their assets to other account types that do not use the IBDA or the IBRAA as their default and only cash sweep option, if possible, or transferring their assets to other financial institutions; (iv) recommend or advise that all IBDA-eligible and IBRAA-eligible account holders increase their Program Deposits, including by recommending or advising that they make cash deposits, sell securities, and take other actions that generate cash balances in their accounts that will be swept to the IBDA or the IBRAA, as applicable; (v) recommend or advise that all IBDA-eligible and IBRAA-eligible account holders hold high levels of Program Deposits for extended periods of time, rather than taking other available actions such as withdrawing cash from their accounts or purchasing money market mutual funds or other investment options that are available for clients to purchase outside of the Programs (which would generate relatively lower or no revenue for LFS and provide higher yields or returns to clients); (vi) recommend or advise that all IBDA-eligible and IBRAA-eligible investment advisory clients use the IBDA and the IBRAA, respectively, as their core account investment vehicle (rather than closing their accounts, transferring their assets to other account types that do not use the IBDA or the IBRAA as their default and only cash sweep option, if possible, or transferring their assets to other financial institutions), increase their Program Deposits, and hold high levels of Program Deposits for extended periods of time, which allows LFS to receive fees from the Program Banks in addition to asset-based investment advisory fees on investment advisory clients’ Program Deposits; (vii) include Program Banks that pay the highest interest rates on the Program Bank list, rather than other Program Banks that pay relatively lower interest rates, which will increase LFS’s fees in connection with the IBDA and support LFS’s monthly per account fee in connection with the IBRAA; (viii) recommend or advise that clients invest through IBDA-eligible and IBRAA-eligible accounts, rather than through other account types that LFS makes available but that do not participate in the Programs (including, but not limited to, accounts for which LFS does not serve as broker-dealer of record, accounts held directly with third-party product sponsors, accounts in the third-party asset management programs that LFS makes available to clients, and accounts that are not eligible to participate in the Programs as described in LFS’s Bank Sweep Program Disclosure Document); (ix) recommend or advise that clients invest through IBDA-eligible and IBRAA-eligible accounts that can hold the highest amount of cash, rather than other available accounts that limit the amount of cash that can be held (*i.e.*, commission-based accounts can generally hold an unlimited amount of cash, while accounts enrolled in LFS’s fee-based investment advisory programs are generally subject to cash concentration limits and will in certain circumstances have defined cash allocations set by third-party money managers, asset allocation providers, or model providers); (x) recommend or advise that clients invest through account types that will cause LFS to receive the highest compensation on their Program Deposits (*i.e.*, recommend or advise that clients invest through either IBDA-eligible accounts or IBRAA-eligible accounts based on which Program will cause LFS to receive the highest compensation in connection with clients’ Program Deposits); and (xi) recommend itself as the broker-dealer of record and NFS as the custodian for clients’ accounts, rather than other available broker-dealers and custodians, which allows LFS to access the Programs and receive fees in connection with clients’ use of the Programs as their cash sweep.

The fees that LFS charges in connection with the Programs will in certain cases be higher than the fees charged by other firms that provide similar account-type services regarding cash sweeps. The interest rate clients’ Program Deposits earn will in certain cases be lower than interest rates available to depositors making deposits directly with the same bank or with other depository institutions. Banks do not have a duty to provide the highest rates available in the market and may instead seek to pay a low rate. Lower rates are more financially beneficial to a bank. There is no necessary linkage between the rates of interest on clients’ Program Deposits and other rates available in the market, including, but not limited to, money market mutual fund rates.

Program Deposits will pay a significantly lower interest rate to clients than other available cash equivalent products, including, but not limited to, money market mutual funds, that IARs can recommend or select in investing other portions of clients’ accounts. This presents a conflict of interest for LFS because LFS will receive significantly greater compensation on clients’ Program Deposits than it would on equivalent amounts of clients’ cash invested in other available investments that can be purchased and held in other portions of clients’ accounts. This conflict of interest influences LFS to make the IBDA and the IBRAA the default and only cash sweeps available for use by IBDA-eligible accounts and IBRAA-eligible accounts, respectively.



The revenue that LFS receives from the Program Banks in connection with the Programs will be significantly greater than the revenues that LFS would receive from (i) certain sweep options (e.g., money market mutual funds) that are available at other brokerage firms and (ii) other cash sweeps that NFS makes available and that LFS has used in the past or may consider using in the future.

LFS addresses these conflicts of interest by, among other things, disclosing them to clients; making other investment options, including, but not limited to, money market mutual funds, available for clients to purchase outside of the Programs; and by requiring that there be a review of clients' accounts and transactions at account opening and periodically to determine whether they are suitable and in clients' best interests in light of their investment objectives, financial circumstances, and other characteristics.

### ***Additional Information Regarding the IBDA and the IBRAA***

For additional information regarding the IBDA and the IBRAA, clients should carefully review LFS's Bank Sweep Program Disclosure Document, which is available at [www.lfsecurities.com](http://www.lfsecurities.com) under My accounts—Disclosures or from their IAR. LFS's Bank Sweep Program Disclosure Document provides detailed information regarding the Programs, including how and when clients' cash is swept to the Program Banks, clients' options if they do not wish to consent to the IBDA or the IBRAA as their cash sweep, FDIC insurance coverage and applicable limitations, the compensation that LFS receives from the Program Banks as a result of clients' use of the Programs, LFS's conflicts of interest in connection with the Programs, and other important matters. Additionally, for important information regarding the current interest rates that clients will receive on their cash deposits in the Programs, the Program Banks participating in the Programs, account eligibility for the Programs, LFS's compensation and conflicts of interest in connection with the Programs, the "money market mutual fund overflow" feature of the Programs, and frequently asked questions regarding the programs, clients should carefully review the other Program-related disclosures available at [www.lfsecurities.com](http://www.lfsecurities.com) under My accounts—Disclosures or request copies of such disclosures from their IAR. After reviewing the important Program-related disclosures herein and on LFS's website, clients should address any questions they may have with their IAR before consenting to the IBDA or the IBRAA as the cash sweep for their accounts.

