



Capital Analysts, LLC  
Investment Advisory Disclosure Brochure

**As of October 9, 2018**

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You may also visit us on the web at [www.capitalanalysts.com](http://www.capitalanalysts.com).

This Brochure provides information about the qualifications and business practices of Capital Analysts, LLC, a registered investment adviser with the U.S. Securities and Exchange Commission (SEC). If you have any questions about the contents of this Brochure, please contact us at (800) 242-1421. The information in this Brochure has not been approved or verified by the SEC or by any state securities authority. Furthermore, registration with the SEC does not imply a certain level of skill or training.

Additional information about Capital Analysts, LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Item 2: Material Changes

*This section provides us the opportunity to highlight for you the material changes in our investment advisory services and operations since our last Form ADV 2A annual amendment in March 2017. This information is being provided so that you can continue to make informed decisions about your investments with Capital Analysts, LLC.*

### **Material Changes to Item 5, Fees and Compensation**

Capital Analysts increased the administration fee for new accounts opened after July 1, 2017 for two programs. The administrative fee for CAAMS & CAAMS Plus Accounts increased from a flat 6 basis points to a flat 7 basis points on all assets. And the administrative fee for CAAMS Complete accounts increased by 5 basis points (“bps”) for each tier: First \$500,000 – 30bps, Next \$500,000 – 25bps, Next \$1,000,000 – 20 bps, Over \$2,000,000 – 15 bps.

### Other Compensation to Capital Analysts and Our Conflicts of Interest

12b-1 Fees. An expense within some mutual fund share class offerings is a Mutual Fund Distribution Fee, also called a 12b-1 Fee, which is paid to Lincoln Investment, Capital Analysts broker-dealer affiliate. For assets held on the Pershing LLC platform, the amount of the 12b-1 fee received by Lincoln Investment will be refunded directly to your Pershing account. You may still incur a 12b-1 fee expense for any portion of the 12b-1 fee not paid to Lincoln Investment. The refunding of 12b-1 fees will alleviate the potential conflict of interest associated with Capital Analysts affiliate receiving this third party compensation and will also reduce the expense to you associated with purchasing a mutual fund share class which includes a 12b-1 fee expense.

### Understanding Share Classes in Capital Analysts Advisory Accounts

Mutual funds have multiple share classes. The expense ratio of a fund is disclosed in the fund’s prospectus and annual reports and generally reflects the annual operating costs of the fund, assessed as a percentage of a fund’s average assets. The expense ratio within a mutual fund share class can fluctuate from what is shown in a prospectus for the fund offering and annual report and can vary over time and from year to year. A fund that was deemed to have a lower expense ratio at the time of purchase may not actually maintain that expense ratio during the time that the fund is held and new fund share classes may become available with different expense ratios.

Share class selection for your advisory accounts will be based on a range of factors. Capital Analysts does not make all share classes available to your advisory accounts. While Capital Analysts will generally seek to designate a single share class of a mutual fund for purchase in your advisory accounts, designated share classes will likely vary among custodial platforms and more than one share class can be purchased and held in advisory accounts. Factors we consider in share class selection, include, but are not limited to, the net expense ratio of the share classes, an expense tracking error of ten basis points (0.10 %) based on the prospectus net expense ratio as provided by Morningstar, prospectus 12b-1 distribution fee as provided by Morningstar, whether a portfolio is a discretionary managed portfolio or a non-discretionary managed portfolio, the availability of share classes on various custodial platforms, whether particular share classes are subject to transaction fees (“TF”) or do not have transaction fees (“NTF”), operational considerations such as share class consistency within a fund family on a particular custodial platform (as described below), the availability of account minimum waivers, tax and other circumstances that are

unique to particular clients. Expense tracking error refers to an acceptable margin that Capital Analysts considers when comparing share class costs since share class expense ratios can fluctuate over time. Share class consistency refers to the objective of utilizing the same share class for all or a majority of the mutual funds within a fund family on a particular custodial platform to support consistency and efficiency. This objective may not always be achieved and more than one share class could be purchased and held. Generally, Capital Analysts will only consider a share class for share class consistency if the differential between the share classes being considered is ten basis points (0.10%) or less based on the prospectus net expense ratio as provided by Morningstar, taking into account the prospectus 12b-1 distribution fee as provided by Morningstar. If not within this range, then multiple share classes of a fund family could be available on a custodial platform.

Generally, only NTF funds will be available for new fund purchases in your advisory accounts. However, TF funds will be purchased if the NTF fund in the same mutual fund is not available on the applicable custody platform, subject to the purchase being eligible for investment minimums or investment waivers. A fund share class on one custodian's platform may be an NTF fund while on a different custodian's platform may be a TF fund, or vice versa. The expense ratio for TF funds will generally be lower than that for NTF funds, but the purchase and sale of TF funds is subject to additional transaction fees and other charges that increase the cost of investment. Trading in TF funds can increase cost to both the client and/or the firm depending on the level of trading in the account. Capital Analysts and its Advisors are not under an obligation to pay the transaction fees and other charges associated with investments in TF funds on your behalf, unless you are in a Wrap Fee Program. However, if Capital Analysts does assume these costs, then it has a financial incentive to select NTF funds in its Wrap Fee programs to avoid paying or to lower mutual fund transaction charges. This creates a conflict of interest for Capital Analysts to select a NTF mutual fund in a Wrap Fee program because Capital Analysts would incur less expense and generate more revenue than if Capital Analysts selected a TF fund. When selecting a share class of a mutual fund for its platform and when recommending a mutual fund to you, Capital Analysts and your Advisor have a conflict of interest because the selection or recommendation of a more expensive share class results in greater net after cost compensation to Capital Analysts. The use of NTF funds can serve to minimize the potential for an overall increase in advisory fees charged to clients. If Capital Analysts or your Advisor were to incur transaction fees, Capital Analysts and/or your Advisor would likely charge higher advisory fees or increase other charges to clients for the services provided.

