

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

March 29, 2019

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[www.lfsecurities.com](http://www.lfsecurities.com)

**This brochure provides information about the qualifications and business practices of Lincoln Financial Securities Corporation. If you have any questions about the contents of this brochure, please contact us at (800) 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 is also 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: Summary of Material Changes

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This brochure (the "Brochure") for Lincoln Financial Securities Corporation ("LFS") is dated March 29, 2019, and the last update of this Brochure was dated July 2, 2018. Material changes since the last annual update of this Brochure include the following.

- **The Custom Wealth Advantage Unified Managed Account Program (“CWA UMA Program”) was removed from the Brochure and is no longer offering the CWA UMA Program to any existing or new clients;**
- **Item 5. Fees and Compensation Section was updated to provide even further detail and descriptions in this Brochure of the various fee components that make up the total fees and compensation paid by clients in each of the Custom Wealth Advantage Programs offered by LFS; Other Client Fees and Expenses has been further updated to include disclosures related to fees received by LFS and conflicts that may exist regarding a Bank Sweep Program, Margin Loans, and Securities Backed Line of Credit that are offered to clients.**
- **The Custom Wealth Advantage Separately Managed Account Program, the Custom Wealth Mutual Fund Program, and the Custom Wealth Advantage Strategist Program have all been moved to a separate LFS Custom Wealth Advantage Wealth Management Wrap Fee Program Brochure which can now be found as an appendix to this LFS Custom Wealth Advantage Choice Wealth Management Program Form ADV, Part 2A.**

Clients are encouraged to read this Brochure in detail and contact their LFS Representative (as defined below) with any questions. If you would like another copy of this Brochure or any other LFS brochure, please feel free to access and download it from our website at:

[www.lfsecurities.com](http://www.lfsecurities.com) under My Accounts-Disclosures or: [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 [LFNAdvisoryServices@lfg.com](mailto:LFNAdvisoryServices@lfg.com).

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## Item 4: Advisory Business

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LFS is an investment adviser registered with the SEC. 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"). Lincoln Financial Group is the marketing name for LNC and its affiliates.

As of December 31, 2018, LFS managed approximately \$2.3 billion of client assets on a non-discretionary basis and approximately \$482 million on a discretionary basis.

LFS offers a wide variety of investment advisory programs and services. Investment adviser representatives of LFS (collectively, identified as "LFS Representatives" or "IARs" in this document but otherwise sometimes identified colloquially or generally as your advisor, investment adviser, planner, financial advisor) 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 on as such. Neither LFS nor the LFS Representatives provide tax, legal or accounting advice.

In addition to the advisory programs and services described in this Custom Wealth Advantage Choice Wealth Management Program Brochure, LFS also offers the following programs and services, which are described in separate Forms ADV, Part 2A or wrap fee brochures:

- LFS Custom Wealth Advantage Wealth Management Wrap Fee Program (that details and describes the Custom Wealth Advantage Separately Managed Account Program, the Custom Wealth Advantage Mutual Fund Program, and the Custom Wealth Advantage Strategist Program which are also referenced and briefly described below).

For a detailed discussion of each of LFS' other investment advisory programs and services, including the fees and compensation associated with each, you should refer to the Form ADV, Part 2A or Wrap Fee Brochure for the particular program, which is available on our website at [www.lfsecurities.com](http://www.lfsecurities.com) or [www.lfg.com/public/individual/adv](http://www.lfg.com/public/individual/adv) and 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 [LFNAdvisoryServices@lfg.com](mailto:LFNAdvisoryServices@lfg.com).

**When you choose to purchase products and services through LFS and work with an LFS Representative, 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 Representative 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 Representative. When acting as your broker, your LFS Representative can make recommendations and provide guidance to you in the selection of investment products and services. Your LFS Representative may also provide investment education, and research; these services are considered to be 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 selected does not assess transaction costs separately. LFS acts as a sponsor and introducing broker in connection with some of the investment advisory programs and services and 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 LFS Representative or 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 be subject to other fees and costs associated with your account.

Transaction charges will not be used to compensate your LFS Representative 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 costs, and investment advice and is generally 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 the account is held. These specific transactions executed at broker-dealers other than the one at which the account is held are sometimes called "step-out" trades and are described further in Items 5 and 12 below. Fees vary depending on which LFS programs and services a client uses. Fees are billed in advance in accordance with the terms of your client agreement. Fees typically are charge 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 ("AI") may be held in a managed account and generally for consolidating reporting purposes only. AI's are non-traditional investments such as Non-Traded REITs, Limited Partnerships, Oil & Gas Programs, Managed Futures Funds, and Hedge Funds. Generally, AI's are illiquid and not traded on an exchange, but may offer clients opportunities for diversification in their investment portfolios. AI's 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 is held within a CWA 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 it will be excluded from the advisory fee but reflected as an asset on the performance report. Unsupervised assets are not included in the actual performance calculation.

Please see the applicable client agreement for additional information. LFS' advisory fees are generally 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 or Wrap Fee Brochure and is available through our website at [www.lfsecurities.com](http://www.lfsecurities.com) or [www.lfg.com/public/individual/adv](http://www.lfg.com/public/individual/adv) and the SEC's website at [www.adviserinfo.se.gov](http://www.adviserinfo.se.gov). These brochures 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).

For additional information regarding services and fees associated with brokerage and fee-based accounts, please refer to the *'Guide to Understanding Your Brokerage and Advisory Relationships,'* which can be accessed in the "Brochures" section of our website at [www.lfsecurities.com](http://www.lfsecurities.com) or [www.lfg.com/public/individual/adv](http://www.lfg.com/public/individual/adv). To request a copy of the *Guide*, please contact your LFS Representative or LFS directly at (800) 258-3648 or email us at [LFSAdvisoryServices@lfg.com](mailto:LFSAdvisoryServices@lfg.com).

### **Custom Wealth Advantage**

LFS is the sponsor of Custom Wealth Advantage ("CWA") Program, an investment advisory program that provides access to individualized investment management services. LFS allows its IARs or 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 various administrative services to CWA clients using the CWA Choice Program (as described below), and to provide administrative services and investment management services for clients electing the other CWA investment programs.

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

- **CWA Choice Program.** This program consists of portfolios managed by an Adviser, which may be composed of mutual funds, exchange traded funds ("ETFs"), individual securities, annuity contracts, and/or other investments based upon the investment strategy agreed upon with the client.
- **CWA Separately Managed Accounts Program.** This program offers a broad array of investment strategies managed by third-party money managers (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 and/or ETF portfolios managed by EPS pursuant to the investment recommendations of one or more third-party asset allocation providers (each, a "Strategist").

**The CWA Separately Managed Account Program, the CWA Mutual Fund Program, and the CWA Strategist Program Brochure are all described in a separate LFS CWA Series Wealth Management Wrap Fee Program Brochure which can be found and is available on our website at: [www.lfsecurities.com](http://www.lfsecurities.com) or <https://www.lfg.com/public/individual/adv> and the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Any of these Forms ADV, Part 2A and Wrap Fee Brochures may also be requested by contacting LFS at (800) 237-3813 or by sending us an email at [LFNAdvisoryServices@lfg.com](mailto:LFNAdvisoryServices@lfg.com).**

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. This information may include: rates of return, standard deviation of returns, risk-adjusted returns, assets under management, investment philosophy, adherence to investment style, business reputation, stability of management and investment staff, regulatory history, and experience and capability in managing 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 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 the Sub-Managers and recommend their addition or removal from the programs.

The client ultimately determines the portfolio manager for his or her account in the CWA program (the "Program Account"), whether electing the Adviser, 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 their ability to provide an overall set of services necessary to administer the program, which may include a variety of functions such as investment research, technology, and administrative support. If LFS, through its ongoing evaluation of any service provider, determines that they are no longer able to perform these services effectively, LFS may replace them with another service provider or discontinue the program.

The minimum investment amount varies by the investment strategy selected, and further by the Sub-Manager or Strategist selected by the client. Generally, the investment minimums are as follows:

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

Actual minimum investment amounts for any investment strategy, Sub-Manager or Strategist can be higher or lower than listed above. The minimum investment requirements may be negotiable at the discretion of LFS, EPS and any Sub-Manager or Strategist, as applicable.

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. A client should promptly contact their Adviser any time the client's financial situation or investment objectives change, or if any of the information previously provided to the Adviser has materially changed. The Adviser can then determine whether the account and its investments remain appropriate, or if any changes should be recommended.