### ***Money Market Mutual Funds***

Effective on or about March 5, 2024, LFS will designate Fidelity® Government Cash Reserves ("FDRXX"), a government money market fund, as the default and only cash sweep that is available for selection by accounts held with NFS that are not eligible to participate in the IBDA or the IBRAA (as described above and in LFS's Bank Sweep Program Disclosure Document). The current prospectus and other important information regarding FDRXX can be obtained from your IAR and on LFS's website at [www.lfsecurities.com](http://www.lfsecurities.com) under My accounts—Disclosures. Clients are encouraged to review the prospectus for FDRXX for detailed information regarding the fund's expenses and other important matters before selecting or consenting to the use of FDRXX as the cash sweep for their accounts.

If your account with LFS uses FDRXX or any other money market mutual fund as a cash sweep, please contact your IAR with any questions you may have regarding the fund or to request a current prospectus for the fund. For important information regarding the compensation that LFS receives in connection with clients' use of certain money market mutual funds as cash sweeps and LFS's related conflicts of interest, please see the section entitled Clearing Firm Relationship above.

### ***Investment Products Available for Purchase Outside LFS's Cash Sweep Program***

Regardless of the cash sweep option that LFS makes available for clients' account types, all clients can invest in money market mutual funds and other investment options that LFS makes available for purchase outside of LFS's cash sweep program. Clients should understand that LFS's cash sweep program is not a long-term investment option, and they should not view it as such. If clients desire, as part of an investment strategy or otherwise, to maintain cash positions in their accounts for other than a short period of time and/or are seeking the highest yields available in the market for their cash balances, clients should contact their IAR to discuss investment options that are available for them to purchase outside of



LFS's cash sweep program, including, but not limited to, money market mutual funds, that could potentially be better suited to their needs and goals.

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**Item 6: Performance-Based Fees and Side-By-Side Management**

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LFS and the IARs do not charge fees based on a share of capital gains on or capital appreciation of client assets in the CWA Choice Program.

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**Item 7: Types of Clients**

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LFS generally provides investment advisory services to CWA accounts for individuals, high net worth individuals, pension and profit-sharing plans, charitable organizations, corporations and other businesses, and state or municipal government entities. Requirements for opening and maintaining an account, such as minimum account size, are described above in Item 4, Advisory Business.

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**Item 8: Methods of Analysis, Investment Strategies and Risk of Loss**

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**METHODS OF ANALYSIS AND INVESTMENT STRATEGIES**

LFS's investment services generally cover exchange-listed securities, over-the-counter securities, foreign securities, ETFs, warrants, fixed-income securities, options, AIs, annuities, insurance products, corporate debt, municipal securities, U.S. Treasury and government agency bonds, unit investment trusts, commercial paper, certificates of deposit, mutual funds, and other securities. Certain securities and investment products, including certain mutual funds, annuities, and insurance products, are managed or distributed by LFS's affiliates.

**CWA Choice Program**

Each Adviser managing a CWA Choice Program account chooses their own research methods, investment style, and management philosophy. The investment strategies used by Advisers include long- and short-term purchases. Advisers use a number of sources of financial information in their analyses of securities and creation of client portfolios, including materials made available through EPS, financial publications, research reports, timing and rating services, third-party asset management firms, model portfolio providers, annual reports, prospectuses, other SEC filings, and other sources of information. Research services are received in various forms, including written reports, electronic communications, software, meetings, and telephone contacts with individuals and companies in the securities and financial industries. Various methods of analysis are used, including charting, technical analyses, and fundamental analyses. Clients should be aware that the third-party asset management firms, model portfolio providers, and other research and information sources used by IARs to analyze securities and create client portfolios have an incentive to, and often will, propose their own proprietary mutual funds, ETFs, and other securities and investment products as potential solutions for IARs to consider for client accounts; however, IARs retain full decision-making authority with respect to the securities and other recommendations or selections they make for clients' CWA Choice Program accounts.

Within the CWA Choice Program, the Adviser directs the investment and reinvestment of client assets in the Program Account. The Program Account is managed by the Adviser consistent with an investment style selected by the client using investments including mutual funds, ETFs, stocks, bonds, options, AIs, annuities, insurance products, and other securities and investment products, as appropriate. On a periodic basis, the Adviser will review the client's account and direct the management and allocation of the investments within the account depending on the client's investment objectives. CWA Choice Program accounts may be managed by an Adviser on a non-discretionary basis (*i.e.*, where the Adviser obtains the client's authorization before entering any buy or sell orders in the client's account) or, after specific written consent is obtained from the client and approved by LFS, CWA Choice Program accounts may be managed by an Adviser on a discretionary basis (*i.e.*, where the Adviser is not required to obtain the client's authorization before entering buy or sell orders in the client's account). Where discretionary authority is granted to the Adviser, the authority is limited to trade authorization and does not extend to the transfer of funds or securities from the account on behalf of the client, except for the purpose of debiting fees from the Program Account or another account or product designated by the client for the payment of fees. Clients should understand that securities transactions in their account, including those effected by Advisers

using discretionary authority, will in certain circumstances constitute taxable events to which capital gains or other taxes apply. As a result, clients should consult with their tax advisors to discuss any questions they may have regarding the tax implications of transactions occurring in their account. Additionally, clients should understand that frequent trading in their account can affect investment performance, particularly as a result of increased transaction, trading, and execution fees and taxes.

Clients have the ability to impose reasonable restrictions on their Adviser's management of their account, including on their Adviser's discretionary authority. Any such reasonable restrictions must be in writing and may include, as an example, restrictions on investing in particular industries, companies, securities, or types of securities as described above in Item 4, Advisory Business.

