

**Lincoln Financial Securities Corporation  
Custom Wealth Advantage Program  
Form ADV, Part 2A – Appendix 1  
(Wrap Fee Program Brochure)**

March 27, 2020

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

## Item 2: Material Changes

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This annual updating amendment to the brochure (this "Brochure") for the Custom Wealth Advantage Program ("CWA") offered by Lincoln Financial Securities Corporation ("LFS") is dated March 27, 2020 and the last updating amendment to this Brochure was dated January 3, 2020. Material changes to this Brochure since the last annual updating amendment dated March 29, 2019 include the following:

- LFS intends to begin offering clients model portfolios developed by its affiliate, Lincoln Investment Advisors Corporation ("LIAC"), an investment adviser registered with the SEC, through the CWA Strategist Program. As such, Item 6. Portfolio Manager Selection and Evaluation and other disclosures throughout this Brochure were updated to provide information regarding this new offering, including information regarding: LIAC's service as a Strategist (as defined below) in connection with the CWA Strategist Program; the compensation LIAC will receive for serving as a Strategist; LFS' conflicts of interest in connection with LIAC's service as a Strategist and receipt of compensation; and the roles and responsibilities of LFS, LIAC, and other service providers in connection with this new offering.

Clients are encouraged to read this Brochure in detail and contact their IAR (as defined below) 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 <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 a copy of this Brochure or any other LFS brochure by contacting LFS at (800) 258-3648 or [LFSAdvisoryServices@lfg.com](mailto:LFSAdvisoryServices@lfg.com).

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## **Item 4: Services, Fees and Compensation**

### **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.

As of December 31, 2019, LFS managed approximately \$2.7 billion of client assets on a non-discretionary basis and approximately \$667 million of client assets on a discretionary basis.

LFS offers a wide variety of investment advisory programs and services. Investment adviser representatives of LFS (collectively, "IARs") assist clients in pursuing their financial goals by providing personalized financial planning services and investment solutions.

Any information relating to the tax considerations affecting your financial arrangements or transactions is not intended to be tax advice and should not be relied upon as such. Neither LFS nor the IARs provide tax, legal or accounting advice.

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

- CWA Choice Wealth Management Program; and
- Asset Management Programs, Retirement Plan Services and Other Advisory Services.

For a detailed discussion of each of the advisory programs and services listed above, including the fees and compensation associated with them, you should refer to the Form ADV, Part 2A for the particular program, 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) 258-3648 or by sending us an email at [LFSAdvisoryServices@lfg.com](mailto:LFSAdvisoryServices@lfg.com).

**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 to understand the services you can expect to receive and the costs associated with each of these different types of accounts and relationships with LFS and your LFS financial professional as further described below.**

### **Transaction-based account, such as a brokerage account**

With this type of account, you pay commissions and other charges (such as sales loads on mutual funds) at the time of each transaction, such as the purchase of a mutual fund, stock or other investment product. These commissions are the primary source of compensation for the transaction-based advice provided by your LFS financial professional when making such recommendations. When acting as your broker, your LFS financial professional can make recommendations and provide guidance to you in selecting investment products and services. Your LFS financial professional may also provide investment education and research; these services are incidental to the brokerage services LFS provides. This type of account may be more appropriate than a fee-based

investment advisory account if you do not want ongoing investment advice on assets held in the 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 investment products. This type of account may result in lower costs for you if you expect to trade on an infrequent or occasional basis.

### **Fee-based investment advisory program**

A fee-based investment advisory program, sometimes called a "managed account," may be more appropriate than a transaction-based account, such as a brokerage account, if you want ongoing investment advice and management of your account. This type of account may result in lower trading costs for you, particularly if the program you select does not assess transaction costs separately. LFS acts as a sponsor and introducing broker-dealer in connection with some of the investment advisory programs and services it offers and LFS offers a number of different investment advisory programs and managed accounts.

With this type of account, you will usually 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. The asset-based fee is the 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 an investment product, although you may be charged a transaction charge for executing certain transactions and trades within the account, and you may incur other fees and costs associated with your account.

Transaction charges will not be used to compensate your IAR for his or her services in this type of account. Fees for certain investment advisory programs may be charged as an "all-inclusive" bundled fee based on the value of the assets in your account. This bundled fee usually includes a portfolio management fee, brokerage and transaction costs, and investment advice and is sometimes referred to as a "wrap fee." However, this bundled fee usually will 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 below in this Item 4. Fees vary depending on which LFS programs and services you use. Fees may be billed in arrears or in advance, depending on the program and the terms of your client agreement. Fees typically are charged monthly or quarterly based on the assets held within your account for services such as 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.

Alternative investments ("AIs") may be held in a managed account, but generally for consolidated reporting purposes only. AIs are non-traditional investments such as non-traded real estate investment trusts, limited partnerships, oil and gas programs, managed futures funds, and hedge funds. Generally, AIs are illiquid and not traded on an exchange, but may offer clients opportunities for diversification in their investment portfolios. AIs are usually purchased directly from the sponsor company on a commission basis in a transaction-based account. However, a client may request that an AI be held in a managed account. When an AI that was sold by an LFS financial professional who earned a commission on the sale is held within a CWA account or a CWA Choice Wealth Management Program account, it will be coded as an unsupervised asset, which means that LFS will not provide investment advisory services or oversight on the AI and the AI will be excluded from the advisory fee calculation but reflected as an asset on the performance report. Unsupervised assets are not included in the performance calculation for CWA accounts or CWA Choice Wealth Management Program accounts. Notwithstanding the foregoing, LFS may from time to time permit certain AIs that are not sold for a commission to be held in managed accounts as supervised assets. The AIs permitted to be held as supervised assets by LFS will generally be in a share class designed or intended to be used in connection with a fee-based account. In such cases, LFS will provide investment advisory services and oversight of the AIs as it would with other assets maintained in the managed account and the supervised AI will be included in the calculation of the account's advisory fee and performance. If

these circumstances are applicable to your account, the offering documents for the AI, your client services agreement and/or other account documentation will provide additional information.

Please see the applicable client agreement for additional information. LFS' advisory fees generally are negotiable. Some programs charge separately for asset management services, ongoing investment advice, and transactions. In such programs, you may be charged brokerage costs for transactions in your account in addition to the advisory fees. Fees and other charges are described in more detail in the applicable program's client agreement and Form ADV, Part 2A.

More information about each of LFS' investment advisory programs and services is contained in the applicable LFS Form ADV, Part 2A and is 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 <http://www.adviserinfo.sec.gov>. These Forms ADV, Part 2A may also be requested by contacting LFS at (800) 258-3648 or by sending us an email at [LFSAdvisoryServices@lfg.com](mailto:LFSAdvisoryServices@lfg.com).

## **Wrap Fee Program Services**

### **Custom Wealth Advantage Program**

LFS is the sponsor of CWA, an investment advisory program that provides access to individualized investment management services. LFS allows its IARs and advisory 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 administrative services and/or investment management services for clients electing the CWA investment programs.

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

- **CWA Separately Managed Accounts Program (the "CWA SMA Program").** This program offers a broad array of investment strategies managed by third-party money managers (each, a "Sub-Manager") contracted with EPS, or managed by EPS under a licensing agreement with a Sub-Manager.
- **CWA Mutual Fund Program.** This program consists of mutual fund portfolios managed by EPS.
- **CWA Strategist Program.** This program consists of mutual fund, ETF, or other portfolios managed by EPS or LFS pursuant to the investment recommendations or model portfolios of one or more third-party asset allocation providers (each, a "Strategist").