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

## ***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.

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

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### **Client Advisory Fees**

Program fees for the CWA program 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 Program Account of the previous quarter; and the initial fee is prorated to the end of the quarter if the Program Account is opened on any day other than the first day of a 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 client's assets under management. However, there is a minimum program fee of \$250 per household accounts established in Premier which could result in a program fee percentage above 3.00% depending on the size of the client's assets under management. LFS' policy in determining client accounts that qualify as a household is generally defined as accounts of spouses, domestic partners, and/or 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 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 fee, custody and clearing fees, etc.). Situations may arise where LFS reviews accounts that may be householded on a case-by-case basis in which certain accounts may fall outside of the criteria listed above. 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 ("LFS Sponsor Fee"), the Adviser's fees, and EPS's administrative and management fees. If the program selected includes the use of one or more Sub-Managers or Strategists, a portion of the program fees will be paid to the applicable Sub-Manager, Strategist, broker-dealer and custodian to compensate each of them for their respective services. Fees charged by



each entity providing services to the program vary based on the program selected, the investment products used, and the size of the account and/or household, among other factors. For certain investment strategies, such as Strategists using ETFs and Sub-Manager strategies, the custodian and/or broker-dealer may charge an asset-based fee to account for trading costs, which may be subject to a minimum dollar amount per account per year, a flat annual dollar amount, or transaction-based charges may apply. 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 below of these related costs, and their standard ranges in each CWA program.

For all **CWA Choice** accounts, you will pay the following standard ranges:

LFS Sponsor Fee (exclusive of trading and transaction costs)\* Up to 0.20% of account assets

Adviser Fee: Up to 2.50% of account assets

\*In addition to these fees, for all CWA Choice clients there is a separate fee and cost for trading (the buying and selling of securities) for these CWA Choice accounts. These trading and transaction costs and fees vary depending on the fund product or 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 for accounts held (custodied and cleared) by National Financial Service (NFS) can also be found at: <https://www.lfg.com/public/lincolnfinancialsecurities/clientinformation/overview/cost>.

Where LFS acts as the broker-dealer on Program Accounts, the trading and transaction charges are paid to LFS to defray costs associated with trade execution, however, they are not directly related to transaction related expenses of LFS and are a source of revenue to LFS (see the Other Client Fees and Expenses section below for further information on these trading and transaction fees and LFS' role as a broker-dealer on your account). Trading and transaction charges present conflicts of interest. For example, transaction and trading charges vary depending on the type of fund product or security being purchased or sold (As an example and not reflective of the actual trading and transaction costs you may incur (again please the LFS Fee and Commission Schedule for accounts held (custodied and cleared) by National Financial Service found at: <https://www.lfg.com/public/lincolnfinancialsecurities/clientinformation/overview/cost> for actual trading and transaction costs) \$15 for the first 1,000 equity shares traded, \$40 for a corporate bond trade, and \$15 for a transaction-fee (TF) mutual fund), and therefore LFS earns more from transactions or trading that result in an investment with a higher charge. In addition, where transaction charges apply, the more transactions a client enters into, the more revenue or compensation LFS receives. Trading and transaction charges in the CWA Programs are not paid to or shared with LFS Representatives.

In the CWA Program, LFS may also offer advisor-directed portfolios as an account where no separate trading and transaction charges apply to the client, and such charges are instead absorbed by the LFS Representative. In cases where the LFS Representative pays the transaction charges, the LFS Representative has an incentive to trade less frequently and/or to use securities that do not incur transaction charges, such as no transaction-fee (NTF) mutual funds, resulting in lower transaction charges paid by the LFS Representative. We mitigate this conflict by monitoring activity in client accounts and requiring that LFS Representatives document the account reviews they conduct with clients, and other ongoing advice that may not result in transactions in a specific client account.

### **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 a better price execution. In addition, some managers do not pass the additional fee 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 the Custom Wealth Advantage program. 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 for seeking best-execution and obligations as an investment adviser.

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 the Custom Wealth Advantage program.

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 an investment 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-Manager more control over the execution of the trade, including potentially avoiding an adverse effect on the price of the security that could result from effecting a series of separate, successive and/or competing small trades with multiple broker-dealers or clearing firms.

Further information regarding investment managers utilizing step-out trades and a general description of the additional costs 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 investment 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 investment manager's own clearing firm for execution because of their execution capabilities and because the all-inclusive bundled wrap fee charged by the investment manager covers trade charges only when trades are executed through their own clearing firm.

As noted in **Item 4: Advisory Business**, investment managers have the discretion to utilize a step-out trade including but not limited to the following circumstances: equity securities, fixed income securities, certain thinly traded securities, illiquid securities and/or ETF trades. 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 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 clients' 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 consideration. As such, an investment manager may choose to execute "step outs" trades as discussed above.

Please see "**Item 12. Brokerage Practices**" in this Brochure below for further information regarding these practices. Further information regarding EPS, the Strategist, and Sub-Managers utilizing step-out trades and a general description of the additional costs 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 statement of investment selection signed by the client upon election of services under the CWA program. Fees will not be charged on the basis of a share of capital gains or capital appreciation of a client's funds or any portion of a client's funds.

Strategists and EPS will direct investments into certain securities, including exchange traded funds (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) 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.

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 this program, 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 the date upon which the notice of termination is received. 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 the custodian, LFS will receive certain revenue related to assets held, transactions, and activity in Program Accounts. Such revenue typically will include all or a portion of any transaction charges assessed to a client or Adviser in which LFS is the introducing broker-dealer of record on the account (see the **Other Client Fees and Expenses** section below for further information on LFS' role as the introducing brokerage-dealer of record on the account and the associated costs), asset-based revenue from mutual funds designated by the custodian as NTF mutual funds, revenue from cash balances held in certain money market mutual funds or other liquid investment products designated as "cash sweep" vehicles, and a portion of the networking fees the custodian receives from the mutual fund company. LFS, the custodian, and EPS and each of their respective affiliates may share in these fees. The availability of these fees can be used as a factor in negotiating the client's annual account fee and presents a conflict of interest for LFS due to the potential to receive higher compensation for some products and strategies, and due to the potential to receive higher compensation based on the custodian selected. LFS mitigates this conflict by disclosing it to you and by requiring that there be a review of your account at account-opening and periodically to ensure that it is suitable for you in light of matters such as your investment objectives and financial circumstances. The receipt by LFS of these types of asset-based revenue from the clearing and custodial firm arrangements will support and defray the costs LFS has related to the ongoing maintenance of the advisory programs we offer and sponsor to LFS Representatives and clients. As such, advisory program platform costs incurred by LFS Representatives and clients may differ depending on the program being utilized and the products being recommended and selected for clients. Again, 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, and ensuring the compensation and revenue LFS receives related to any assets held, transactions and activity in program accounts is not shared with the LFS Representatives providing investment advisory services and investment recommendations to you and your account.

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. LFS Representatives may also receive discounted LFS Sponsor fees for the CWA programs based assets on the platform and/or other factors in certain circumstances. Therefore, the LFS Representatives 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 ensure that it is suitable for you in light of matters such as your investment objectives and financial circumstances, and also reviewing any LFS Sponsor Fee discounts to determine if certain economies of scale or other circumstance are present in order to justify the lower LFS Sponsor fees charged by LFS. The LFS Representative 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.

### **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, the following: 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 may receive a portion of these fees and, as such, LFS has a conflict of interest as it is incented to recommend a product or strategy that provides 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, and not sharing any of these revenues with the LFS Representative that recommends transactions or strategies and by requiring that there be a review of your account at account-opening and periodically to ensure that it is suitable for you in light of matters such as your investment objectives and financial circumstances. 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, dealer mark-ups, exchange fees, and other fees and charges customary to securities brokerage accounts. Transaction fees apply when certain assets are traded by Adviser in the CWA Choice Program or are liquidated prior to EPS or a Sub- Manager commencing investment management services. These direct trading or maintenance costs and fees vary depending on the fund product or 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 also be found at <https://www.lfg.com/public/lincolnfinancialsecurities/clientinformation/overview/cost>.

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 fee. The transaction-based charges assessed by LFS are not shared with the LFS Representative providing services to the Program Accounts. The receipt of transaction charges by LFS is a conflict of interest. We mitigate this conflict by disclosing it to you, disclosing to you the amount of commission-trading cost there will be for the products or securities being invested in, not sharing any transaction fee revenue with the LFS Representative that recommends transactions or strategies, and by requiring that there be a review of your account at account-opening and periodically to ensure that it is suitable for you in light of matters such as your investment objectives and financial circumstances. These transaction and trading costs and fees vary depending on the fund product or 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 also 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 National Financial Services, LLC ("NFS") for several services related to the CWA program, including clearance and execution services, through a fully-disclosed clearing agreement. The transaction charges assessed by LFS and disclosed in the 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.