Where applicable, Advisers have the ability to use a holistic approach in managing multiple accounts to a client's objectives and risk tolerance and for tax efficiency. LFS has tools that Advisers can utilize in this regard or Advisers may use their own expertise in making recommendations to address those concerns. A tool that is available for this purpose is the Multi Account Management ("MAM") system, which allows for the merging of CWA Choice Program accounts into a management group. The management group has a single model attached to it that allows the aggregate of all accounts in the management group to be managed to a single asset allocation, financial objective, and goal. This tool generally will suggest that taxable income producing assets be held in qualified accounts for tax efficiency purposes. The accounts will be grouped into a single performance reporting group, so clients will see their overall allocation in the aggregate in both online and quarterly performance reports. Since this tool operates at a management group level, there will in certain cases be fewer trades per individual account for clients. While the overall asset allocation of the management group will be aligned with the client's overall investment objectives and risk tolerance, the allocation and/or holdings of each individual account will in certain cases vary from the overall investment objective and risk tolerance.

## **RISK OF LOSS**

Investments made and the actions taken for client accounts are subject to various material risks, including market, liquidity, currency, economic, and political risks, among others, and will not necessarily be profitable. In addition, there are material risks associated with the securities and other investment products in which you can invest, including, but not limited to, mutual funds, ETFs, interval funds, options, AIs, and annuities. Additionally, clients that utilize margin loans, SBLs, and SBLOCs are subject to additional material risks, including, but not limited to, the potential for greater losses given the fact that clients must repay their outstanding margin loan, SBL, and SBLOC balances regardless of the underlying value of the securities collateralizing their margin loan, SBL, or SBLOC. Before investing, clients should review the prospectus or other applicable offering documents of the particular securities and investment products they intend to purchase to ensure they understand the material risk factors applicable to those particular securities and investment products and their investments therein. Similarly, clients should carefully review the disclosure documents and client agreements applicable to margin accounts, SBLs, and SBLOCs they intend to use to ensure that they understand the additional, material risk factors applicable to the use of such products. Investing in securities involves risk of loss that clients should be prepared to bear. Clients should understand that all investments involve material risk, that investment performance can never be predicted or guaranteed, and that the value of client accounts will fluctuate due to market conditions and other factors. Clients are assuming the material risks involved with investing in securities and could lose all or a portion of the amount invested and held in their account. The performance of accounts managed by different IARs will often vary greatly. Past performance is not a guarantee of future results.

## **Item 9: Disciplinary Information**

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LFS is a registered broker-dealer and investment adviser. This section contains information about certain legal and disciplinary events that LFS believes are material to a client's evaluation of its advisory business or the integrity of its management. LFS and certain of its financial professionals have also been subject to other legal and disciplinary events relating to their brokerage and investment advisory businesses that LFS does not view as material to a client's evaluation of LFS's advisory business or the integrity of its management. Additional information regarding LFS's and its financial professionals' legal and disciplinary histories can be found in Part 1 of LFS's Form ADV, which is available on the SEC's

website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov), and on the Financial Industry Regulatory Authority, Inc.'s ("FINRA") BrokerCheck website at <https://brokercheck.finra.org/>.

On November 14, 2016, FINRA accepted LFS's Letter of Acceptance, Waiver and Consent whereby FINRA found that LFS failed to establish, maintain and enforce a supervisory system, including written supervisory procedures ("WSPs"), reasonably designed to (1) ensure the security of confidential customer information stored on electronic systems at LFS branch offices; and (2) ensure the preservation, retention and review of consolidated reports produced by registered representatives and provided to LFS customers, and failed to retain certain consolidated reports. LFS consented to a censure and monetary fine of \$650,000 and, with respect to Item (1), by June 14, 2017, an officer of LFS was required to certify in writing to FINRA that LFS had (a) completed a review of its WSPs and systems; and (b) implemented necessary revisions to such procedures and systems that are reasonably designed to achieve compliance with Rule 30 of Regulation S-P. To date, LFS is not aware of any misuse of customer information stemming from the unauthorized access of the cloud server. LFS has taken several corrective actions and implemented several enhancements relating to consolidated account statements, including instituting a policy and reporting system to ensure all consolidated customer account statements are retained and reviewed, and adopting a WSP for manually entered assets.

#### **Item 10: Other Financial Industry Activities and Affiliations**

In addition to LFS's registration as an investment adviser, LFS is also registered as a broker-dealer and sells stocks, bonds, ETFs, mutual funds, AIs, annuities, insurance products, options, and other securities, investment products, and services. IARs are also generally registered representatives of LFS. Some of LFS's executive officers are also registered representatives of LFS and officers of LNL and LLANY. The proportion of time spent on each of these activities cannot be readily determined.

LFS is affiliated with the following companies due to common ownership by LNC:

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

LFS and IARs have various conflicts of interest and financial incentives that are created as a result of compensation, benefit, and other arrangements between IARs, LFS, and LFS's affiliates. These conflicts of interest and the steps LFS takes to address them are described above in Item 5, Fees and Compensation.