## **Account Fees**

### **Client Advisory Fees**

Program fees for CWA are assessed based on an annual percentage of the long market value of the client's assets under management, without deducting the value of any short positions or the balance of any margin loan, line of credit, or other lien against the account. The program fees are charged quarterly in advance based on the average daily balance of the client's account in CWA (the "Program Account") during the previous quarter; and the initial fee will be prorated to the end of the calendar quarter if the Program Account is opened on any day other than the first day of a calendar quarter. Fees will be debited from the client's Program Account or such other account that the client designates for the purpose of payment of fees. The maximum annual program fee is 3.00%

of the client's assets under management. However, there is a minimum LFS Sponsor Fee (as defined below) of \$250 per household in CWA, which could result in a program fee percentage above 3.00% depending on the amount of the client's assets under management in CWA. LFS' 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 may be aggregated upon request to achieve fee breakpoints. The householding policy applies to the LFS Sponsor Fee, Adviser Fee, and EPS Fee components (described below) of your CWA account and does not discount or apply to any other fees or costs associated with your CWA account (e.g., strategist or manager fees, custody and clearing fees, etc.). In certain circumstances, LFS may permit accounts falling outside of the criteria listed above to be grouped into a household. Fees are negotiated with each client based on the size and complexity of each client's circumstances. Fees are negotiated at the discretion of LFS. Fees charged vary by office and by Adviser. Certain Advisers provide comparable services for fees that are different from those charged by other Advisers, and some Advisers charge higher fees than other Advisers for similar services. Fees will be debited from the account in accordance with the client authorization in the client services agreement.

The program fee paid by the client includes the LFS platform and administrative fees (the "LFS Sponsor Fee"), the Adviser's fees (the "Adviser Fee"), EPS's administrative and management fees (the "EPS Fee"), and the investment management fees charged by the Sub-Manager(s) and Strategist(s) selected to manage client assets (the "Manager Fee" or "Strategist Fee"), as applicable. Fees charged by each entity providing services to the program vary based on the program selected, the investment products used, and the size of the account and/or household, among other factors. For certain investment strategies, such as certain Strategists using ETFs and Sub-Manager strategies, the custodian and/or broker-dealer may charge an asset-based fee, which may be subject to a minimum dollar amount per account per year, a flat annual dollar amount, or transaction-based charges to account for trading costs. LFS will determine the methodology for charging for trading costs for each program, and LFS will retain all or a portion of the charges assessed to the client for trading activity. This may be included in the program fee or may be assessed as a separate charge by the custodian or broker-dealer. Please see the following description of applicable costs, and their standard ranges, in each CWA investment program.

For all **CWA Strategist Program** accounts established after June 2017 or if your CWA Strategist Program account has gone through a goal modification (a change in your account strategy or portfolio for which you completed and signed a new Statement of Investment Selection ("SIS")) since June of 2017, you will pay the following standard ranges:

LFS Sponsor Fee (inclusive of trading and transaction costs):*	Up to 0.24% of account assets
Adviser Fee:	Up to 2.00% of account assets
EPS Fee:	Up to 0.08% of account assets
Strategist Fee or Manager Fee:	Up to 0.50% of account assets

\*There are no separate fees and costs for trading (the buying and selling of securities) for CWA Strategist Program accounts established after June 2017 or that have gone through a goal modification (as explained above) since June of 2017. Please refer to your client agreement for additional information.

The fees for CWA Strategist Program accounts established prior to June of 2017 will vary from the fees above and may include separate costs for trading and transactions based on the type of mutual fund or other security selected. These fees and transaction costs were disclosed to you at account opening and can also be found at <https://www.lfg.com/public/lincolffinancialsecurities/clientinformation/overview/cost>.

For all **CWA SMA Program** accounts established after June 2017 or if your CWA SMA Program account has gone through a goal modification (a change in your account strategy or portfolio for which you completed and signed a new SIS) since June of 2017, you will pay the following standard ranges:

LFS Sponsor Fee:	Up to 0.20% of account assets
Adviser Fee:	Up to 1.75% of account assets

EPS Fee:	Up to 0.15% of account assets
Manager Fee:	Up to 0.75% of account assets
Broker-dealer and Custodian Fee:*	Up to 0.25% of account assets

\*The Broker-dealer and Custodian Fee is an asset-based fee for trade execution (the buying and selling of securities) and clearance of transactions in CWA SMA Program accounts. The maximum asset-based fee is 0.25% for Equity, Option, Mutual Fund, and Balanced strategies and is 0.20% for Fixed Income strategies. The Broker-dealer and Custodian Fee has a minimum annual account fee of \$200.00.

The fees for CWA SMA Program accounts established prior to June of 2017 will vary from the fees above and would have been disclosed to you at account opening.

For all **CWA Mutual Fund Program** accounts established after June 2017 or if your CWA Mutual Fund Program account has gone through a goal modification (a change in your account strategy or portfolio for which you completed and signed a new SIS) since June of 2017, you will pay the following standard ranges:

LFS Sponsor Fee (inclusive of trading and transaction costs):*	Up to 0.24% of account assets
Adviser Fee:	Up to 2.70% of account assets
EPS Fee:	Up to 0.12% of account assets

\*There are no separate fees and costs for trading (the buying and selling of securities) for CWA Mutual Fund Program accounts established after June 2017 or that have gone through a goal modification (as explained above) since June of 2017. Please refer to your client agreement for additional information.

The fees for CWA Mutual Fund Program accounts established prior to June of 2017 will vary from the fees above and may include separate costs for trading and transactions based on the type of mutual fund or other security selected. These fees and transaction costs were disclosed to you at account opening and can also be found at <https://www.lfg.com/public/lincolnfinancialsecurities/clientinformation/overview/cost..>

An additional charge of up to 15 basis points (0.15%) will be added to your program fee if you elect certain tax management services described in Item 6 below. This charge is paid to the investment manager or the "overlay manager" that applies the tax screening to your investments.

### **Program Costs**

In considering the investment programs described in this Brochure and the brokerage-related services provided by LFS, broker-dealer, the custodian, EPS and their respective affiliates, a prospective client should be aware that the program may cost a client more or less than purchasing the services separately from other advisers or broker-dealers. The factors that should be considered by a prospective client include the size of a client's portfolio, the nature of the investments to be managed, commission costs, custodial expenses, if any, the anticipated level of trading activity, the need for ongoing advice, and the amount of advisory fees for managing the client portfolio. Advisers recommending CWA will receive compensation as a result of a client's participation in the program. The amount of the compensation may be more than what the Adviser would receive if the client participated in other investment programs or paid separately for investment advice, brokerage and other services. IARs may also receive the benefits of discounted LFS Sponsor Fees for CWA based on assets on the platform and/or other factors in certain circumstances. Therefore, the IARs and LFS have a conflict of interest as a result of the financial incentive to recommend CWA over other programs or services such as third-party sponsored programs in which LFS does not receive a sponsor fee. We mitigate this conflict by disclosing it to you, requiring that there be a review of your account at account-opening and periodically to determine whether it is suitable and in your best interest in light of your investment objectives, financial circumstances, and other characteristics, and also reviewing any LFS Sponsor Fee discounts to determine if certain economies of scale or other circumstances justify the lower LFS Sponsor Fees charged by LFS.



## **Fees in Addition to the Wrap Fee**

### **Step-Out Trading**

Investment managers that have the discretion to execute "step-out" trades with a non-associated broker-dealer will incur additional commissions or fees that client will pay as a result of a step-out trade. Any additional trading costs may negatively impact investment performance. However, the decision to execute a step-out trade may allow the manager to achieve better price execution. In addition, some managers do not pass the additional fees or costs on to the client.

In cases where an asset-based fee is assessed for trading costs, the asset-based fee does not cover charges resulting from "step-out" trades effected by an investment manager with broker-dealers apart from those used in CWA. EPS and the investment managers described in this Brochure are generally free to consider their own broker-dealer's trading capabilities versus other brokers' trading capabilities as part of their duty to seek best-execution and obligations as investment advisers.