LFS offers advisor-directed portfolios as an account where no separate transaction charges apply to the client, and such charges are instead absorbed by the LFS Representative. In cases where the LFS Representative pays the transaction charges, the LFS Representative has an incentive to trade less frequently and/or to use securities that do not incur transaction charges, such as NTF mutual funds, resulting in lower transaction charges to the LFS Representative. We mitigate this conflict by monitoring activity in client accounts and requiring that LFS Representatives document the account reviews they conduct with clients, and other ongoing advice that may not result in transactions in a specific client account. 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 LFS Representative.

LFS does not retain 12b-1 fees it receives from mutual funds held in CWA accounts, and will credit these amounts that LFS would have otherwise received as the broker-dealer of record back to the client account that generated the 12b-1 fee payment. The receipt of any 12b-1 revenue by LFS in our fee-based programs is not paid to or shared with the LFS Representative. 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.

### **Bank Sweep Program**

LFS also makes available cash sweep options for eligible accounts where clients earn interest in a Federal Deposit Insured Corporation (“FDIC”) insured multi bank deposit sweep program (the “Bank Sweep Program”) made available through our custodian and clearing firm NFS. If you elect to participate in the Bank Sweep Program, cash balances will be deposited with participating program banks. You are not required to select this option and can choose any cash sweep option you prefer that is available for your account. Over any given period, the interest rates on cash balances in the Bank Sweep Program may be lower than the rate of return on other core account investment vehicles which are not FDIC insured or on bank account deposits offered outside the Bank Sweep Program. You can find more specific information about the Bank Sweep Program by reviewing the Bank Deposit Sweep Program Disclosure Document. LFS receives compensation from our custodian and clearing firm on cash balances in the Bank Sweep Program based upon the Federal Funds Target Rate, and the compensation paid to LFS affects the interest credited to your account. The revenues generated by the Bank Sweep Program and paid to LFS may be greater than revenues generated and paid to LFS by other cash sweep options available to you.

### **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 the Premier Wealth Management program, 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 affect 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 impact the interest rate charged to you by the lender.

Your LFS Representative has an incentive to recommend that you use a margin loan and/or SBLOC for liquidity purposes rather than liquidating your holdings or using other sources of liquidity. Your LFS Representative 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 and commissions that could be earned by your LFS Representative 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, the firm and financial advisor will continue to earn fees on the full account value. However, LFS Representative receives no other compensation, fees, or incentives related to your decision to open up a margin loan or an SBLOC or maintain a loan balance through one of the TAMP programs.

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

To the extent that your Premier account invests in mutual funds, the mutual fund could either be a no-transaction fee (NTF) fund or a transaction fee (TF) fund. An NTF fund does not incur a transaction fee or charge for the buying and selling of the fund. The buying or selling of a TF 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 applicable fund prospectus for each 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 commission or 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 A or non-institutional share class mutual funds, sometimes also referred to as no-transaction fee (NTF) Funds). The mutual funds 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 funds. NTF funds may cost you more depending on the frequency of trading, than 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 firms are credited back to the client account that generated the 12b-1 fee payment in the Custom Advantage Wealth Program, which reduces the net cost of 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 LFS Representative 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 fund product or security being purchased or sold in your Premier 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 also be found at: <https://www.lfg.com/public/lincolnfinancialsecurities/clientinformation/overview/cost>.

If your CWA account is held by Fidelity Brokerage Services LLC as the broker-dealer of record and you are invested in a mutual fund that incurs a 12b-1 fee, because LFS is not the broker-dealer of record on your account, neither LFS nor any LFS Representative receives those fees nor are these 12b-1 fees credited back to your account.

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 an account enrolled in fee-based investment advisory programs. Institutional share classes or classes of shares designed for purchase in an investment advisory program 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 LFA Representative 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 LFS Representative'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 mutual funds; the asset based advisory fee charged to the client; the overall cost structure of the advisory program including the LFS Sponsor fees; 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 LFS Representatives. 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, LFS Representatives may (but are not required to) consider the overall profitability of the account or client relationship, including the compensation available to the LFS Representative and the expenses associated with providing ongoing advice and service 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 the 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 funds). The higher internal expenses charged to clients who hold NTF funds, will adversely affect the performance of their account when compared to funds that assess lower internal expenses. Please contact your LFS Representative for more information about share class eligibility and transaction costs.

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

LFS has a financial incentive to select or recommend a particular custodian based on other 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 certain non-recurring business development credits, which are cash payments intended to reimburse LFS and its affiliates for a portion of the technology, training and development costs associated with transitioning to a new clearing platform. Although the dollar value of the business development credits is significant, these credits are not tied to the amount of investment advisory client assets custodied with the clearing firm or to particular transactions effected on behalf of advisory clients. LFS and its affiliates also receive additional retention payments during the term of the clearing relationship as well as reimbursement 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 LFS Representative 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 LFS Representative 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.

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

Financial planning and consulting clients have the option to purchase investment products recommended by LFS and the LFS Representatives 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 LFS Representatives; however, commissions are not charged by LFS or the LFS Representatives in connection with transactions in the CWA program. 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 which disclose important information, such as product prospectuses, applications, client agreements, and disclosure brochures. You should read and evaluate this information carefully and contact your LFS Representative 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 fund; however as noted in the Other Fees and Expenses section above, 12b-1 fees received by LFS are credited back to the CWA client 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. The services provided to companies participating in these arrangements include, but are not limited to: opportunities to provide training and education regarding their funds, advisors and other firm personnel through office visits, educational events or conferences; review, approval and distribution of mutual fund marketing materials to advisors 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 these arrangements with each fund family will vary, each fund family 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 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, 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. Certain participating fund families 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 that have formal distribution and marketing support agreements, other mutual fund families 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 may also directly pay for certain educational and training costs of LFS Representatives and send their employees to meetings to provide education and training on these programs. 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 LFS Representative that recommends transactions or strategies and by requiring that there be a review of your account at account-opening and periodically to ensure that it is suitable for you in light of matters such as your investment objectives and financial circumstances. 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).

LFS has agreements 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. Under such agreements, LFS receives compensation from the custodians for its performance of such services, including payments based on assets held in the custodians' NTF mutual fund programs. Under the custodians' NTF

mutual fund programs, participating mutual fund sponsors pay a fee to the custodians to participate in the programs. A portion of those fees are shared with LFS. Such payments vary by custodian and may be up to 0.25% of assets held in NTF mutual funds. The receipt by LFS of these types of asset-based revenue from the clearing and custodial firm arrangements will support and defray the costs LFS has related to the ongoing maintenance of the advisory programs we offer and sponsor to LFS Representatives and clients. As such, advisory program platform costs incurred by LFS Representatives and clients may differ depending on the program being utilized and the products being recommended and selected for clients. Again, we mitigate this conflict by disclosing it to you, ensuring the compensation and revenue LFS receives related to any assets held, transactions and activity in program accounts is not shared with the LFS Representatives providing investment advisory services and investment recommendations to you and your account.

Because LFS receives fees based upon the amount of client assets held in the custodians' NTF mutual fund programs, LFS has a conflict of interest and is incented to recommend the custodians' NTF mutual funds over other investments to receive these custodial service payments. LFS may also receive all or a portion of any transaction fees charged to clients or LFS Representatives, a portion of any custodial fees charged to qualified plans and IRAs, compensation for any mutual fund positions held at the custodian, and other types of compensation from the custodian related to assets held or transactions placed through that custodian. LFS also has a conflict of interest due to the financial incentive to recommend a particular custodian based on the amount or level of NTF custodial service payments and other compensation that custodian provides. We mitigate these conflicts by disclosing them to you, not sharing any of these revenues with the LFS Representative that recommends transactions or strategies and by requiring that there be a review of your account at account-opening and periodically to ensure that it is suitable for you in light of matters such as your investment objectives and financial circumstances.

LFS, the LFS Representatives, 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 LFS Representatives, or to clients, while others are packaged and available as part of an investment advisory program without itemization of the cost of each product or service.

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 LFS Representatives 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 LFS Representative. For current information regarding specific revenue and marketing support, including a list of product sponsors, please go to LFS' website at [www.lfsecurities.com](http://www.lfsecurities.com).

### **LFS Representative Compensation**

Some LFS Representatives receive additional compensation and/or incentive awards for reaching certain levels of assets under management in the investment advisory programs or for generating a certain amount of revenue (in fees, commissions, or a combination of both) within a certain period. The client will not be charged any additional fees due to these circumstances. However, the receipt of additional compensation presents a conflict of interest that may affect the judgment of the LFS Representative. 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 ensure that it is suitable for you in light of matters such as your investment objectives and financial circumstances.

Most LFS Representatives are registered representatives of LFS in its capacity as a broker-dealer, and generally are licensed agents of LNL. In most cases, the LFS Representative 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 LFS Representative 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. LFS Representatives 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 LFS Representatives have an incentive to recommend products on which they receive higher compensation. This presents a conflict of interest and gives LFS and the LFS Representatives 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 ensure that it is suitable for you in light of matters such as your investment objectives and financial circumstances.