LFS and its IARs periodically recommend or select other investment advisers for clients and LFS and its IARs receive compensation as a result of those recommendations and selections. For example, LFS and its IARs have the ability to recommend that clients participate in TAMPs offered by third-party asset management firms and will receive a portion of the advisory fees paid by clients participating in those programs. Additionally, LFS and its IARs have the ability to recommend that clients utilize the services of EPS, Sub-Managers, and Strategists in connection with the CWA Program and the *Lincoln WealthLinc* Alliance Program and will receive advisory fees as a result of clients' participation in those programs. Further, LFS receives marketing support payments and other benefits from certain TAMP sponsors, Strategists, and other sponsors that LFS and its IARs have the ability to recommend or select for client accounts. This creates a conflict of interest for LFS and the IARs given their financial incentive to recommend or select other investment advisers that cause them to receive the highest rate and amount of compensation, rather than other available investment advisers that cause

them to receive relatively lower or no compensation. These conflicts of interest and the steps LFS takes to address them are described above in Item 5, Fees and Compensation. For additional information on LFS's and its IARs' conflicts of interest in connection with TAMPs, the CWA Program, and the *Lincoln WealthLinc* Alliance Program, and how LFS addresses them, please see LFS's Forms ADV, Part 2A for those programs, which are available on our website at [www.lfsecurities.com](http://www.lfsecurities.com) under My accounts—Disclosures or at [www.lfg.com/public/individual/adv](http://www.lfg.com/public/individual/adv), and on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

LFS and your IAR can earn more compensation if you invest through the CWA Choice Program than if you open a brokerage account to buy individual mutual funds or other securities. However, in a brokerage account, you would not receive all the benefits of the CWA Choice Program, such as ongoing investment advice and portfolio management. Additionally, LFS will receive more compensation, and IARs can negotiate higher fees for their services, in connection with a client's participation in certain LFS investment programs than others. Therefore, IARs and LFS have a conflict of interest given their financial incentive to recommend the CWA Choice Program, rather than other available programs and services that would result in relatively lower or no compensation to LFS and the IARs. Additionally, LFS and IARs have a conflict of interest given their financial incentive to recommend the specific LFS investment programs for which they can negotiate and receive the highest rate and amount of compensation. The decision to invest in an advisory program is solely that of the client. LFS addresses these conflicts of interest by disclosing them to you, providing you with a full description of the services provided in, and fees applicable to, each advisory program, and by requiring that there be a review of your account and transactions at account opening and periodically to determine whether they are suitable and in your best interest in light of your investment objectives, financial circumstances, and other characteristics.

## **Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

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### **CODE OF ETHICS**

LFS has adopted an Investment Adviser Code of Ethics (the "Code") and all IARs and "access persons" (as defined under the Investment Advisers Act of 1940, as amended (the "Advisers Act")) are required to understand and follow its provisions. Through the Code, LFS strives to ensure high standards of professional excellence and ethical conduct among its associates. The Code is aligned with Lincoln Financial Group's long-standing shared values of: Integrity, Commitment of Excellence, Responsibility, Respect, Fairness, Diversity, and Employee Ownership. LFS will provide a copy of the Code to any client or prospective client upon request. If you would like a copy of the Code, please contact us at (800) 237-3813 or [LFNAdvisoryServices@lfg.com](mailto:LFNAdvisoryServices@lfg.com).

### **SECURITIES IN WHICH LFS HAS A FINANCIAL INTEREST**

A principal transaction is generally defined as a transaction where an investment adviser, acting as principal for its own account, buys securities from or sells securities to an advisory client. An agency cross transaction is generally defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlling, controlled by, or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction. A cross transaction is generally defined as a transaction where an investment adviser effects a transaction between two or more of its advisory clients' accounts. In the CWA Choice Program, LFS does not engage in principal transactions, agency cross transactions, or cross transactions for advisory client accounts.

LFS and IARs can recommend annuities, model portfolios, and other products that are created, managed, and/or sold by Lincoln Financial Group companies, including, but not limited to, LNL, LLANY, and LFI. For a description of the conflicts of interest to which LFS and its IARs are subject in connection with the recommendation of Lincoln Financial Group products, and how LFS addresses them, please see Item 5, Fees and Compensation, above.

### **PERSONAL SECURITIES TRADING**

LFS, the IARs, and other associated persons have the ability to buy and sell securities identical to those recommended to clients for their personal accounts. Moreover, the IARs can purchase and sell securities and take other actions for their own

accounts, and can recommend the purchase and sale of securities and other actions for others' accounts, that differ from the advice given or actions taken in providing advisory services to you. In addition, any related person may have an interest or position in certain securities which may also be recommended to clients. This creates a conflict of interest in that IARs have a financial incentive to put their own interests ahead of clients' interests. LFS procedures require that client orders be placed ahead of orders for LFS accounts or accounts of IARs. Personal securities transactions by IARs are recorded and monitored by LFS. LFS procedures also prohibit LFS orders and orders for the benefit of IARs from being included in any applicable "block" trades, or orders aggregated across client accounts for the purpose of seeking cost-effective execution of client orders. LFS policies require that best execution be sought for all client orders in which LFS or the IARs are responsible for order entry. Where a conflict of interest exists, this is disclosed to the client in the client service agreement, SIS, or other applicable disclosures in connection with your account or transaction.

## **Item 12: Brokerage Practices**

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For most accounts in CWA, LFS serves as the broker-dealer of record with NFS serving as custodian. Other Fidelity affiliates serve as the broker-dealer and/or custodian for accounts on Fidelity's tax-exempt recordkeeping platform, as indicated in your account-opening documentation. Clients generally must use NFS or one of its affiliates for clearing and execution services. By signing the SIS and client service agreement, client authorizes and directs LFS and the Adviser to trade through the applicable custodian and clearing firm. When LFS acts in the capacity of the broker-dealer on your account, it receives additional compensation which it would not otherwise receive if another firm acted in the capacity of the broker-dealer on your account. LFS's receipt of this additional compensation in its capacity as the broker-dealer on your account creates a conflict of interest for LFS because LFS has a financial incentive to, among other things, recommend itself as the broker-dealer of record and NFS as the custodian for your account (rather than other available broker-dealers and custodians). For additional details regarding the conflicts of interest that LFS has in connection with the various revenue streams it receives as your broker-dealer, please see Item 5, Fees and Compensation, above. LFS addresses these conflicts of interest by disclosing them to you; providing you with the LFS Fee Schedule, which discloses the amount and rate of transaction, trading, execution, and brokerage services charges you will incur for your CWA Choice Program accounts for which LFS serves as the broker-dealer of record, the services you receive, and the securities and other investment products you purchase, hold, and sell in your account; not sharing any transaction, trading, execution, or brokerage service charges with the IARs that recommend products, share classes, transactions, strategies, or services for your account; and by requiring that there be a review of your account and transactions at account opening and periodically to determine whether they are suitable and in your best interest in light of your investment objectives, financial circumstances, and other characteristics.