A "step-out" trade occurs in some instances when an investment manager purchases equity or fixed-income 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 the broker-dealer associated with CWA.

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 provide the client with a better overall price and/or return because a single order could result in better execution versus placing multiple separate orders. When a third-party manager executes a "block" order, that manager is seeking to obtain the best-execution and best price. Aggregating transactions into a single trade may afford EPS, the Strategists, or the Sub-Managers 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 program fees do not cover charges resulting from trades effected with, or through, broker-dealers or clearing firms other than LFS and its clearing firm, or mark-ups or mark-downs by any such other broker-dealers or clearing firms and, as such, clients will be responsible for any such additional execution costs in addition to the applicable program fees. Further, it is expected that EPS, the Strategists, and the Sub-Managers would typically consider trades executed through LFS and its clearing firm 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 LFS' clearing firm. However, EPS, the Strategists, and the Sub-Managers may from time to time believe they are able to obtain better execution utilizing step-out trades.

Clients should review EPS's or the applicable Strategists' or Sub-Managers' Forms ADV, Part 2A to learn if they execute step-out trades and the criteria they use in selecting a broker-dealer or clearing firm to do so.

Further information regarding EPS, Strategist, and Sub-Manager utilization of step-out trades and 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).

Clients should also review a list of the third-party managers at LFS that engage in step-out trading on the Client Disclosure Page for LFS at [www.lfg.com/public/individual/adv](http://www.lfg.com/public/individual/adv).

LFS anticipates that most trades will be placed through the relevant third-party investment manager's own clearing firm for execution because of their execution capabilities and because the all-inclusive bundled wrap fee charged by the third-party investment manager covers trade charges only when trades are executed through their own clearing firm.

Investment managers have the discretion to utilize step-out trades in circumstances including, but not limited to, those involving: equity securities, fixed income securities, certain thinly traded securities, illiquid securities and/or ETFs. Trades can be "stepped-out" to gain best execution and minimize the market impact of trades at a broker-dealer that is not the investment manager's associated broker-dealer. Investment managers may decide to "step-out" for a variety of reasons, such as obtaining an optimal combination of price and service to the client along with satisfying the investment manager's best execution obligation.

### **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 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.

Further information regarding EPS, Strategist, and Sub-Manager utilization of step-out trades and 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).

Any additional transaction fees are further detailed and described in your investment advisory account opening application and/or your client services agreement.

Actual fees charged to a specific client or account will vary and will be disclosed in the SIS signed by the client upon election of services under CWA. Fees will not be charged on the basis of a share of capital gains or capital appreciation of a client's funds or any portion of a client's funds.

Strategists and EPS will direct investments into certain securities, including ETFs and mutual funds that participate in the custodian's designated no transaction fee ("NTF") program. At times, these ETFs and mutual funds may elect to cease participation in the custodian's NTF program. Please see the **Other Client Fees and Expenses** section below for further information on NTF and transaction fee ("TF") mutual fund costs and related 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 and outlined in the individual 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.

### **Terminating Accounts**

A Program Account may be terminated by either party by providing written notice to the other party. Upon termination, any prepaid, unearned fees will be refunded to the client within a reasonable amount of time and on a prorated basis, and any unpaid but earned fee will be due and payable to LFS and other parties providing services to the account.

Your account fees are negotiable and will be debited from your account by the program's custodian. If you terminate your participation in CWA, you will be entitled to a pro-rata refund of any prepaid quarterly fees based upon the number of days remaining in the quarter after termination. Please refer to your client services agreement for additional information regarding the methodology used in calculating your quarterly account fee and applicable reimbursements.

Through its clearing relationship with National Financial Services LLC ("NFS"), LFS receives certain revenue related to margin loans, free credit balances, and debt balances maintained by client accounts in addition to a portion of the Automated Customer Account Transfer Services fee charged by NFS and custodial fees charged to qualified plans and IRAs. However, none of this revenue received by LFS is related to particular assets held by a client (such as a particular mutual fund product, mutual fund share class, or cash sweep vehicle recommended or selected) in Program Accounts, or related to transactions or activity specific to Program Accounts or in its role as the investment adviser on such accounts. The receipt by LFS of these types of revenue from the clearing and custodial firm arrangements will support and defray the costs LFS has related to the ongoing operational and administrative maintenance of client accounts in its role as broker-dealer or the introducing broker-dealer on such client accounts. The payment of this revenue to LFS can be a factor in determining and selecting a particular custodian that we would otherwise select and utilize, such as NFS. We mitigate this conflict by disclosing it to you, ensuring the revenue LFS receives is not shared with the IARs providing investment advisory services and investment recommendations to you and your account, and by requiring that there be a review of your account at account-opening and periodically to determine whether it is 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 charges noted previously, based upon the investments selected, clients may incur certain charges imposed by third parties in connection with the investments made through Program Accounts. These include, but are not limited to: mutual fund or money market 12b-1 and sub-transfer agency fees, mutual fund networking fees, mutual fund or money market management fees and administrative expenses, certain 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. LFS receives a portion of these fees and, as such, LFS has a conflict of interest as it has an incentive to recommend products and strategies that provide LFS higher compensation. We mitigate this conflict by disclosing it to you, crediting back any 12b-1 fees LFS would have otherwise received as the introducing broker-dealer of record to the client account from which it was generated, not sharing any of these revenues with the IAR that recommends transactions or strategies for your account, and by requiring that there be a review of your account at account-opening and periodically to determine whether it is suitable and in your best interest in light of your investment objectives, financial circumstances, and other characteristics. Further information regarding costs and fees charged by a mutual fund, ETF, variable annuity or similar investment vehicle is available in the applicable prospectus.

A client could invest in mutual funds and other investment products directly, without the services of LFS or an Adviser. In that case, the client would not receive the services provided by LFS or the Adviser, which are designed, among other things, to assist the client in determining which mutual funds or other investments are most appropriate given each client's financial condition and objectives. Accordingly, the client should review both the fees charged by the mutual funds and other investment products and the fees charged and services provided by LFS and the Adviser to understand the total amount of fees to be paid by the client and thereby evaluate the services being provided.

Other costs that may be charged to the client, if applicable, and that are not part of the program fee, include retirement account maintenance fees, retirement account termination fees, fees for portfolio transactions executed away from broker, dealer mark-ups, electronic fund and wire transfers, spreads paid to market-makers, exchange

fees, and other fees and charges customary to securities brokerage accounts. LFS receives a portion of the retirement account maintenance fees charged to client accounts. Transaction fees may apply when certain assets are liquidated prior to LFS, EPS or a Sub-Manager commencing investment management services. These direct trading or maintenance costs and fees vary depending on the mutual fund product or other security being purchased or sold and are detailed in the LFS Fee and Commission Schedule, which is provided to you at account opening and may change over time. The LFS Fee and Commission Schedule can be found at <https://www.lfg.com/public/lincolfinancialsecurities/clientinformation/overview/cost>.

### **Mutual Fund Categories and Share Classes**

To the extent that you invest in mutual funds through your CWA account, the mutual fund could either be an NTF mutual fund or a TF mutual fund. An NTF mutual fund does not incur a transaction fee or charge for the buying and selling of the fund. The buying or selling of a TF mutual fund will incur a transaction fee or charge. As mentioned above, the internal mutual fund fees and expenses will vary across mutual fund products and share classes, including NTF and TF mutual funds, as set forth in the prospectus for each mutual fund and/or share class. Please consult with your IAR to ensure you know and understand the types of mutual fund products being utilized in your account and their applicable fees and expenses both internal as well as any external transaction charges, if applicable, for trading such funds.