In some cases, LFS Representatives receive more compensation when placing Lincoln Financial Group manufactured products and qualify for additional compensation based on the volume of those sales over time. LFS Representatives are also eligible for additional compensation and/or other incentives based on factors such as sales volume of certain Lincoln Financial Group products, the length of time that clients keep assets in the products, and/or the profitability of the products. LFS Representatives may also receive compensation based on the sales of Lincoln Financial Group products by other representatives. Many LFS Representatives 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 LFS Representatives. These instances present conflicts of interest as these situations create a financial incentive for LFS Representatives to recommend products with 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 ensure that it is suitable for you in light of matters such as your investment objectives and financial circumstances.

Because of the way products are priced and marketed, in certain circumstances, LFS Representatives may receive higher compensation for the sales of products offered by companies not affiliated with Lincoln Financial Group.

Some new experienced LFS Representatives moving 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 LFS Representative, the repayment of certain of these loans may be fully or partly waived based on reaching certain sales levels or revenues generated by the LFS Representative or the LFS Representative'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 LFS Representative 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 with new required controls and policies in place. These controls attempt to ensure that the loan amount provided to an advisor is not disproportionate to the advisor's overall production and compensation amounts earned historically and the amount that may be forgiven in any one year of the term of the loan is also capped, unless an exception is granted. This structure and approach attempts to avoid unduly influencing an advisor 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 potential conflicts of interest arising from the LFS Representative 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 LFS Representatives 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, LFS Representatives 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 6: Performance-Based Fees and Side-By-Side Management**

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LFS and the LFS Representatives do not charge fees based on a share of capital gains or capital appreciation of client assets.

## **Item 7: Types of Clients**

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LFS generally provides investment advice to individuals, high net worth individuals, pension and profit sharing plans, charitable organizations, corporations and other businesses, and state or municipal government entities.

Requirements for opening and maintaining an account, such as minimum account size, are listed above in the description for each advisory program or service, if applicable.

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

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

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, CDs, and mutual fund shares. Certain mutual funds, annuity and insurance products, and other managed investment products, including money market funds, may be managed or distributed by an affiliate of LFS.

### ***CWA Choice Program***

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

Within the CWA Choice Program, the Adviser will direct the investment and reinvestment of client assets in the Program Account. The Program Account will be managed by the Adviser consistent with an investment style selected by the client using investments that may include mutual funds, ETFs, stocks, bonds, options, annuity and insurance products and other investments. On a periodic basis, the Adviser will review the client's account and direct the management and allocation of the investments within the account depending on the client's investment objectives. CWA Choice Program accounts generally are managed on a non-- discretionary basis. In certain circumstances, and only after specific written consent is obtained from the client and by LFS, a CWA Choice account may be managed on a discretionary basis by the Adviser. Where discretionary authority is granted to the Adviser, the authority is limited to trade authorization, and does not extend to the transfer of money or securities from the account on behalf of the client, except for the purpose of debiting fees from the Program Account or

such other account designated by the client. Clients may impose reasonable limitations or restrictions on the Adviser, including the Adviser's discretionary authority. Any such limitations are to be in writing and may include, as an example, restrictions on the purchase of particular securities, industries or asset classes.

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

### **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 LFS Representatives have greater latitude in selecting securities and diversification for a client's account. As such, the performance of accounts managed by different LFS Representatives 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.

### **Item 9: Disciplinary Information**

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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 valuation 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 [www.adviserinfo.sec.gov/IAPD/](http://www.adviserinfo.sec.gov/IAPD/).

- On November 14, 2016, FINRA accepted LFS' Letter of Acceptance, Waiver and Consent whereby FINRA found that LFS failed to establish, maintain and enforce a supervisory system, including 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 must certify in writing to FINRA that LFS has 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, the Financial Industry Regulatory Authority ("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.

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

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LFS is a registered broker-dealer and its investment adviser representatives are also generally Registered representatives of LFS.

In addition to LFS' registration as an Investment Advisor, LFS is also registered as broker-dealer selling investment products and services, including stocks, bonds, mutual funds, annuities, insurance products and options. Some of LFS' executive officers are also officers of The Lincoln National Life Insurance Company and Lincoln Life & Annuity Company of New York. The proportion of time spent on each of these activities cannot be readily determined.

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

- The Lincoln National Life Insurance Company (insurance company)
- Lincoln Life & Annuity of New York (insurance company)
- LFA, Limited Liability Company (insurance agency)
- Lincoln Financial Distributors, Inc. (broker-dealer)
- Lincoln Financial Advisors Corporation (broker-dealer and investment adviser)
- Lincoln Financial Investment Services Corporation (broker-dealer)
- 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, LLC (insurance agency)
- Lincoln Financial Group Trust Company, LLC (trust company)
- Lincoln Investment Management Company (investment adviser)
- Westfield Assigned Benefits Company (insurance agency)
- Liberty Life Assurance Company of Boston

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 LFS Representatives 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 LFS Representative 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.

For additional information regarding services and fees associated with brokerage and fee-based accounts, please refer to the *'Guide to Understanding Your Brokerage and Advisory Relationships'*, which can be accessed in the "Brochures" section of our website at [www.lfsecurities.com](http://www.lfsecurities.com) or [www.lfg.com/public/individual/adv](http://www.lfg.com/public/individual/adv). To request a copy of the *Guide*, please contact your LFS Representative or LFS directly at (800) 258-3648 or email us at [LFSAdvisoryServices@lfg.com](mailto:LFSAdvisoryServices@lfg.com). Therefore, LFS Representatives and LFS may have a financial incentive to recommend one of these 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 ensure that it is suitable for you in light of matters such as your investment objectives and financial circumstances.

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

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LFS has adopted an Investment Adviser Code of Ethics (the "Code"), and all LFS Representatives and "access persons" (as defined under the Investment Advisers Act of 1940) 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 on request. If you would like a copy of LFS' Investment Adviser Code of Ethics, please call (800) 258-3648 or send an email request to [LFSAdvisoryServices@lfg.com](mailto:LFSAdvisoryServices@lfg.com).

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.

LFS, the LFS Representatives and other associated persons may buy or sell securities identical to those recommended to clients for their personal accounts. 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 LFS Representatives have an incentive to put their own interests ahead of clients. LFS procedures require that client orders be placed ahead of orders for LFS accounts or accounts of LFS Representatives. Personal securities transactions by LFS Representatives are recorded and monitored by LFS. LFS procedures also prohibit LFS orders and orders for the benefit of LFS Representatives from 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 LFS Representatives are responsible for order entry. Where a conflict of interest exists, this is disclosed to the client in the client services agreement or the disclosure documents for that program.



## **Item 12: Brokerage Practices**

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In the CWA programs, LFS serves as the broker-dealer with National Financial Services LLC ("NFS") acting as custodian. Clients generally must use NFS or one of its affiliates for execution services. By signing the client agreement, client authorizes and directs LFS, the Adviser, EPS and the Sub-Managers to trade through the applicable custodian. When LFS acts in the capacity of the broker-dealer on your account, it receives additional compensation which would not otherwise be received if another firm acted in the capacity of the broker-dealer on your account. This additional compensation received by LFS, in its capacity as the broker-dealer on your account, creates a conflict of interest because LFS has a financial incentive to recommend itself as the broker-dealer on your account. LFS mitigates this risk by disclosing it to you and not sharing any of the broker-dealer revenue it receives on CWA accounts with your LFS Representative.

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

EPS, the Strategists and the Sub-Managers generally are free to consider LFS' preferred broker-dealers' or clearing firms' trading capabilities versus other broker-dealers' and clearing firms' trading capabilities and to determine the appropriate execution venue for transactions in client accounts.

As a result, EPS, the Strategists, and any Sub-Manager that has discretion may determine to direct trades away by executing a "step-out" from LFS' preferred broker-dealers or clearing firms ("step-out trades") when they conclude, in their sole discretion, that they will receive best execution for a particular transaction through another broker-dealer or clearing firm who may or may not impose additional execution costs for the trade. EPS, the Strategists, and the Sub-Managers may decide to execute step-out trades for any number of reasons, including, but not limited to, the type of security being traded or the desire to aggregate trades from multiple clients.

The brokerage practices for the advisory services discussed in this Brochure vary depending on the particular program or service. Because LFS Representatives generally do not have the discretion or authority to select broker-dealers or execute transactions for the advisory services and programs discussed in this Brochure and because LFS Representatives manage accounts on a client-specific basis, LFS Representatives have limited opportunity to aggregate orders for the purchase or sale of securities for various client accounts. When LFS Representatives do not aggregate orders, some clients purchasing the same securities around the same time may receive a less favorable price than other clients. This means that the practice of not aggregating orders may cost clients more money.