Not all investment advisers require clients to direct brokerage. By directing brokerage to a particular broker-dealer through the use of CWA, LFS clients may not be able to achieve the most favorable execution of securities transactions and, in those circumstances, this practice will result in higher commissions or less favorable net prices that will cost clients more money. Clients have the option to purchase securities and other investment products recommended by LFS and the IARs through other broker-dealers or agents that are not affiliated with LFS.

Investment managers are generally free to consider NFS's trading capabilities versus other broker-dealers' and clearing firms' trading capabilities and to determine the appropriate execution venue for transactions in client accounts. As a result, investment managers may decide to direct trades away by executing a step-out trade from NFS when they conclude, in their sole discretion, that they will receive best execution for a particular transaction through another broker-dealer or clearing firm. In these circumstances, clients will incur any additional transaction, trading, and execution costs applicable to such step-out trades. Investment managers may decide to execute step-out trades for any number of reasons, including, but not limited to, the type of security being traded or the desire to aggregate trades from multiple clients.

The brokerage practices for the advisory services discussed in this Brochure vary depending on the particular program clients select. Because IARs generally do not have the authority to select broker-dealers and often are not authorized to place discretionary trade orders for client accounts, and because IARs manage their client accounts independently of one another based on each client's unique circumstances and investment objectives, IARs have limited opportunity to aggregate orders for the purchase or sale of securities for various client accounts. Additionally, LFS does not require IARs to aggregate client orders. As a result, orders for each client's account are often placed independently. When IARs do not aggregate client orders for the same securities, some clients purchasing the same securities around the same time likely will receive a

less favorable price or trade execution than other clients, which means that the practice of not aggregating orders likely will cost certain clients more money than other clients for similar or identical trades.

Additionally, IARs often have both accounts that they manage on a non-discretionary basis and accounts that they manage on a discretionary basis. Because IARs are required to obtain client approval for each individual trade order in non-discretionary accounts, IARs often place trade orders for their non-discretionary accounts after they place trade orders for their discretionary accounts, which likely will result in non-discretionary accounts receiving different prices and trade execution than discretionary accounts for similar or identical trades.

## STEP-OUT TRADING

As discussed in Item 5, Fees and Compensation, an investment manager that has the discretion to execute “step-out” trades with broker-dealers other than NFS will incur additional transaction, trading, or execution fees that client will pay as a result of such step-out trades. Additional transaction, trading, and execution fees resulting from step-out trades will increase the client’s cost and negatively impact investment performance. However, a step-out trade can potentially allow the investment manager to achieve better price execution. In cases where an asset-based fee that includes the cost of advisory, brokerage, and custodial services (*i.e.*, a “wrap fee”) is assessed, the asset-based fee does not cover charges resulting from step-out trades effected by an investment manager with broker-dealers apart from NFS.

Investment managers are generally free to consider other broker-dealers’ trading capabilities versus NFS’s trading capabilities as part of their duty to seek best execution and obligations as investment advisers. Investment managers may decide to step-out for a variety of reasons, including to obtain an optimal combination of price and service for the client or to satisfy the investment manager’s best execution obligation. Investment managers have the discretion to utilize step-out trades in circumstances including, but not limited to, those involving equity securities, fixed-income securities, derivatives (*e.g.*, options), thinly traded securities, illiquid securities, and ETFs. A step-out trade occurs in some instances when an investment manager purchases equity securities, fixed-income securities, derivatives (*e.g.*, options), thinly traded securities, illiquid securities, ETFs, or other securities from a different broker-dealer or the broker or dealer selling the securities to obtain a more favorable price or because the particular security is not available through NFS.

In other instances, a step-out trade occurs when the investment manager executes a single trade for multiple clients by aggregating orders into a single “block.” A “block” trade can potentially provide the client with a better overall price and/or return because a single order can potentially result in better execution versus placing multiple separate orders. When an investment manager executes a block order, that investment manager is seeking to obtain best execution and best price. Aggregating transactions into a single trade can potentially afford the investment manager more control over the execution of the trade, including potentially avoiding an adverse effect on the price of the security that could result from effecting a series of separate, successive, and/or competing small trades with multiple broker-dealers or clearing firms.

CWA fees do not cover any fees, costs, or expenses resulting from step-out trades effected with, or through, broker-dealers or clearing firms other than NFS. They also do not cover any mark-ups or mark-downs (*i.e.*, adjustments to your purchase or sale price above or below the current market price of the applicable security) by any such other broker-dealers or clearing firms. As such, clients are responsible for any such additional transaction, trading, and execution fees, costs, and expenses in addition to the applicable program fees. Additional costs resulting from step-out trades typically are included in the net price of the securities traded and typically are not reflected as separately identifiable charges on your trade confirmations or account statements. It is expected that investment managers would typically consider trades executed through NFS to be without commissions or retail mark-ups or mark-downs when comparing the cost of trading securities with other broker-dealers. LFS would expect such a comparison by an investment manager to generally result in a decision to execute most trades through NFS. However, investment managers from time to time believe they are able to obtain better execution utilizing step-out trades.

A general description of the additional costs related to step-out trades can be found on our website at [www.lfg.com/public/individual/adv](http://www.lfg.com/public/individual/adv). If you have any questions regarding this information or step-out trading in your account and related costs, please contact your Adviser.



## **BEST EXECUTION**

In placing orders for the purchase and sale of securities and directing brokerage to effect these transactions, an investment manager's primary objective is to obtain the best qualitative execution for clients in each client transaction so that the client's cost per transaction is the optimal combination of price and service considering all relevant factors, including, but not limited to, the type of security, timeliness of execution, efficiency of execution, and other relevant considerations. As such, an investment manager may choose to execute step-out trades as discussed above and in Item 5, Fees and Compensation.