Your account may incur 12b-1 fees from certain mutual fund share classes that you may own through your LFS fee-based investment advisory account (typically accounts that may own load-waived Class A or non-institutional share class mutual funds, sometimes also referred to as NTF mutual funds). The mutual fund share classes that pay these 12b-1 fees typically have higher internal expenses, but in many cases these mutual fund share classes do not incur transaction fee charges (or commissions) when executing a trade at the clearing firm. These higher internal expenses are assessed to investors who purchase or hold NTF mutual funds. NTF mutual funds may cost you more, depending on the frequency of trading, than TF mutual funds that assess a transaction charge but have lower internal expenses. Mutual fund 12b-1 fees that LFS would have otherwise received as the broker-dealer of record on the account from the clearing and custodian firm are credited back to the client account that generated the 12b-1 fee payment in CWA, which reduces the net cost to the client by the amount credited. Other mutual fund share classes that may have lower internal expenses and do not pay 12b-1 fees may be available; however, those share classes may incur transaction fees (or commissions) with any purchase or sale. Each share class has eligibility standards, including potentially a minimum investment requirement to purchase such share classes. **Clients should not assume that they are always invested in the share class with the lowest internal expenses or costs. Please contact your IAR for more information about share class eligibility and transaction costs, and please review the applicable mutual fund prospectus for further information related to the fund's expenses.** The transaction and trading costs and fees vary depending on the mutual fund product or other security being purchased or sold in your CWA account and are detailed in the LFS Fee and Commission Schedule, which is provided to you at account opening and may change over time. The LFS Fee and Commission Schedule can be found at <https://www.lfg.com/public/lincolfinancialsecurities/clientinformation/overview/cost>.

### **Compensation**

#### **Custodian and Clearing Firm Relationships**

LFS has a financial incentive to select or recommend a particular custodian, and to increase or maintain the amount of client assets held with that custodian, based on the compensation that the custodian provides to LFS and its affiliates. For example, under the agreement between LFS and its clearing firm, LFS is entitled to receive annual business development credits during the term of the clearing relationship, has received non-recurring business development credits, and would be required to make certain payments to the clearing firm if the clearing

relationship were terminated for specified reasons or if LFS failed to maintain specified levels of client assets with the clearing firm. Additionally, LFS is entitled to receive reimbursements for account transfer costs associated with client account transfers into the custodian and clearing firm that represent new assets for the custodian and clearing firm. These account transfer cost reimbursements may not be offered or available to all new clients transferring their assets to the custodian and clearing firm. This creates a conflict of interest for the IAR because he or she could select which clients receive the transfer cost reimbursement. We attempt to mitigate this conflict by disclosing it to you and attempting to ensure that any transfer cost reimbursements provided to a client account is directly proportional to the actual costs incurred by the client in transferring his or her account to the custodian and clearing firm. This further ensures that the IAR does not benefit himself or herself at the expense of the client in terms of these transfer cost reimbursements that are made available to clients.

Where LFS is the introducing broker-dealer on Program Accounts, LFS will act as a broker for transactions in Program Accounts and will assess a transaction charge for certain transactions unless transaction costs are included in the asset-based program fee. Any transaction-based charges assessed by LFS are not shared with the IAR providing services to the Program Accounts. The receipt of transaction charges by LFS presents a conflict of interest for LFS because clients are charged more when there are more trades in their accounts, and LFS therefore has an incentive to encourage you to trade often. We mitigate this conflict by disclosing it to you, disclosing to you the amount of commission and/or trading cost there will be for the products or securities being invested in, not sharing any transaction fee revenue with the IAR that recommends transactions or strategies for your account, and by requiring that there be a review of your account at account-opening and periodically to determine whether it is suitable and in your best interest in light of your investment objectives, financial circumstances, and other characteristics. These transaction and trading costs and fees vary depending on the mutual fund product or other security being purchased or sold in your CWA account and are detailed in the LFS Fee and Commission Schedule, which is provided to you at account opening and may change over time. The LFS Fee and Commission Schedule can be found at

<https://www.lfg.com/public/lincolnfinancialsecurities/clientinformation/overview/cost>.

LFS, as the broker-dealer on such program accounts, has a duty to ensure such transaction charges are reasonable in light of its best execution responsibilities. LFS utilizes NFS for several services related to CWA, including clearance and execution services, through a fully-disclosed clearing agreement. The transaction charges assessed by LFS and disclosed in the LFS Fee and Commission Schedule you receive as part of your account opening paperwork are generally higher than the fees that LFS pays to NFS for clearance and execution of transactions. When acting 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. LFS' 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 the account, transmission of all orders with respect to the account, supervision of all orders and accounts, including maintaining compliance with fiduciary standards and suitability 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 trading and transaction charges apply to the client, and such charges are instead absorbed by the IAR. In cases where the IAR is responsible for paying trading and transaction charges for his or her client's CWA Choice Program account, the IAR has a conflict of interest and an incentive to trade less frequently and to use securities that do not incur transaction charges, such as NTF mutual funds, resulting in lower transaction charges to the IAR and potentially higher internal

investment product expenses for you. We mitigate this conflict 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 back any 12b-1 fees LFS would have otherwise received as the introducing broker-dealer of record to the client account from which it was generated, and requiring that there be a review of client accounts 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 advisory fees and transaction charges assessed to the client. In that case, in addition to the fee you pay for investment advice, you will also pay separate per-trade transaction charges. However, the separate per-trade charges do not include sales commissions payable to the IAR.

LFS does not retain 12b-1 fees paid by mutual funds held in CWA accounts and credits the amounts that LFS would have otherwise received as the broker-dealer of record on the account back to the client account that generated the 12b-1 fee payment. For complete fee details, including account fee schedules and a list of transaction charges, please see your client agreement and supporting documentation that you receive in connection with the program, including the mutual fund prospectuses.

LFS has arrangements with custodians of advisory programs under which LFS provides the custodians with certain services, which vary by custodian. These services generally include, but are 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.

### **Margin and Securities Backed Line of Credit**

If you enter into a margin loan or a securities backed line of credit ("SBLOC") with a lender for one of your accounts maintained in CWA, LFS will receive compensation from the lender based on the total amount of your outstanding loan balance. With margin loans, LFS will receive a percentage of the interest charged by the lender on your outstanding margin loan balance. The amount of interest paid to LFS will vary depending on the outstanding loan balance and other factors and will increase the interest rate charged to you for the margin loan. With an SBLOC, LFS will be compensated by receiving payments from the lender based on the amount of your outstanding loan balance. The total amount of compensation received by LFS may vary depending on each individual SBLOC and will increase the interest rate charged to you by the lender.

LFS and your IAR have an incentive to recommend that you use a margin loan and/or an SBLOC for liquidity purposes rather than liquidating your holdings or using other sources of liquidity. LFS and your IAR will benefit from your margin loan 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 potential fees that could be earned by LFS and your IAR from holding or engaging in future transactions with those assets. For example, by encouraging investors to take out a margin loan or an SBLOC to fund some purchase or financial need rather than liquidate securities, LFS and your IAR will continue to earn fees on the full account value. However, your IAR receives no other compensation, fees, or incentives related to your decision to use a margin loan or an SBLOC or maintain a loan balance.

## **Compensation for the Sale of Securities**

Clients have the option to purchase investment products recommended by LFS and the IARs through other brokers or agents that are not affiliated with LFS. Generally speaking, and not specific to the programs described in this Brochure, commissions and other compensation for the sale of investment products provide the primary compensation for LFS and many of the IARs; however, commissions are not charged by LFS or the IARs in connection with transactions in CWA. LFS generally does not reduce its advisory fees to offset any applicable commissions or transaction costs.

Depending on which product and/or service you purchase, you will receive materials that disclose important information, such as product prospectuses, client agreements, applications, and disclosure brochures. You should read and evaluate this information carefully and contact your IAR with any questions.