### **Step-Out Trades**

As discussed in **Item 5: Fees and Compensation**, third-party investment managers that have the discretion to execute "step-out" trades with a non-associated broker-dealer will incur additional commissions or fees that the 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 trades may allow the manager to achieve a better price execution. Some managers do not pass the additional fee on to the client.

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 in order to obtain a more favorable price or because the particular security is not available through the associated broker-dealer.

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 an investment 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-Manager more control over the execution of the trade, including potentially avoiding an adverse effect on the price of the security that could result from effecting a series of separate, successive and/or competing small trades with multiple broker-dealers or clearing firms.

CWA Program fees do not cover charges resulting from trades effected with, or through, broker-dealers or clearing firms other than LFS and its clearing firms, 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 firms to be without commissions or retail mark-ups or mark-downs when comparing the cost of trading for equity 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' preferred broker-dealers or clearing firms. 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 investment managers utilizing step-out trades and a general description of the additional costs 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).

### **Best Execution**

In placing orders for 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 clients 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 consideration. As such, an investment manager may choose to execute "step outs" trades as discussed above and as noted above and in **Item 5: Fees and Compensation**.

For additional information on conflicts of interest created by the recommendation of a particular advisory program and the resulting broker-dealer or custodian, including compensation arrangements between LFS and the other broker-dealer or custodian, please see the section on "Fees and Compensation" above.

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

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For CWA programs managed by EPS, client accounts, portfolio transactions and securities holdings are reviewed on 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. LFS Representatives usually receive quarterly reports of client accounts. These reports are reviewed periodically by LFS and/or the LFS Representative and are reviewed with the client during annual reviews or as part of other meetings or discussions between the LFS

Representative and the client. For accounts in the CWA program 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 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 from the CWA program vendor selected by LFS. Transaction confirmations and tax reports are provided by the custodian.

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

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

##### **Solicitor Relationships**

Clients are obtained primarily through the efforts of LFS' Representatives. 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 agreement requires that the solicitor 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 annual 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 a 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 by a third-party investment adviser (solicitor) to LFS.

##### **Other Compensation**

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.

#### **Item 15: Custody**

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Program Accounts will be held at a designated custodian. The custodian or an affiliate of the custodian will also serve as custodian for retirement accounts in the CWA program. The custodian will forward confirmations of each purchase and sale to the client, unless client elects to waive trade confirmations for each individual purchase and sale transaction. Any such election is voluntary, and not a mandatory condition for establishing or maintaining a Program Account. Clients electing to waive receipt of individual transaction confirmations will continue to receive monthly statements providing information on all transactions taking place in the account.

LFS generally does not provide custodial services for client assets and all client accounts are required to be held with a qualified custodian. Clients will receive account statements from the broker-dealer or other qualified

custodian that holds their accounts, and clients should carefully review these statements. It is important to compare the information on these statements with reports you receive from LFS, EPS and your LFS Representative. Please note that there may be minor variations in these reports due to calculation methods. If you have any questions, please contact your LFS Representative.

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

## **Item 16: Investment Discretion**

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In the CWA Choice Program, LFS generally provides investment management services on a non-discretionary basis, meaning that LFS or the LFS Representative obtains client authorization before entering any buy or sell orders in client accounts. LFS will provide investment management services on a discretionary basis through the CWA Choice Program, where client consent is not needed prior to entering buy and sell orders in an account, only when written authorization providing discretionary authority is granted to the LFS Representative by such client and the LFS Representative is approved for such activity by LFS. In any event, discretionary authority is limited to trading, and will not extend to money movement, including the withdrawal of funds from the client's account.

Clients that participate in the other Custom Wealth Advantage programs will grant full discretionary investment authority to EPS as further described in the client services agreement. EPS 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 and CWA Strategist 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 UMA Program, EPS generally will use this grant of discretion to select Model Providers, mutual funds and/ or ETFs in its discretion, and to provide on-going management of the portfolio and periodically replace Model Providers, mutual funds and/or ETFs in its discretion; 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.

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

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

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For the CWA Separately Managed Accounts Program and the CWA UMA 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 security holder 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 Choice Program, CWA Mutual Fund Program and CWA Strategist Program, the client shall be responsible for voting or otherwise acting on all matters for which a security holder 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 LFS Representative.

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

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

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

March 29, 2019

Lincoln Financial Securities Corporation  
1300 South Clinton St., Suite 150  
Fort Wayne, IN 46802  
(800) 258-3648

[www.lfsecurities.com](http://www.lfsecurities.com)

**This brochure provides information about the qualifications and business practices of Lincoln Financial Securities Corporation. If you have any questions about the contents of this brochure, please contact us at (800) 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 is also 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 brochure (the "Brochure") for Lincoln Financial Securities Corporation ("LFS") is dated March 29, 2019. This is the first wrap fee brochure to be filed by LFS and therefore, there are no material changes from a prior annual update.

Clients are encouraged to read this Brochure in detail and contact their LFS Representative (as defined below) with any questions. If you would like another copy of this Brochure or 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: [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: Advisory Business**

### **About LFS**

LFS is an investment adviser registered with the SEC. 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"). Lincoln Financial Group is the marketing name for LNC and its affiliates.

As of December 31, 2018, LFS managed approximately \$2.3 billion of client assets on a non-discretionary basis and approximately \$482 million on a discretionary basis.

LFS offers a wide variety of investment advisory programs and services. Investment adviser representatives of LFS (collectively, identified as "LFS Representatives" or "IARs" in this document but otherwise sometimes identified colloquially or generally as your advisor, investment adviser, planner, financial advisor) 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 on as such. Neither LFS nor the LFS Representatives provide tax, legal or accounting advice.

For a detailed discussion of each of LFS' other investment advisory programs and services, including the fees and compensation associated with each, 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) or [www.lfg.com/public/individual/adv](http://www.lfg.com/public/individual/adv) and 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 Representative, 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 Representative 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 Representative. When acting as your broker, your LFS Representative can make recommendations and provide guidance to you in the selection of investment products and services. Your LFS Representative may also provide investment education, and research; these services are considered to be 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 selected does not assess transaction costs separately. LFS acts as a sponsor and introducing broker in connection with some of the investment advisory programs and services and 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 LFS Representative or 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 be subject to other fees and costs associated with your account.

Transaction charges will not be used to compensate your LFS Representative 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 costs, and investment advice and is generally 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 the account is held. These specific transactions executed at broker-dealers other than the one at which the account is held are sometimes called "step-out" trades and are described further in Items 5 and 12 below. Fees vary depending on which LFS programs and services a client uses. Fees are billed in advance in accordance with the terms of your client agreement. Fees typically are charged 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 ("AI") may be held in a managed account and generally for consolidating reporting purposes only. AI's are non-traditional investments such as Non-Traded REITs, Limited Partnerships, Oil & Gas Programs, Managed Futures Funds, and Hedge Funds. Generally, AI's are illiquid and not traded on an exchange, but may offer clients opportunities for diversification in their investment portfolios. AI's 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 is held within a CWA 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 it will be excluded from the advisory fee but reflected as an asset on the performance report. Unsupervised assets are not included in the actual performance calculation.

Please see the applicable client agreement for additional information. LFS' advisory fees are generally 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) or [www.lfg.com/public/individual/adv](http://www.lfg.com/public/individual/adv) and the SEC's website at <http://www.adviserinfo.sec.gov>. These brochures may also be requested by contacting LFS at (800) 258-3648 or by sending us an email at [LFSAdvisoryServices@lfg.com](mailto:LFSAdvisoryServices@lfg.com).

For additional information regarding services and fees associated with brokerage and fee-based accounts, please refer to the *'Guide to Understanding Your Brokerage and Advisory Relationships,'* which can be accessed in the "Brochures" section of our website at [www.lfsecurities.com](http://www.lfsecurities.com) or [www.lfg.com/public/individual/adv](http://www.lfg.com/public/individual/adv). To request a copy of the *Guide*, please contact your LFS Representative or LFS directly at (800) 258-3648 or email us at [LFSAdvisoryServices@lfg.com](mailto:LFSAdvisoryServices@lfg.com).

## **Wrap Fee Program Services**

### **Custom Wealth Advantage Program**

LFS is the sponsor of Custom Wealth Advantage ("CWA") Program, an investment advisory program that provides access to individualized investment management services. LFS allows its IARs or 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 various administrative services to CWA clients using the CWA Choice Program (as described below), and to provide administrative services and investment management services for clients electing the other CWA investment programs.