For additional information on LFS's and the IARs' conflicts of interest in connection with their recommendation of a particular advisory program, broker-dealer, or custodian firm, including the compensation arrangements between LFS and other broker-dealers and custodians, please see Item 5, Fees and Compensation, above.

### **Item 13: Review of Accounts**

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For CWA programs managed by EPS, client accounts, portfolio transactions, and securities holdings are reviewed on an ongoing basis by EPS. All CWA accounts are reviewed periodically by the Adviser and LFS although more frequent reviews are typically completed in the event of significant market or economic developments, a change in a client's investment objectives or financial circumstances, or at the client's request. IARs usually receive quarterly reports of client accounts. These reports are reviewed periodically by LFS and/or the IAR and are reviewed with the client during annual reviews or as part of other meetings and discussions between the IAR and the client. For accounts in the CWA Choice Program, LFS utilizes a series of exception reports and surveillance processes to aid in the periodic review of accounts.

Clients receive a quarterly account statement from the custodian and a monthly activity statement from the custodian in months when there is qualifying activity. Clients will receive transaction confirmations for each transaction that occurs in their Program Account unless the client elects to waive trade confirmations for each individual purchase and sale transaction. Any such election is voluntary, and not a mandatory condition for establishing or maintaining a Program Account. Clients electing to waive receipt of individual trade confirmations will receive a quarterly confirmation statement summarizing all transactions taking place in their account during the quarter, as well as monthly statements from their custodian in months when there is qualifying activity. Year-end tax summaries, including IRS Schedule D information, IRS 1099-INT, and 1099-DIV, if applicable, are provided to clients. Clients also will receive a quarterly statement of account (in hard copy or electronic format) from the CWA vendor selected by LFS. Transaction confirmations and tax reports are provided by the custodian.

### **Item 14: Client Referrals and Other Compensation**

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For a description of economic benefits received by LFS and IARs from entities who are not clients, LFS's and IARs' conflicts of interest as a result of their receipt of those economic benefits, and how LFS addresses those conflicts of interest, please see Item 5, Fees and Compensation, above.

## **CLIENT REFERRAL AND SOLICITATION RELATIONSHIPS**

Clients are obtained primarily through the efforts of IARs. However, various third parties, including, but not limited to, attorneys, accountants, insurance professionals, registered investment advisers, broker-dealers, and lead-generation firms, refer clients to, and solicit clients on behalf of, LFS and IARs. LFS and IARs pay referral fees to certain of these third parties as compensation for their client referral and solicitation services. The referral fees that LFS and IARs pay to these third parties are typically contingent on referred clients entering into an investment advisory relationship with LFS, and are typically a stated percentage of the financial planning, consulting, seminar, or ongoing advisory fees that the referred client pays to LFS. Advisory fees paid by referred clients are agreed to by the referred client and are fully disclosed in their client service agreement, SIS, and other account-opening documents and disclosures, regardless of any referral fees LFS or IARs pay to the third party. In certain circumstances, LFS and IARs pay for referral and solicitation services through alternative fee arrangements, including through flat fees per client referral, monthly fees for participation in referral programs, or other fee structures that are not contingent on referred clients entering into an investment advisory relationship with LFS.

Third parties that have compensated client referral or solicitation arrangements with LFS and its IARs have a conflict of interest given their financial incentive to refer you to LFS and its IARs and to recommend that you engage LFS and its IARs for services, rather than other available service providers that pay these third parties relatively lower or no compensation for their client referrals and solicitations. LFS requires third parties that have compensated advisory client referral or solicitation arrangements with LFS or its IARs to provide clients with important compensation, conflict of interest, and other disclosures to ensure that clients are apprised of the nature of their arrangements with LFS or its IARs. Clients should review these disclosures in detail and address any questions they may have with the IAR to whom they are referred before engaging LFS or the IAR to provide any investment advisory or other services.

## **OTHER COMPENSATION**

LFS and IARs receive various economic benefits from third parties, including those detailed in Item 5, Fees and Compensation, above.

If a client needs certain types of products or services that are not offered by or through LFS, LFS and IARs may refer the client to various third parties that offer the necessary products or services. Examples of these products and services include, but are not limited to, business valuation services, foundation formation services, tax services, trustee services, certain wealth management services, lending services, and certain insurance products and services. LFS and IARs receive referral fees from certain of these third parties to whom clients are referred. This presents a conflict of interest for LFS and its IARs given their financial incentive to refer clients to third-party product and service providers that pay LFS and IARs the highest rate and amount of referral fees and other compensation, rather than other available third-party product and service providers that pay LFS and IARs relatively lower or no referral fees or other compensation. LFS addresses these conflicts of interest by disclosing them to you and by ensuring that you retain ultimate decision-making authority regarding which, if any, third-party product and service providers you engage.

## **Item 15: Custody**

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Program Accounts will be held at a designated custodian. The custodian will forward confirmations of each purchase and sale to the client unless the client elects to waive trade confirmations for each individual purchase and sale transaction. Any such election is voluntary, and not a mandatory condition for establishing or maintaining a Program Account. Clients electing to waive receipt of individual transaction confirmations will receive a quarterly confirmation statement summarizing all transactions taking place in their account during the quarter, as well as monthly statements from their custodian in months when there is qualifying activity.

LFS generally does not provide custodial services for client assets and all client accounts are required to be held with a qualified custodian. 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 for you to compare the information on these statements with reports you receive from LFS, EPS, and your IAR, and we urge you to do so. Please note that there may be minor variations in these reports due to calculation methods and other factors. If you have any questions, please contact your IAR.