LFS has agreements with certain mutual fund companies, insurance companies, broker-dealers, investment advisers, and sponsors and custodians of advisory programs in which they provide compensation and expense reimbursements to LFS in support of the training, education and marketing support required of these products. In addition, LFS may impose certain administrative costs in connection with these programs. The method, timing and amount of payments vary by program and sponsor, and typically will be paid using one or more methodologies such as: a direct reimbursement of certain expenses; payment of a specified dollar amount to participate in certain conferences; payment of a fee or service charge for a transaction; payment of a fee based on sales volume; or a payment of a percentage of assets under management. Depending on the methodology, these payments may include fees in connection with securities transactions, transaction or account-based administrative or service charges, and may include payments of 12b-1 fees or other asset-based fees from money market funds and other mutual funds; however, as noted in the Other Client Fees and Expenses section above, 12b-1 fees received by LFS as the broker-dealer of record for CWA accounts are credited back to the CWA account that generated the 12b-1 fee payment. Payments calculated as a percentage of assets under management range from 0% to 0.25%. Administrative charges, if applicable, range from 0.05% to 0.25% of assets under management. LFS also provides a variety of distribution and marketing support services to mutual fund companies and other product sponsors. The services provided to companies participating in these arrangements include, but are not limited to: opportunities to provide training and education regarding their funds and products, advisors and other firm personnel through office visits, educational events or conferences; review, approval and distribution of mutual fund and other marketing materials to IARs and existing and prospective LFS clients; business planning and other communication and support from home office, field, sales, and specialist personnel; opportunities to provide content for internal communications; and sales related reports and other information and participation in sales campaigns. While the terms of these arrangements vary, each fund family or other product sponsor may pay up to 0.25% of the gross amount of each sale, and/or up to 0.20% annually of the assets of the fund family or product sponsor held by LFS clients in order to support and share in the distribution and marketing costs incurred by LFS. For example, for a \$10,000 transaction with a participating fund family or other product sponsor, LFS may receive up to a one-time \$25 payment, and/or a \$20 annual payment for the period during which the assets remain at the fund family or product sponsor. Certain participating fund families and other product sponsors also make additional payments to LFS for attendance at various educational meetings hosted by LFS throughout the year.

In addition to the mutual fund families and other product sponsors that have formal distribution and marketing support agreements, other mutual fund families and product sponsors make flat dollar payments to LFS from time to time. These payments are not made as part of any formalized sales-based or asset-based agreement, but rather for specific activities including, but not limited to, exhibit booth space or presentation opportunities at LFS meetings.

Certain sponsors of these programs also directly pay for certain educational and training costs of IARs and send their employees to meetings to provide education and training on these programs. LFS has a conflict of interest to

recommend products, services, and strategies on which it receives higher compensation. We mitigate this conflict by disclosing it to you, not sharing any of these revenues with the IAR that recommends transactions or strategies for your account, and by requiring that there be a review of your account at account-opening and periodically to determine whether it is suitable and in your best interest in light of your investment objectives, financial circumstances, and other characteristics. The advisory services sponsors and other companies that provide payments to LFS as described above can be found on LFS' website at [www.lfsecurities.com](http://www.lfsecurities.com) under My accounts—Disclosures.

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

Further, LFS has relationships with both affiliated and non-affiliated companies that provide additional revenue and marketing support to LFS as well as education and training to IARs for the sale of various mutual fund, annuity, life insurance and alternative investment products. This revenue and marketing support received by LFS is not paid to or shared with any IAR. For current information regarding specific revenue and marketing support arrangements, including a list of product sponsors, please go to LFS' website at [www.lfsecurities.com](http://www.lfsecurities.com) under My accounts—Disclosures.

### **IAR Compensation**

Some IARs receive additional compensation and/or incentive awards for reaching certain levels of assets under management in the investment advisory programs or generating a certain amount of revenue (in fees, commissions, or a combination of both) within a certain time period. The client will not be charged any additional fees due to these circumstances. However, the receipt of additional compensation presents a conflict of interest that may affect the judgment of the IAR. We mitigate this conflict by disclosing it to you and by requiring that there be a review of your account at account-opening and periodically to determine whether it is suitable and in your best interest in light of your investment objectives, financial circumstances, and other characteristics.

Most IARs are registered representatives of LFS in its capacity as a broker-dealer, and generally are licensed agents of The Lincoln National Life Insurance Company (“LNL”). In most cases, the IAR can recommend products that are managed and/or sold by Lincoln Financial Group companies provided that the recommendations are suitable given the client's investment objectives and other pertinent factors. When such recommendations are made, the IAR receives compensation on these product recommendations and sales. Lincoln Financial Group companies will profit from any sales of Lincoln Financial Group products to clients of LFS. IARs may be compensated by LFS and/or the product manufacturer via commissions, asset-based fees, and/or other compensation which is built into the costs and charges of the product. This presents a conflict of interest as LFS and the IARs have an incentive to recommend investment products based on the compensation received, rather than on a client's needs. We mitigate this conflict by disclosing it to you and by requiring that there be a review of your account at account-opening and periodically to determine whether it is 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 based on the volume of those sales over time. IARs are also eligible for additional compensation and/or other incentives based on factors such as sales volume of certain Lincoln Financial Group products, the length of time that clients keep assets in the products, and/or the profitability of the products. IARs may also receive compensation based on the sales of Lincoln Financial Group products by other



representatives. 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 will also benefit financially from the sale of Lincoln Financial Group life insurance, annuity, mutual fund and asset management products offered by IARs. These instances present conflicts of interest as these situations create a financial incentive for LFS and IARs to recommend products for which they or their affiliates receive higher compensation. We mitigate this conflict by disclosing it to you and by requiring that there be a review of your account at account-opening and periodically to determine whether it is 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 may receive higher compensation for the sale of products offered by companies not affiliated with Lincoln Financial Group.

Some more experienced IARs who moved their practices to LFS have received loans based on future sales of products and services offered by LFS, including both Lincoln Financial Group and non-Lincoln Financial Group products and services. In the past, some loans were offered based on Lincoln Financial Group products alone. Depending on the arrangement between LFS and the IAR, the repayment of certain of these loans may be fully or partly waived based on reaching certain sales levels or revenues generated by the IAR or the IAR's time spent affiliated with LFS or may be funded by additional compensation for these sales. This arrangement creates a conflict of interest for the IAR in that he or she has an additional financial incentive to achieve specified levels of sales or revenue generation, which could impact the recommendations made to customers. In mid-2017, LFS revised the production-based forgivable loan program to implement new required controls and policies. These controls and policies attempt to ensure that the loan amount provided to an IAR is not disproportionate to the IAR's overall production and compensation amounts earned historically. Additionally, the amount that may be forgiven in any one year of the term of the loan is capped unless an exception is granted. This structure and approach attempt to avoid unduly influencing an IAR to have significant disproportionate production or compensation earned in any given year to attempt to receive a large windfall in having large outstanding loan amounts forgiven.

The conflicts of interest arising from the IAR compensation arrangements described above are mitigated by the fact that LFS, LNL and their affiliated companies have suitability requirements and fiduciary obligations in certain circumstances, such as when LFS and the IARs are acting in an investment advisory capacity, as well as regulatory and compliance rules and procedures which must be followed. In addition, LFS maintains a supervisory system that includes conducting periodic supervisory and compliance inspections and audits. In most instances, IARs may only recommend products offered through LFS where LFS has a selling agreement with the product sponsors. This limitation may not apply in all cases to certain "no-load" mutual funds, ETFs, other securities, and non-registered insurance and annuity products.

## **Item 5: Account Requirements and Types of Clients**

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### **Account Requirements**

The minimum investment amount varies by the CWA investment strategy selected and may vary further by Sub-Manager or Strategist selected by the client. Generally, the investment minimums for the CWA investment strategies discussed above are as follows:

- CWA Separately Managed Accounts Program - \$100,000 for each Sub-Manager selected
- 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 may be higher or lower than listed above. The minimum investment amounts may be negotiable at the discretion of LFS, EPS, Sub-Managers or Strategists, as applicable.