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

- **CWA Choice Program.** This program consists of portfolios managed by an Adviser, which may be composed of mutual funds, exchange traded funds ("ETFs"), individual securities, annuity contracts, and/or other investments based upon the investment strategy agreed upon with the client.
- **CWA Separately Managed Accounts Program.** This program offers a broad array of investment strategies managed by third-party money managers (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 and/or ETF portfolios managed by EPS pursuant to the investment recommendations of one or more third-party asset allocation providers (each, a "Strategist").

**The Custom Wealth Advantage Choice Wealth Management Program Brochure is described in a separate LFS CWA Choice Wealth Management Program Form ADV, Part 2A Brochure which can be found and is available on our website at: [www.lfsecurities.com](http://www.lfsecurities.com) or <https://www.lfg.com/public/individual/adv> and the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Any of these Forms ADV, Part 2A and Wrap Fee Brochures may also be requested by contacting LFS at (800) 237-3813 or by sending us an email at [LFNAdvisoryServices@lfg.com](mailto:LFNAdvisoryServices@lfg.com).**

## **Account Fees**

### **Client Advisory Fees**

Program fees for the CWA program 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 Program Account of the previous quarter; and the initial fee is prorated to the end of the quarter if the Program Account is opened on any day other than the first day of a 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 client's assets under management. However, there is a minimum program fee of \$250 per household accounts established in CWA which could result in a program fee percentage above 3.00% depending on the size of the client's assets under management. LFS' policy in determining client accounts that qualify as a household is generally defined as accounts of spouses, domestic partners, and/or 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 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 fee, custody and clearing fees, etc.). Situations may arise where LFS reviews accounts that may be householded on a case-by-case basis in which certain accounts may fall outside of the criteria listed above. 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 ("LFS Sponsor Fee"), the Adviser's fees, and EPS's administrative and management fees. If the program selected includes the use of one or more Sub-Managers or Strategists, a portion of the program fees will be paid to the applicable Sub-Manager, Strategist, broker-dealer and custodian to compensate each of them for their respective services. Fees charged by each entity providing services to the program vary based on the program selected, the investment products used, and the size of the account and/or household, among other factors. For certain investment strategies, such as Strategists using ETFs and Sub-Manager strategies, the custodian and/or broker-dealer may charge an asset-based fee to account for trading costs, which may be subject to a minimum dollar amount per account per year, a flat annual dollar amount, or transaction-based charges may apply. 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 below of these related costs, and their standard ranges in each CWA program.

For all **CWA Strategist** accounts established after June 2017 or if your CWA Strategist 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 0.80% of account assets
EPS Fee:	Up to 0.08% of account assets
Strategist 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 these CWA Strategist 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 accounts established prior to June of 2017 will vary from the fees above and may include separate costs for trading and transaction charges based on the type of fund or security selected. These fee and transaction costs would have been provided and disclosed to you at account opening and can also be found at <https://www.lfg.com/public/lincolfinancialsecurities/clientinformation/overview/cost>

For all **CWA Separately Managed Accounts (“SMA”)** established after June 2017 or if your CWA SMA 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	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 the trade execution (the buying and selling of securities) and clearance of transaction in the CWA SMA accounts. The maximum asset-based fee for Equity, Option, Mutual Fund, and Balanced strategies is 0.25% and 0.20% for fixed income strategies. This broker-dealer and custodian fee has a minimum annual account fee of \$200.00.

The fees for CWA SMA accounts established prior to June of 2017 will vary from the fees above and would have been provided and 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 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 2.70% 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 these 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 transaction charges based on the type of fund or security selected. These fee and transaction costs would have been provided and disclosed to you at account opening and can also be found at <https://www.lfg.com/public/lincolfinancialsecurities/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 above. 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 Custom Wealth Advantage 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. LFS Representatives may also receive discounted LFS Sponsor fees for the CWA programs based on assets on the platform, and/or other factors in certain circumstances. Therefore, the LFS Representatives 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 ensure that it is suitable for you in light of matters such as your investment objectives and financial circumstances, and also reviewing any LFS Sponsor Fee discounts to determine if certain economies of scale or other circumstances are present in order to 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 a better price execution. In addition, some managers do not pass the additional fee 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 the Custom Wealth Advantage program. 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 for seeking best-execution and obligations as an investment adviser.

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 the Custom Wealth Advantage program.

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 an investment 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-Manager more control over the execution of the trade, including potentially avoiding an adverse effect on the price of the security that could result from effecting a series of separate, successive and/or competing small trades with multiple broker-dealers or clearing firms.

CWA Program fees do not cover charges resulting from trades effected with, or through, broker-dealers or clearing firms other than LFS and its' preferred broker-dealers and clearing firms, 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' preferred broker-dealers or clearing firms to be without commissions or retail mark-ups or mark-downs when comparing the cost of trading for equity 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' preferred broker-dealers or clearing firms. 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.



CWA Program fees do not cover charges resulting from trades effected with, or through, broker-dealers or clearing firms other than LFS and its' preferred broker-dealers and clearing firms, 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' preferred broker-dealers or clearing firms to be without commissions or retail mark-ups or mark-downs when comparing the cost of trading for equity 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' preferred broker-dealers or clearing firms. 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 investment managers utilizing step-out trades and a general description of the additional costs 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 investment 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 investment manager's own clearing firm for execution because of their execution capabilities and because the all-inclusive bundled wrap fee charged by the investment manager covers trade charges only when trades are executed through their own clearing firm.

Investment managers have the discretion to utilize a step-out trade including but not limited to the following circumstances: equity securities, fixed income securities, certain thinly traded securities, illiquid securities and/or ETF trades. 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 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 clients' 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 consideration. As such, an investment manager may choose to execute "step outs" trades as discussed above.

Further information regarding EPS, the Strategist, and Sub-Managers utilizing step-out trades and a general description of the additional costs 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 statement of investment selection signed by the client upon election of services under the CWA program. Fees will not be charged on the basis of a share of capital gains or capital appreciation of a client's funds or any portion of a client's funds.

Strategists and EPS will direct investments into certain securities, including exchange traded funds (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) 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 this program, 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 the date upon which the notice of termination is received. 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 the custodian, LFS will receive certain revenue related to assets held, transactions, and activity in Program Accounts. Such revenue typically will include all or a portion of any transaction charges assessed to a client or Adviser in which LFS is the introducing broker-dealer of record on the account, asset-based revenue from mutual funds designated by the custodian as NTF mutual funds, revenue from cash balances held in certain money market mutual funds or other liquid investment products designated as "cash sweep" vehicles, and a portion of the networking fees the custodian receives from the mutual fund company. LFS, the custodian, and EPS and each of their respective affiliates may share in these fees. The availability of these fees can be used as a factor in negotiating the client's annual account fee and presents a conflict of interest for LFS due to the potential to receive higher compensation for some products and strategies, and due to the potential to receive higher compensation based on the custodian selected. LFS mitigates this conflict by disclosing it to you and by requiring that there be a review of your account at account-opening and periodically to ensure that it is suitable for you in light of matters such as your investment objectives and financial circumstances. The receipt by LFS of these types of asset-based revenue from the clearing and custodial firm arrangements will support and defray the costs LFS has related to the ongoing maintenance of the advisory programs we offer and sponsor to LFS Representatives and clients. As such, advisory program platform costs incurred by LFS Representatives and clients may differ depending on the program being utilized and the products being recommended and selected for clients. Again, 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, and ensuring the compensation and revenue LFS receives related to any assets held, transactions and activity in program accounts is not shared with the LFS Representatives providing investment advisory services and investment recommendations to you and your account.



## **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, the following: 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 may receive a portion of these fees and, as such, LFS has a conflict of interest as it is incented to recommend a product or strategy that provides 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, and not sharing any of these revenues with the LFS Representative that recommends transactions or strategies and by requiring that there be a review of your account at account-opening and periodically to ensure that it is suitable for you in light of matters such as your investment objectives and financial circumstances. 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, dealer mark-ups, exchange fees, and other fees and charges customary to securities brokerage accounts. These direct trading or maintenance costs and fees vary depending on the fund product or 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 also be found at <https://www.lfg.com/public/lincolnfinancialsecurities/clientinformation/overview/cost>

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

To the extent that your Custom Wealth account invests in mutual funds, the mutual fund could either be a no-transaction fee (NTF) fund or a transaction fee (TF) fund. An NTF fund does not incur a transaction fee or charge for the buying and selling of the fund. The buying or selling of a TF 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 applicable fund prospectus for each 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 commission or 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 A or non-institutional share class mutual funds, sometimes also referred to as no-transaction fee (NTF) Funds). The mutual funds 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 funds. NTF funds may cost you more depending on the frequency of trading, than 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 firms are credited back to the client account that generated the 12b-1 fee payment in the Custom Advantage Wealth Program, which reduces the net cost of 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 LFS Representative 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 fund product or security being purchased or sold in your Custom Wealth 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 also be found at <https://www.lfg.com/public/lincolnfinancialsecurities/clientinformation/overview/cost>.