LFS and the IARs generally do not take possession of client funds or securities. However, in certain asset management programs, including the CWA Choice Program, clients have authorized LFS to deduct advisory fees from their accounts. While LFS and the IARs do not accept authority to take possession of client assets, this level of account access is considered “custody” under Advisers Act rules. Additionally, LFS allows clients to grant authority to their IARs to initiate transfers of funds and securities on the client’s behalf, including transfers to third parties, through standing written authorizations or instructions. The SEC has determined that this capability is also considered “custody” under Advisers Act rules.

## **Item 16: Investment Discretion**

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In the CWA Choice Program, LFS generally provides investment management services on a non-discretionary basis, meaning that LFS or the IAR obtains client authorization before entering any buy or sell orders in client accounts.

LFS will provide investment management services on a discretionary basis through the CWA Choice Program, 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 to the IAR by such client and the IAR is approved for such activity by LFS. In any event, discretionary authority is limited to trading and does not extend to money movement, including the withdrawal of funds from the client's account, except as authorized in writing for the withdrawal of fees. Specific information regarding the terms of any discretionary trading authority granted to an IAR is found in the applicable client service agreement, discretionary trading authorization, and supporting documentation that a client receives in connection with the CWA Choice Program. Clients should understand that different securities have different internal and external fees, costs, and expenses and that clients' securities-related fees, costs, and expenses will increase or decrease depending on the particular securities selected by client or by their IAR using discretionary authority.

#### **Item 17: Voting Client Securities**

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For the CWA Choice Program, the client is responsible for voting or otherwise acting on all matters for which a securityholder vote, consent, election, or similar action is solicited by, or with respect to, issuers of securities beneficially held as part of the Program Account. LFS does not accept authority to vote client securities or proxies. Clients will receive their proxies or other solicitations directly from their custodian unless the client has provided proxy voting authority to a third party, such as an investment manager. Clients should address any questions regarding a particular solicitation to their IAR.

#### **Item 18: Financial Information**

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

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## What Do Lincoln Financial Advisors Corporation and Lincoln Financial Securities Corporation Do with Your Personal Information?

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. This Privacy Practices Notice (Notice) describes our current privacy practices. While your relationship with us continues, we will update and send you a copy of this Notice when required by law. Even after your relationship with us ends, we will continue to protect your personal information. You do not need to take any action because of this Notice, but you do have certain rights as described below.

We are committed to the responsible use of your information and protecting your individual privacy rights. As such, we look to leading data protection standards to guide our privacy program. These standards include collecting data through fair and lawful means, such as obtaining your consent when appropriate.

We and other financial companies choose how we share your personal information. Federal and state law gives you the right to limit some but not all sharing. Federal law also requires us to tell you how we collect, share, and protect your personal information. Please read this Notice carefully to understand how we collect, use, share, and protect your personal information.

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## Information We May Collect And Use

We collect personal information about you:

- to help us identify you as a consumer, our customer, or our former customer;
- to process your requests and transactions;
- to provide customer service;
- to offer and provide securities, insurance products, and other investment products; financial planning, asset management, and other investment advisory services; and related services to you;
- to process and pay your claims;
- to analyze the information in order to evaluate and enhance our products and services;
- to gain customer insights;
- to provide education and training to our workforce and customers;
- to inform you of products and services that you may find useful; and
- as otherwise permitted by law.

The types of personal information we collect depends on your relationship with us and the products and services you request and may include the following:

- **Information from you:** When you submit your applications and other forms, you give us information such as your name; address; Social Security Number; your financial, health, and employment history; and, if applicable, financial and other information about your business. We may also collect voice recordings and biometric data for use in accordance with applicable law.
- **Information about your transactions:** We keep information about your transactions with us, such as the products you buy from us and the services you engage us to provide; the amount you paid for those products and services; your account balances; your payment details; and your payment history.
- **Information from outside our family of companies:** If you are applying for or 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 and/or businesses.
- **Information from your employer:** If your employer applies for or purchases group products from us, we may obtain information about you from your employer or group representative in order to enroll you in the plan.

When you are no longer our customer, we continue to share and use your information as described in this Notice.

# How We Share Your Personal Information

We may share your personal information within our family of companies and with certain service providers. They may use your information to assist us in:

- processing transactions you, your employer, or your group or other authorized representative have requested;
- providing customer service;
- offering and providing securities, insurance products, and other investment products; financial planning, asset management, and other investment advisory services; and related services to you;
- analyzing the information in order to evaluate and enhance our products and services;
- gaining customer insights;
- providing education and training to our workforce and customers; and
- informing you of products and services that you may find useful.

Our service providers may or may not be affiliated with us. Affiliates are companies related to us by common ownership or control. Nonaffiliates are companies not related to us by common ownership or control. Our service providers include:

- Financial service providers, including third-party administrators; broker-dealers; investment advisers; insurance agents and brokers; financial professionals; reinsurers; and other financial services companies with which we have joint marketing or other arrangements; and
- Non-financial companies and individuals, including consultants; vendors; and companies that perform marketing and other services on our behalf.

Information we obtain from reports prepared by service providers may be kept by the service providers 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. We may execute agreements with our service providers that permit the service providers to process your personal information outside of the United States, when not prohibited by our contracts or applicable law.

When you apply for one of our products or services:

- We may share information about your application with credit bureaus;
- We may provide your information to group policy owners or their designees (for example, to your employer for employer-sponsored plans and their authorized service providers);
- We may provide your information to regulatory authorities, law enforcement officials, and to other nonaffiliated and affiliated parties as permitted by law; and
- In the event of a sale of all or part of our businesses, we may share your information as part of the sale. **We do not sell or release your information to outside marketers who may want to offer you their own products and services unless we receive your express consent; nor do we release information we receive about you from a consumer reporting agency.**

We and other financial companies need to share customers' personal information to run our everyday business. In the section below, we list the reasons we can share your personal information; the reasons we choose to share your personal information; and whether you can limit this sharing.