## **Types of Clients**

LFS generally manages CWA accounts for the following client types:

- Individuals;
- High net worth individuals;
- Pension and profit sharing plans;
- Charitable organizations;
- Corporations and other businesses; and
- State or municipal government entities.

## **Item 6: Portfolio Manager Selection and Evaluation**

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### **Selection Process**

EPS selects Sub-Managers for the programs by evaluating certain quantitative and qualitative data. Sub-Managers are reviewed and analyzed by EPS both on an initial and ongoing basis. The information reviewed by EPS may include: rates of return, standard deviation of returns, risk-adjusted returns, assets under management, investment philosophy, adherence to investment style, business reputation, stability of management and investment staff, regulatory history, and experience and capability in managing asset management accounts. EPS periodically reviews the Sub-Managers to facilitate the addition of new managers to the programs. If EPS determines that a Sub-Manager fails to meet its standards under one or more of the above referenced criteria, EPS may replace that Sub-Manager. Sub-Managers may be affiliated with LFS. LFS may also independently review and analyze Sub-Managers and recommend their addition or removal from the programs.

The client ultimately determines the portfolio manager for his or her Program Account, whether electing LFS, EPS, or one or more Sub-Managers to manage the assets in the Program Account.

Not all Sub-Managers calculate and report performance on a uniform and consistent basis. LFS does not independently audit the historical performance published by third-party investment managers, which includes the Sub-Managers. Clients are strongly encouraged to carefully review the third-party investment managers' disclosures regarding prior performance to determine the relevance of the prior performance to the client's account, and whether the prior performance includes any hypothetical or back-tested performance information.

LFS' 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.

As discussed above, in Item 4, Services, Fees and Compensation, LFS offers a wide variety of investment advisory programs and services. EPS will offer various investment strategies for consideration by a client based on the client's needs and objectives, investment time horizon, risk tolerance and other pertinent factors. EPS's research team uses a number of analytical tools and software programs in developing its asset allocation strategies. Among the factors considered in designing these strategies are historical rates of risk and return for various asset classes and correlation among asset class returns. EPS will propose an overall strategy that includes asset allocation and investment portfolio recommendations for the asset classes. A client may elect one or more strategies offered by EPS that is most aligned with the client's objectives and risk tolerance.

## ***Tax Management Services***

You can request that certain tax management services be applied to your account. By requesting tax management services, you are requesting that the investment manager manage your program assets in a manner that attempts to minimize the potential tax burden that would be accrued as a result of the investment strategy you have selected. Please note that the tax management services bear an additional asset-based fee. The application of tax management services may lead the investment manager to take actions in your account that differ from the actions taken in other clients' accounts where tax management services have not been selected. The selection of tax management services may limit the universe of investment managers available for you to select and may cause a divergence in performance from what the investment manager would produce absent any restrictions due to tax considerations.

## ***Impact Investment Screening***

You can elect to apply certain limitations to your account that require the investment manager to avoid investing in certain industries and/or specific companies. This is often referred to as "Impact Investing," "Socially Responsible Investing," or "Environmental, Social and Governance Investing." While there generally is no additional charge for applying this type of restriction to your account, the application of such restrictions may cause a divergence in performance from what the investment manager would produce absent any industry or security restrictions.

## **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 or capital appreciation of client assets.

## **Methods of Analysis and Investment Strategies**

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

## ***CWA Separately Managed Accounts Program***

For the CWA Separately Managed Accounts Program, the client has access to the investment management services of Sub-Managers and their different investment styles, including equity, balanced and fixed income, among others. EPS and the Adviser will recommend individual Sub-Managers and investment vehicles that correspond to the proposed asset classes and styles. For certain Sub-Managers, EPS has entered into a licensing agreement with the Sub-Manager whereby EPS performs model management, administrative and/or trading implementation duties pursuant to the direction of the Sub-Manager. In such cases, the Sub-Manager is acting in the role of an investment model provider (a "Model Provider").

EPS will offer various investment strategies for consideration by a client based on the client's needs and objectives, investment time horizon, risk tolerance and other pertinent factors. EPS's research team uses a number of analytical tools and software programs in developing its asset allocation strategies. Among the factors considered in designing these strategies are historical rates of risk and return for various asset classes and correlation among asset class returns. EPS will propose an overall strategy that includes asset allocation and investment portfolio recommendations for the asset classes. A client may elect one or more strategies offered by

EPS that is most aligned with the client's objectives and risk tolerance. For more information on EPS's investment management services, please see EPS's Form ADV, Part 2A.

### ***CWA Mutual Fund Program***

For the CWA Mutual Fund Program, EPS will create an asset allocation portfolio consisting of one or more mutual funds based on the investment strategy selected by the client. The CWA Mutual Fund Program is a discretionary program managed by EPS, offering model portfolios with various risk/return profiles. Once the client's assets are invested, EPS may add, remove or replace mutual funds at its discretion.

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

### ***CWA Strategist Program***

#### ***Unaffiliated Strategists***

If a client selects a Strategist that is unaffiliated with LFS (each, an "Unaffiliated Strategist") in connection with the CWA Strategist Program, EPS will manage asset allocation portfolios consisting of mutual funds and/or ETFs on a discretionary basis based on the investment recommendations of the Unaffiliated Strategist(s) selected by the client. Each Unaffiliated Strategist shall be retained by EPS pursuant to an agreement with each Unaffiliated Strategist for portfolio management services on terms and in the manner that EPS deems appropriate. For each Unaffiliated Strategist, EPS has entered into a licensing agreement whereby EPS performs model management, administrative and/or trading implementation duties pursuant to the direction of the Unaffiliated Strategist. In such cases, the Unaffiliated Strategist is acting in the role of a Model Provider.

EPS or an affiliate of EPS may serve as an Unaffiliated Strategist for one or more investment options in CWA and may invest all or a portion of a client's assets in the PMC Funds (as defined below) if the client has selected EPS or its affiliate as an Unaffiliated Strategist. The PMC Funds are a proprietary fund family of EPS's affiliate, Envestnet Asset Management, Inc. ("EAM"). As the investment adviser to the PMC Funds, EAM receives a management fee based on the assets invested in the PMC Funds. Where EPS or an affiliate serves as an Unaffiliated Strategist, EPS does not receive compensation for the portion of assets that are invested in the PMC Funds.

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

In addition to Unaffiliated Strategists, LFS offers clients access to an affiliated Strategist, Lincoln Investment Advisors Corporation (“LIAC”), an investment adviser registered with the SEC. If a client selects LIAC as a Strategist in connection with the CWA Strategist Program, LFS will manage asset allocation portfolios consisting of ETFs and/or other securities on a discretionary basis based on model portfolios provided by LIAC. LFS will retain LIAC as a Model Provider and LIAC will provide LFS with model portfolios and related model management services to assist LFS with LFS’ management of the client’s Program Account. As a Model Provider, LIAC will not act in an investment advisory or fiduciary capacity to clients utilizing LIAC as a Strategist. LFS will be acting in an investment advisory and fiduciary capacity to clients utilizing LIAC as a Strategist. LFS has entered into an agreement with EPS pursuant to which EPS will perform administrative and trading implementation duties. EPS will not act in an investment advisory or fiduciary capacity to clients utilizing LIAC as a Strategist.