## **Compensation**

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

LFS has a financial incentive to select or recommend a particular custodian based on other 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 certain non-recurring business development credits, which are cash payments intended to reimburse LFS and its affiliates for a portion of the technology, training and development costs associated with transitioning to a new clearing platform. Although the dollar value of the business development credits is significant, these credits are not tied to the amount of investment advisory client assets custodied with the clearing firm or to particular transactions effected on behalf of advisory clients. LFS and its affiliates also receive additional retention payments during the term of the clearing relationship as well as reimbursement 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 LFS Representative 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 LFS Representative 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 fee. The transaction-based charges assessed by LFS are not shared with the LFS Representative providing services to the Program Accounts. The receipt of transaction charges by LFS is a conflict of interest. We mitigate this conflict by disclosing it to you, disclosing to you the amount of commission-trading cost there will be for the products or securities being invested in, not sharing any transaction fee revenue with the LFS Representative

that recommends transactions or strategies, and by requiring that there be a review of your account at account-opening and periodically to ensure that it is suitable for you in light of matters such as your investment objectives and financial circumstances. These transaction and trading costs and fees vary depending on the fund product or 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 also be found at <https://www.lfg.com/public/lincolfinancialsecurities/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 National Financial Services, LLC ("NFS") for several services related to the CWA program, including clearance and execution services, through a fully-disclosed clearing agreement. The transaction charges assessed by LFS and disclosed in the 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.

LFS offers advisor-directed portfolios as an account where no separate transaction charges apply to the client, and such charges are instead absorbed by the LFS Representative. In cases where the LFS Representative pays the transaction charges, the LFS Representative has an incentive to trade less frequently and/or to use securities that do not incur transaction charges, such as NTF mutual funds, resulting in lower transaction charges to the LFS Representative. We mitigate this conflict by monitoring activity in client accounts and requiring that LFS Representatives document the account reviews they conduct with clients, and other ongoing advice that may not result in transactions in a specific client account. 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 LFS Representative.

LFS does not retain 12b-1 fees it receives from mutual funds held in CWA accounts, and will credit these amounts that LFS would have otherwise received as the broker-dealer of record back to the client account that generated the 12b-1 fee payment. The receipt of any 12b-1 revenue by LFS in our fee-based programs is not paid to or shared with the LFS Representative. 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.

### **Bank Sweep Program**

LFS also makes available cash sweep options for eligible accounts where clients earn interest in a Federal Deposit Insured Corporation ("FDIC") insured multi bank deposit sweep program (the "Bank Sweep Program") made available through our custodian and clearing firm NFS. If you elect to participate in the Bank Sweep Program,

cash balances will be deposited with participating program banks. You are not required to select this option and can choose any cash sweep option you prefer that is available for your account. Over any given period, the interest rates on cash balances in the Bank Sweep Program may be lower than the rate of return on other core account investment vehicles which are not FDIC insured or on bank account deposits offered outside the Bank Sweep Program. You can find more specific information about the Bank Sweep Program by reviewing the Bank Deposit Sweep Program Disclosure Document. LFS receives compensation from our custodian and clearing firm on cash balances in the Bank Sweep Program based upon the Federal Funds Target Rate, and the compensation paid to LFS affects the interest credited to your account. The revenues generated by the Bank Sweep Program and paid to LFS may be greater than revenues generated and paid to LFS by other cash sweep options available to you.

### **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 the Custom Wealth Advantage Wealth Management program, 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 affect 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 impact the interest rate charged to you by the lender.

Your LFS Representative has an incentive to recommend that you use a margin loan and/or SBLOC for liquidity purposes rather than liquidating your holdings or using other sources of liquidity. Your LFS Representative 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 and commissions that could be earned by your LFS Representative 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, the firm and financial advisor will continue to earn fees on the full account value. However, LFS Representative receives no other compensation, fees, or incentives related to your decision to open up a margin loan or an SBLOC or maintain a loan balance through one of the TAMP programs.

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

Financial planning and consulting clients have the option to purchase investment products recommended by LFS and the LFS Representatives 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 LFS Representatives; however, commissions are not charged by LFS or the LFS Representatives in connection with transactions in the CWA program. 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 which disclose important information, such as product prospectuses, applications, client agreements, and disclosure brochures. You should read and evaluate this information carefully and contact your LFS Representative 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 fund; however as noted in the Other Fees and Expenses section above, 12b-1 fees received by LFS are credited back to the CWA client 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. The services provided to companies participating in these arrangements include, but are not limited to: opportunities to provide training and education regarding their funds, advisors and other firm personnel through office visits, educational events or conferences; review, approval and distribution of mutual fund marketing materials to advisors 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 these arrangements with each fund family will vary, each fund family 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 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, 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. Certain participating fund families 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 that have formal distribution and marketing support agreements, other mutual fund families 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 may also directly pay for certain educational and training costs of LFS Representatives and send their employees to meetings to provide education and training on these programs. 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 LFS Representative that recommends transactions or strategies and by requiring that there be a review of your account at account-opening and periodically to ensure that it is suitable for you in light of matters such as your investment objectives and financial circumstances. 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).

LFS has agreements 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. Under such agreements, LFS receives compensation from the custodians for its performance of such services, including payments based on assets held in the custodians' NTF mutual fund programs. Under the custodians' NTF mutual fund programs, participating mutual fund sponsors pay a fee to the custodians to participate in the programs. A portion of those fees are shared with LFS. Such payments vary by custodian and may be up to 0.25% of assets

held in NTF mutual funds. The receipt by LFS of these types of asset-based revenue from the clearing and custodial firm arrangements will support and defray the costs LFS has related to the ongoing maintenance of the advisory programs we offer and sponsor to LFS Representatives and clients. As such, advisory program platform costs incurred by LFS Representatives and clients may differ depending on the program being utilized and the products being recommended and selected for clients. Again, we mitigate this conflict by disclosing it to you, ensuring the compensation and revenue LFS receives related to any assets held, transactions and activity in program accounts is not shared with the LFS Representatives providing investment advisory services and investment recommendations to you and your account.

Because LFS receives fees based upon the amount of client assets held in the custodians' NTF mutual fund programs, LFS has a conflict of interest and is incented to recommend the custodians' NTF mutual funds over other investments to receive these custodial service payments. LFS may also receive all or a portion of any transaction fees charged to clients or LFS Representatives, a portion of any custodial fees charged to qualified plans and IRAs, compensation for any mutual fund positions held at the custodian, and other types of compensation from the custodian related to assets held or transactions placed through that custodian. LFS also has a conflict of interest due to the financial incentive to recommend a particular custodian based on the amount or level of NTF custodial service payments and other compensation that custodian provides. We mitigate these conflicts by disclosing them to you, not sharing any of these revenues with the LFS Representative that recommends transactions or strategies and by requiring that there be a review of your account at account-opening and periodically to ensure that it is suitable for you in light of matters such as your investment objectives and financial circumstances.

LFS, the LFS Representatives, 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 LFS Representatives, or to clients, while others are packaged and available as part of an investment advisory program without itemization of the cost of each product or service.

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 LFS Representatives 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 LFS Representative. For current information regarding specific revenue and marketing support, including a list of product sponsors, please go to LFS' website at [www.lfsecurities.com](http://www.lfsecurities.com).

### **LFS Representative Compensation**

Some LFS Representatives receive additional compensation and/or incentive awards for reaching certain levels of assets under management in the investment advisory programs or for generating a certain amount of revenue (in fees, commissions, or a combination of both) within a certain period. The client will not be charged any additional fees due to these circumstances. However, the receipt of additional compensation presents a conflict of interest that may affect the judgment of the LFS Representative. 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 ensure that it is suitable for you in light of matters such as your investment objectives and financial circumstances.

Most LFS Representatives are registered representatives of LFS in its capacity as a broker-dealer, and generally are licensed agents of LNL. In most cases, the LFS Representative 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 LFS Representative 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. LFS Representatives 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 LFS Representatives have an incentive to recommend products on which they receive higher compensation. This presents a conflict of interest and gives LFS and the LFS Representatives 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 ensure that it is suitable for you in light of matters such as your investment objectives and financial circumstances.

In some cases, LFS Representatives receive more compensation when placing Lincoln Financial Group manufactured products and qualify for additional compensation based on the volume of those sales over time. LFS Representatives are also eligible for additional compensation and/or other incentives based on factors such as sales volume of certain Lincoln Financial Group products, the length of time that clients keep assets in the products, and/or the profitability of the products. LFS Representatives may also receive compensation based on the sales of Lincoln Financial Group products by other representatives. Many LFS Representatives 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 LFS Representatives. These instances present conflicts of interest as these situations create a financial incentive for LFS Representatives to recommend products with 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 ensure that it is suitable for you in light of matters such as your investment objectives and financial circumstances.