Reasons we can share your personal information	Does LFN share?	Can you limit this sharing?
<b>For our everyday business purposes—</b> such as to process your transactions, maintain your account(s), respond to court orders and legal investigations, or report to credit bureaus	Yes	No
<b>For our marketing purposes—</b> to offer our products and services to you	Yes	No
<b>For joint marketing with other financial companies</b>	Yes	Yes
<b>For our affiliates' everyday business purposes—</b> information about your transactions and experiences	Yes	No
<b>For our affiliates' everyday business purposes—</b> information about your creditworthiness	No	We don't share
<b>For our affiliates to market to you</b>	Yes	Yes
<b>For our nonaffiliates to market to you</b>	Yes	Yes

Federal law gives you the right to limit only:

- sharing for our affiliates' everyday business purposes—information about your creditworthiness;
- sharing for our affiliates to market to you; and
- sharing for nonaffiliates to market to you.

**State laws and individual companies may give you additional rights to limit sharing of your information. California residents can review our California Privacy Notice located at <https://www.lincolffinancial.com/public/general/privacy/californiaprivacynotice>.**

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## How We Secure Your Personal Information

We have an important responsibility to keep your information safe. We use safeguards to protect your information from unauthorized use, access, and disclosure. To protect your personal information from unauthorized use, access, and disclosure, we use security measures that comply with federal and state law. These measures include, but are not limited to, computer safeguards and secured files and buildings. Our employees are authorized to access your information only when they need it to perform their job responsibilities. Employees who have access to your personal information are required to keep it confidential. Employees are also required to complete privacy training annually.

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## Your Rights Regarding Your Personal Information

This Notice describes how you can exercise your rights regarding your personal information. We comply with all applicable laws and regulations governing the clients' rights with respect to their personal information. We will administer the rights described in this Notice in accordance with your state's specific laws and regulations.

Your state may provide for additional privacy protections under applicable laws. We will protect your information in accordance with these additional protections.

If you would like to act upon your rights regarding your personal information, please provide your full name, address, and telephone number and either email your inquiry to our Data Subject Access Request Team at [DSAR@lfg.com](mailto:DSAR@lfg.com) or mail your inquiry to: Lincoln Financial Group, Attn: Corporate Privacy Office, 1301 S. Harrison St., Fort Wayne, IN 46802. The [DSAR@lfg.com](mailto:DSAR@lfg.com) email address should only be used for inquiries related to this Notice. For general account service requests or inquiries, please call 1-877-ASK-LINC.

**Access to Your Personal Information:** You may submit a written request to receive a copy of your personal information. You may review your personal information in person, or you may ask us to send you a copy of your personal information by mail or electronically, whichever you prefer. We will need to verify your identity before we can process your request. Within 30 business days of receiving your request, we will, depending on the specific request you make, (1) inform you of the nature and substance of the recorded personal information we have about you; (2) permit you to obtain a copy of your personal information; and (3) provide the identity (if recorded) of the persons to whom we have disclosed your personal information within two years prior to the request (If this information is not recorded, we will provide you with the names of those insurance institutions, agents, insurance support organizations, and other persons to whom such information is normally disclosed). If you request a copy of your information by mail, we may charge you a fee for copying and mailing costs.

**Changes to Your Personal Information:** If you believe that your personal information is inaccurate or incomplete, you may ask us to correct, amend, or delete the information. Your request must be made in writing and must include the reason you are requesting the change. We will respond within 30 business days from the date we receive your request.

If we make changes to your personal information as a result of your request, we will notify you in writing and will send the updated information, at your request, to any person who may have received your personal information within the past two years. We will also send the updated information to any insurance support organization that gave us the information and any insurance support organization that systematically received personal information from us within the prior seven years, unless that insurance support organization no longer maintains your personal information.

If we deny your request to correct, amend, or delete your information, we will provide you with the reasons for the denial. You may write to us and concisely describe what you believe our records should say and why you disagree with our denial of your request to correct, amend, or delete your information. We will file this communication from you with the disputed information, identify the disputed information if it is disclosed, and provide notice of the disagreement to the persons and in the manner described in the paragraph above.

**Basis for Adverse Underwriting Decision:** You may ask in writing for the specific reasons for an adverse underwriting decision. An adverse underwriting decision is where we decline your application for insurance, offer to insure you at a higher than standard rate, or terminate your coverage.

**When Your Financial Professional Leaves LFN:** We understand that the relationship you have with your financial professional is important to you. If your financial professional's affiliation with LFN ends and they choose to move to a different financial institution, or if your financial professional's relationship with LFN is terminated, your LFN financial professional may be allowed to take with them copies of all client and account documentation (including, but not limited to, account applications; account statements; and other pertinent forms and information related to you and your accounts), so your financial professional is able to continue their relationship with you and service you through their new firm. LFN will also retain copies of your client and account documentation. You do not need to take any action if you choose to allow your LFN financial professional to keep copies of your confidential information should they leave LFN.



If you do not want your financial professional to keep copies of your confidential information should their affiliation with LFN end, you have the right to opt out\*. If your account with us is a joint account, we will treat an opt-out request by any joint account owner as applying to all joint owners on the account. If you choose to opt out now, or at any time in the future, or wish to withdraw your opt-out request, please contact us by phone at 1-800-248-2285. If you choose to opt out, there will be a 30-day period before your opt out will take effect.

\*Lincoln adheres to all applicable state and federal privacy regulations. Residents of Arizona, California, Connecticut, Georgia, Maine, Massachusetts, Minnesota, Montana, Nevada, New Jersey, New Mexico, North Carolina, North Dakota, Ohio, Oregon, Vermont, and Virginia will be provided an opportunity to opt in for information sharing per applicable state law. If you reside in one of these states, written authorization must be provided to your financial professional in order for them to take your information when they leave LFN.

The information in this Notice applies to the following companies:

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