LIAC is an affiliate of LFS. If a client selects LIAC as a Strategist in connection with the CWA Strategist Program, LIAC will receive a strategist fee for the model management services it provides to LFS. As a result, LFS has a conflict of interest because of its financial incentive to recommend its affiliate, LIAC, over Unaffiliated Strategists, whose selection would not generate strategist fee revenue for LIAC. LFS mitigates this conflict of interest by: disclosing it to you; ensuring that any strategist fee received by LIAC is not shared with the IAR recommending LIAC as a Strategist for your Program Account; ensuring that any strategist fee received by LIAC is reasonable in light of the strategist fees charged for Unaffiliated Strategist programs offered; ensuring that IARs do not have discretionary authority to select a particular Strategist, whether LIAC or an Unaffiliated Strategist, on your behalf; ensuring that IARs are not incentivized or receiving any additional compensation when recommending LIAC over an Unaffiliated Strategist; and requiring that there be a review of your account at account-opening and periodically to determine whether it is suitable and in your best interest in light of your investment objectives, financial circumstances, and other characteristics.

### **Investment Strategies**

Many mutual funds offer multiple share classes available for investment based upon certain eligibility and/or purchase 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), some mutual funds offer institutional share classes or other share classes that are specifically designed for purchase in accounts enrolled in fee-based investment advisory programs. Institutional share classes or classes of shares designed for purchase in investment advisory programs usually have lower expense ratios than other shares classes. However, these share classes may also have higher transaction costs and may have minimum purchase criteria that limit availability to larger transactions. **Clients should not assume that their assets will be invested in the share class with the lowest possible expense ratio. Your IAR may recommend, select, or continue to hold a fund share class that charges higher internal expenses than other available share classes for the same fund.**

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; the asset-based advisory fee charged to the client; the overall cost structure of the advisory program, including the LFS 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, will vary among IARs. The transaction costs and advisory program cost structure is determined by the custodian and LFS, respectively, and is determined based on factors

such as the availability of cost sharing, distribution fees, shareholder servicing fees or 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 profitability of the account or client relationship, including the compensation available to the IAR and the 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 may have higher advisory fees and may be assessed higher transaction charges for the purchase and sale of mutual funds. Similarly, clients that are invested in retail share classes may be charged lower advisory fees, have lower transaction charges, and may 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 may 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 NTF mutual funds will adversely affect the performance of their account when compared to share classes of the same funds that assess lower internal expenses. Please contact your IAR for more information about share class eligibility and transaction costs.

### **Investment Discretion**

Clients that participate in CWA will grant discretionary investment authority to EPS or LFS as further described in the client services agreement. EPS and LFS, as applicable, generally will limit the exercise of this authority to the following circumstances:

- For the CWA Separately Managed Accounts Program, EPS generally will use this grant of discretion to replace investment vehicles, including Sub-Managers, when it deems such a change is necessary; to rebalance a client's account as agreed between the client and EPS; and to liquidate sufficient assets to pay the program fee when necessary and advisable. Where the client has elected a Model Provider, EPS will have full discretionary authority to trade the account in accordance with the Model Provider's recommendations, subject to any reasonable restrictions imposed by client. However, there may be other situations in which EPS will fully use investment discretion, such as to liquidate a position.
- For the CWA Mutual Fund Program, EPS generally will use this grant of discretion to invest in, hold and sell shares in various mutual funds and/or ETFs; to liquidate any "in kind" assets that are transferred into the program; and to liquidate sufficient assets to pay the program fee when necessary and advisable.
- For the CWA Strategist Program, EPS or LFS, as indicated in the client agreement, will use this grant of discretion to invest in, hold and sell shares in various mutual funds, ETFs, or other securities; to liquidate any "in kind" assets that are transferred into the program; and to liquidate sufficient assets to pay the program fee when necessary and advisable.
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Specific information regarding the terms of the discretionary trading authority granted to EPS and LFS is found in the applicable client agreement and supporting documentation that a client receives in connection with CWA.

### **Risk of Loss**

Investments made and the actions taken for client accounts will be subject to various market, liquidity, currency, economic and political risks, among others, and will not necessarily be profitable. Investing in securities involves risk of loss that clients should be prepared to bear. Clients should understand that all investments involve 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 risks involved with investing in securities and could lose all or a portion of the amount held in their account. In addition, certain IARs have greater

latitude in selecting securities and diversification for a client's account. As such, the performance of accounts managed by different IARs may vary greatly. Past performance is not a guarantee of future results.

In addition to the risks listed above, there may be material risks associated with the types of products in which your account invests, including mutual funds and ETFs. Clients should refer to the prospectus or other applicable offering documents of those particular products for a discussion of applicable risk factors for that particular investment.

### **Voting Client Securities**

For the CWA Separately Managed Accounts Program, EPS or Sub-Manager, as applicable, will have the authority to exercise its discretion in 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 Accounts, unless otherwise agreed with the client. The client has the right to revoke this authority at any time. For more information on the proxy voting policies of EPS or any Sub-Manager, please refer to the Form ADV, Part 2A of EPS or the applicable Sub-Manager.

For the CWA Mutual Fund Program and CWA Strategist Program, the client shall be 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 Accounts.

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 7: Client Information Provided to Portfolio Managers**

Once the client selects an Adviser and enters into an advisory relationship, the Adviser will request information from the client regarding the client's financial background, investment experience, investment objectives, and risk tolerance, among other things, in determining the suitability and appropriateness of CWA for the client.

The Adviser will contact the client periodically to determine if there have been any changes in the client's financial information so that the investment strategy of the account may be adjusted accordingly. The information provided by the client will be shared among LFS, the Adviser, EPS and, to the extent applicable, Sub-Managers, and will be used in formulating each of their respective recommendations and strategies in managing client 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 materially changed. The Adviser can then determine whether the account and its investments remain appropriate, or if any changes should be recommended.

### **Item 8: Client Contact with Portfolio Managers**

Once an advisory relationship is established, there are no restrictions on a client's ability to contact LFS or the Adviser. Under certain circumstances, the client may request direct contact with EPS, a Sub-Manager or a Strategist. However, these consultations will occur at the sole discretion of EPS or the applicable Sub-Manager or Strategist.

## **Item 9: Additional Information**

### **Disciplinary Information**

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

- On November 14, 2016, The Financial Industry Regulatory Authority, Inc. ("FINRA") accepted LFS' 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.
- On December 10, 2012, FINRA notified LFS of its acceptance of a Letter of Acceptance, Waiver and Consent (the "December 2012 AWC") signed and submitted to FINRA on November 13, 2012. The December 2012 AWC noted that between March 2007 and December 2009, LFS failed to establish and maintain adequate supervisory systems and written procedures, or failed to reasonably enforce its written procedures in the following areas:
  - (a) By failing to enforce its own procedures that required completion and review of a variable annuity redemption form, LFS failed to adequately supervise the recommendations by LFS representatives to its customers to redeem variable annuities in order to purchase non-securities products.
  - (b) LFS failed to enforce its policies and procedures that prohibited its registered representatives from receiving commissions for any securities transactions occurring in customer accounts where the registered representative was not licensed in both the state of solicitation and the state in which the customer resided at the time of the transaction. This resulted in approximately 2,500 mostly recurring, previously scheduled transactions in established accounts, in which LFS representatives were not properly licensed in the state the customer resided at the time of the commission payment.
  - (c) LFS failed to enforce its supervisory procedures to ensure that all securities related emails sent or received by its registered representatives were captured and retained.

In addition, from March 2007 through at least June 2009, LFS failed to ensure adequate anti-money laundering transactional review was being performed by product sponsors in order to monitor for suspicious transactions for subsequent investments in accounts held directly with a product sponsor and failed to



specify in its internal procedures the timing of required employee anti-money laundering training and which employees require training. Finally, from March 2007 to May 2008, LFS permitted its managers to conduct reviews of their own securities transactions effected on behalf of customers and did not ensure a sufficient sample of the managers' customer files were reviewed during branch audits. Additionally, LFS failed to complete an adequate report to senior management in 2008, detailing known deficiencies of the firm's system of supervisory controls. As a result of the foregoing, LFS violated NASD Rules 2110, 3010, 3011, 3012 and 3110 and FINRA Rule 2010. LFS was censured and fined \$525,000. LFS agreed to these sanctions without admitting or denying the findings.