Because of the way products are priced and marketed, in certain circumstances, LFS Representatives may receive higher compensation for the sales of products offered by companies not affiliated with Lincoln Financial Group.

Some new experienced LFS Representatives moving 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 LFS Representative, the repayment of certain of these loans may be fully or partly waived based on reaching certain sales levels or revenues generated by the LFS Representative or the LFS Representative'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 LFS Representative 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 with new required controls and policies in place. These controls attempt to ensure that the loan amount provided to an advisor is not disproportionate to the advisor's overall production and compensation amounts earned historically and the amount that may be forgiven in any one year of the term of the loan is also capped, unless an exception is granted. This structure and approach attempts to avoid unduly influencing an advisor 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 potential conflicts of interest arising from the LFS Representative 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 LFS Representatives 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, LFS Representatives 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 investment strategy selected, and further by the Sub-Manager or Strategist selected by the client. Generally, the investment minimums are as follows:

CWA Separately Managed Accounts Program- \$100,000 for each Sub-Manager selected

CWA Mutual Fund Program- \$50,000

CWA Strategist Program - \$10,000 - \$50,000 for each Strategist selected

### **Types of Clients**

LFS generally manages Wrap Fee Program accounts for the following client types:

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

Actual minimum investment amounts for any investment strategy, Sub-Manager or Strategist can be higher or lower than listed above. The minimum investment requirements may be negotiable at the discretion of LFS, EPS and any Sub-Manager or Strategist, as applicable.

## **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. This information may include: rates of return, standard deviation of returns, risk-adjusted returns, assets under management, investment philosophy, adherence to investment style, business reputation, stability of management and investment staff, regulatory history, and experience and capability in managing 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 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 the Sub-Managers and recommend their addition or removal from the programs.

The client ultimately determines the portfolio manager for his or her account in the CWA program (the "Program Account"), whether electing the Adviser, 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 their ability to provide an overall set of services necessary to administer the program, which may include a variety of functions such as investment research, technology, and administrative support. If LFS, through its ongoing evaluation of any service provider, determines that they are no longer able to perform these services effectively, LFS may replace them with another service provider or discontinue the program.

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 LFS Representatives 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, CDs, and mutual fund shares. Certain mutual funds, annuity and insurance products, and other managed investment products, including money market funds, may be managed or distributed by an affiliate of 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***

For 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 Strategist(s) selected by the client. Each Strategist shall be retained by EPS pursuant to an agreement with each Strategist for portfolio management services on terms and in the manner that EPS deems appropriate. For each Strategist, EPS has entered into a licensing agreement whereby EPS performs model management, administrative and/or trading implementation

duties pursuant to the direction of the Strategist. In such cases, the Strategist is acting in the role of a Model Provider.

EPS or an affiliate of EPS may serve as the 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 a 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 a 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.

### **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 an account enrolled in fee-based investment advisory programs. Institutional share classes or classes of shares designed for purchase in an investment advisory program 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 LFA Representative 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 LFS Representative'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 mutual funds; the asset based advisory fee charged to the client; the overall cost structure of the advisory program including the LFS Sponsor fees; 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 LFS Representatives. 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, LFS Representatives may (but are not required to) consider the overall profitability of the account or client relationship, including the compensation available to the LFS Representative and the expenses associated with providing ongoing advice and service 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 the 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 funds). The higher internal expenses charged to clients who hold NTF funds, will adversely affect the performance of their account when compared to funds that assess lower internal expenses. Please contact your LFS Representative for more information about share class eligibility and transaction costs.

### **Investment Discretion**

Clients that participate in the other Custom Wealth Advantage programs will grant full discretionary investment authority to EPS as further described in the client services agreement. EPS 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 and CWA Strategist 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 UMA Program, EPS generally will use this grant of discretion to select Model Providers, mutual funds and/ or ETFs in its discretion, and to provide on-going management of the portfolio and periodically replace Model Providers, mutual funds and/or ETFs in its discretion; 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.

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

### **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 LFS Representatives have greater latitude in selecting securities and diversification for a client's account. As such, the performance of accounts managed by different LFS Representatives 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 results.

### **Voting Client Securities**

For the CWA Separately Managed Accounts Program and the CWA UMA 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 security holder 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 Choice Program, CWA Mutual Fund Program and CWA Strategist Program, the client shall be responsible for voting or otherwise acting on all matters for which a security holder 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 LFS Representative.

### **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, as a Sub-Manager or a Strategist. However, these consultations 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 valuation 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 [www.adviserinfo.sec.gov/IAPD/](http://www.adviserinfo.sec.gov/IAPD/).

- On November 14, 2016, FINRA accepted LFS' Letter of Acceptance, Waiver and Consent whereby FINRA found that LFS failed to establish, maintain and enforce a supervisory system, including 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 must certify in writing to FINRA that LFS has 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, the Financial Industry Regulatory Authority ("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 investment adviser representatives are also generally Registered representatives of LFS.

In addition to LFS' registration as an Investment Advisor, LFS is also registered as broker-dealer selling investment products and services, including stocks, bonds, mutual funds, annuities, insurance products and options. Some of LFS' executive officers are also officers of The Lincoln National Life Insurance Company and Lincoln Life & Annuity Company of New York. The proportion of time spent on each of these activities cannot be readily determined.

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

- The Lincoln National Life Insurance Company (insurance company)
- Lincoln Life & Annuity of New York (insurance company)
- LFA, Limited Liability Company (insurance agency)
- Lincoln Financial Distributors, Inc. (broker-dealer)
- Lincoln Financial Advisors Corporation (broker-dealer and investment adviser)
- Lincoln Financial Investment Services Corporation (broker-dealer)
- 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, LLC (insurance agency)
- Lincoln Financial Group Trust Company, LLC (trust company)
- Lincoln Investment Management Company (investment adviser)
- Westfield Assigned Benefits Company (insurance agency)
- Liberty Life Assurance Company of Boston

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 LFS Representatives 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 LFS Representative 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. For additional information regarding services and fees associated with brokerage and fee-based accounts, please refer to the 'Guide to Understanding Your Brokerage and Advisory Relationships', which can be accessed in the "Brochures" section of our website at [www.lfsecurities.com](http://www.lfsecurities.com) or [www.lfg.com/public/individual/adv](http://www.lfg.com/public/individual/adv). To request a copy of the Guide, please contact your LFS Representative or LFS directly at (800) 258-3648 or email us at [LFNAdvisoryServices@lfg.com](mailto:LFNAdvisoryServices@lfg.com). Therefore, LFS Representatives and LFS may have a financial incentive to recommend one of these 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 ensure that it is suitable for you in light of matters such as your investment objectives and financial circumstances.

### **Code of Ethics**

LFS has adopted an Investment Adviser Code of Ethics (the "Code"), and all LFS Representatives and "access persons" (as defined under the Investment Advisers Act of 1940) 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 on request. If you would like a copy of LFS' Investment Adviser Code of Ethics, please call (800) 258-3648 or send an email request to [LFNAdvisoryServices@lfg.com](mailto:LFNAdvisoryServices@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 LFS Representatives and other associated persons may buy or sell securities identical to those recommended to clients for their personal accounts. 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 LFS Representatives have an incentive to put their own interests ahead of clients. LFS procedures require that client orders be placed ahead of orders for LFS accounts or accounts of LFS Representatives. Personal securities transactions by LFS Representatives are recorded and monitored by LFS. LFS procedures also prohibit LFS orders and orders for the benefit of LFS Representatives from 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 LFS Representatives are responsible for order entry. Where a conflict of interest exists, this is disclosed to the client in the client services agreement or the disclosure documents for that program.

### **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. LFS Representatives usually receive quarterly reports of client accounts. These reports are reviewed periodically by LFS and/or the LFS Representative and are reviewed with the client during annual reviews or as part of other meetings or discussions between the LFS Representative and the client. For accounts in the CWA program 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 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 from the CWA program 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 the LFS Representatives 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, titled "Services, Fees and Compensation" above.

### **Solicitor Relationships**

Clients are obtained primarily through the efforts of LFS' Representatives. 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 agreement requires that the solicitor 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 annual 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 a 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 by a third- party investment adviser (solicitor) to LFS.

### **Other Compensations**

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

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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; 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 trained on the importance of data privacy.

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

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

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

Lincoln Financial Network  
Attn: Enterprise Compliance and Ethics  
1300 S. Clinton St.  
Fort Wayne, IN 46802

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

\* 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

\*\*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