- On November 20, 2012, FINRA notified LFS of its acceptance of a Letter of Acceptance, Waiver and Consent (the "November 2012 AWC") signed and submitted to FINRA on November 6, 2012. The November 2012 AWC noted that from about January 2008 through about May 2010, LFS failed to establish and maintain a supervisory system and establish, maintain and enforce written supervisory procedures reasonably designed to supervise the activities of its registered representatives. LFS failed to respond to certain "red flags" regarding a registered representative and thus did not detect the existence of a scheme perpetrated through his outside business in which he defrauded investors. This conduct violated NASD Conduct Rules 3010 and 2110 and FINRA Rule 2010. LFS was censured and fined \$175,000. LFS agreed to these sanctions without admitting or denying the findings.
- On February 16, 2011, FINRA notified LFS of its acceptance of a Letter of Acceptance, Waiver and Consent (the "2011 AWC") signed and submitted to FINRA on December 21, 2010. The 2011 AWC noted that between 2002 and 2009 LFS failed to adequately protect customer records and information in the firm's client portfolio management system and allowed certain employees to access its web-based customer account system by using shared log-on credentials without establishing adequate procedures and without controlling or monitoring who had access to the common log-on credentials. In addition, LFS failed to require security software and anti-virus protection and to audit computers owned by its registered representatives and used in connection with LFS' securities business. As a result of the foregoing, LFS violated Rule 30 of Regulation S-P, NASD Rules 3010 and 2110 and FINRA Rule 2010. LFS was censured and fined \$450,000, and the fine was paid in full on February 23, 2011.

## **Other Financial Industry Activities and Affiliations**

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LFS is a registered broker-dealer and its IARs are also generally registered representatives of LFS.

In addition to LFS' registration as an investment adviser, LFS is also registered as a broker-dealer and sells investment products and services, including stocks, bonds, mutual funds, annuities, insurance products and options. Some of LFS' executive officers are also officers of LNL and Lincoln Life & Annuity Company of New York. 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 Investment Advisors 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);
- Westfield Assigned Benefits Company (insurance agency); and
- Lincoln Life Assurance Company of Boston (insurance company).

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

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

LFS and your IAR may earn more compensation if you invest in a program described in this Brochure than if you open a brokerage account to buy individual securities or mutual funds. However, in a brokerage account, you would not receive all the benefits of the programs described in this Brochure, such as ongoing investment advice and portfolio management. Therefore, IARs and LFS have a conflict of interest given their financial incentive to recommend one of the programs described in this Brochure. The decision to invest in an advisory program is solely that of the client. Clients are provided a full description of the services and relevant fees provided under each advisory program. We also require that there be a review of your account at account-opening and periodically to determine whether it is suitable and in your best interest in light of your investment objectives, financial circumstances, and other characteristics.

### **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 call (800) 258-3648 or send an email request to [LFSAdvisoryServices@lfg.com](mailto:LFSAdvisoryServices@lfg.com).

### **Securities in which LFS has a Financial Interest**

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

### **Personal Securities Trading**

LFS, the IARs and other associated persons may buy or sell securities identical to those recommended to clients for their personal accounts. Moreover, the IARs can recommend buying and selling securities for their own accounts or for the accounts of other clients which differ from advice given or actions taken in providing advisory services to the Program Account. 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 an incentive to put their own interests ahead of clients. LFS procedures require that client orders be placed ahead of orders for LFS accounts or accounts of 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 services agreement or the disclosure documents for that program.

### **Review of Accounts**

For CWA programs managed by EPS, client accounts, portfolio transactions and securities holdings are reviewed on a continuing basis by EPS. These accounts are reviewed periodically by the Adviser and LFS although more frequent reviews may be completed based on 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 or discussions between the IAR and the client. For accounts in CWA, LFS utilizes a series of exception reports to aid in the periodic review of accounts. This review is conducted by home office Operations principals.

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 receipt of transaction confirmations. 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.

### **Client Referrals and Other Compensation**

For a description of the economic benefits received by LFS and IARs from entities who are not clients, as well as conflicts of interest created by those benefits and how they are addressed, please see Item 4, Services, Fees and Compensation, above.

### **Solicitor Relationships**

Clients are obtained primarily through the efforts of IARs. At times, a third-party solicitor may refer a client to LFS. Pursuant to Rule 206(4)-3 under the Advisers Act, LFS may pay a referral fee to unaffiliated third parties as compensation for such referral. Rule 206(4)-3 under the Advisers Act requires that LFS document this arrangement pursuant to a written agreement between the parties. In addition, the solicitor is required to deliver to each solicited client a copy of LFS' Form ADV, Part 2A, as well as a separate disclosure letter that describes the relationship between LFS and the solicitor, and the compensation that the solicitor is being paid to refer the client to LFS. The fee that is paid to the solicitor is generally a stated percentage of the advisory fee that the client pays to LFS. The amount of the solicitor fee varies based on different factors, such as the types of services performed by the solicitor. Any advisory fees paid by the client are agreed to by the client and the investment adviser and fully disclosed in the related account opening paperwork, client agreement and related disclosures regardless of any solicitation fees that may be paid to a third-party solicitor by LFS.

### **Other Compensation**

LFS' representatives receive economic benefits from third parties in a number of ways. Many of those are addressed in Item 4, Services, Fees and Compensation above.

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

### **Financial Information**

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

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

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## Information We May Collect And Use

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

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

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## How We Use Your Personal Information

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

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

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## Security of Information

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

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## Your Rights Regarding Your Personal Information

**Access:** We want to make sure we have accurate information about you. Upon written request we will tell you, within 30 business days, what personal information we have about you. You may see a copy of your personal information in person or receive a copy by mail, whichever you prefer. We will share with you who provided the information. In some cases we may provide your medical information to your personal physician. We will not provide you with information we have collected in connection with, or in anticipation of, a claim or legal proceeding. If you request a copy of the information, we may charge you a fee for copying and mailing costs. In very limited circumstances, your request may be denied. You may then request that the denial be reviewed.

**Accuracy of Information:** If you feel the personal information we have about you is inaccurate or incomplete, you may ask us to amend the information. Your request must be in writing and must include the reason you are requesting the change. We will respond within 30 business days. If we make changes to your records as a result of your request, we will notify you in writing and we will send the updated information, at your request, to any person who may have received the information within the prior two years. We will also send the updated information to any insurance support organization that gave us the information, and any service provider that received the information within the prior 7 years. If your requested change is denied, we will provide you with reasons for the denial. You may write to request the denial be reviewed. A copy of your request will be kept on file with your personal information so anyone reviewing your information in the future will be aware of your request.

**Accounting of Disclosures:** If applicable, you may request an accounting of disclosures made of your medical information, except for disclosures:

- For purposes of payment activities or company operations;
- To the individual who is the subject of the personal information or to that individual's personal representative;
- To persons involved in your health care;
- For notification for disaster relief purposes;
- For national security or intelligence purposes;
- To law enforcement officials or correctional institutions; or
- For which an authorization is required.

You may request an accounting of disclosures for a time period of less than two years from the date of your request. 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. Your state may provide for additional privacy protections under applicable laws. We will protect your information in accordance with these additional protections.

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## When Registered Representatives Leave Lincoln Financial Network

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

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

If you have questions about your personal information, please provide your full name, address and telephone number and either email your question to our Data Subject Access Request Team at [DSAR@lfg.com](mailto:DSAR@lfg.com) or mail to:

Lincoln Financial Group  
ATTN: Corporate Privacy Office, 7C-01  
1300 S. Clinton St  
Fort Wayne, IN 46802

\*Lincoln adheres to all applicable state and federal privacy regulations. Residents of Arizona, California, Georgia, Maine, Massachusetts, Minnesota, Montana, Nevada, New Jersey, North Carolina, 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 registered representative.

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

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