Capital Analysts and your Advisor can purchase, hold, and recommend mutual fund investments in share classes in your advisory accounts that are not the lowest cost share class. You should not assume that you are invested in the lowest cost share class, and the share class of a mutual fund offered by Capital Analysts can have higher expenses and therefore lower returns, which could impact performance over time, than other share classes of that mutual fund for which you are eligible or that may otherwise be available to you if you invested in the mutual fund through a third party or through the mutual fund directly. Other financial services firms may offer the same mutual fund at a lower overall cost to the investor than is available through your account.

Capital Analysts may, in its discretion, determine to convert your mutual fund positions held in one share class to a different share class. Such share class conversions will occur as deemed appropriate by Capital Analysts and will be reflected on your account statement. Capital Analysts will consider various factors when considering share class conversions in your advisory accounts, including but not limited to, the net expense ratio of the share classes, whether your account is subject to taxation, the difference in the expense ratio between share classes and whether the difference exceeds an expense tracking error of ten basis points (0.10%) based on the prospectus net expense ratio as provided by Morningstar, the

prospectus 12b-1 distribution fee as provided by Morningstar, operational considerations such as share class consistency, your investment preferences and the amount of potential taxable gains or losses to which you could be subject. The ability and length of time to effect a share class conversion will vary by custodial platform and is subject to prospectus requirements and custodial platform approval. Capital Analysts will periodically compare the share classes of your funds with the share classes offered by the fund and available to the firm and your account. If, as a result of such review, the Firm initiates a share class conversion, the new share class will appear on your account statement. Capital Analysts will not consider converting your mutual fund position held in a lower expense share class of the same fund to a more expensive share class of the same fund unless the difference between the lower expense share class and the more expensive share class is less than or equal to the expense tracking error of ten basis points (0.10%) based on the prospectus net expense ratio as provided by Morningstar, taking into account the prospectus 12b-1 distribution fee as provided by Morningstar. Through the conversion process, you should not assume that you are or will be invested in the lowest expense share class, and the share class of a mutual fund offered by Capital Analysts can have higher expenses, and therefore lower returns, which can impact performance over time, than other share classes of that mutual fund for which you are eligible or that may otherwise be available to you if you invested in the mutual fund through a third party or through the mutual fund directly.

We are currently implementing the mutual fund share class selection process described above for new funds that are added to our advisory platforms. We are simultaneously reviewing existing positions to apply these mutual fund share class selection and conversion factors to current fund holdings. This review process is ongoing and is expected to be completed by September 2018. Third-party investment managers that provide model portfolios or manage client accounts on a discretionary basis will follow their own share class selection practices.

When determining the reasonableness of any fees and expenses you agree to pay to Capital Analysts, you should consider both the fees and expenses that Capital Analysts charges to your account for its services and those of your Advisor, as well as any indirect fees and expenses that you pay in connection with any investment in share classes of mutual funds that bear expenses greater than other share classes for which are otherwise eligible. Information about the mutual funds and share classes that are available through your account, including their investment policies, restrictions, charges, and expenses, is contained in the mutual funds' prospectuses. You should read these prospectuses carefully. Please contact your Advisor for additional information on share class selection practices and related fees and expenses.

#### Other Compensation

Flat Fee Sponsors. Lincoln Investment, Capital Analysts affiliate broker-dealer, has partnered with a select group of third party money managers and product sponsors who pay to assist Lincoln Investment in the training and education of Advisors at firm sponsored events, on such topics as advisory products and services, practice management, tools and technology, consumer education, and policies, rules and regulations. These sponsors provide financial support to Lincoln Investment in the form of a flat-dollar amount that may be amended annually and is not based on the assets or sales of their proprietary products or services. Sponsors can compensate Lincoln Investment from fund assets, the fund's investment manager, distributor or other affiliate's assets. Payments made to broker dealers out of fund assets can lower investor returns and performance over time. Advisors do not share in any portion of these payments so as to mitigate any conflict for an Advisor to recommend one product or money manager over another. This financial support allows Lincoln Investment to defray or offset costs associated with firm sponsored events and other educational and outreach tools and services. The financial support by these Sponsors to

Lincoln Investment and as allocated to Capital Analysts presents a potential conflict of interest to Lincoln Investment and its affiliated investment advisers, Capital Analysts and Legend Advisory.

All Flat Fee Sponsors do not pay Lincoln Investment the same amount, and depending on the amount of the payment from the Flat Fee Sponsor, the access to Lincoln Investment sponsored events may differ. For example, Lincoln Investment holds a number of sales conferences both nationally and regionally throughout the year to educate advisors. The higher the annual flat fee payment, the more events the Flat Fee Sponsor will be invited to attend. Flat Fee Sponsors have more opportunities than other product sponsors and money managers that are not Flat Fee Sponsors to market to and educate Advisors which could pose a potential conflict to Advisors to offer these sponsors products or services over others. Advisors do not share in any portion of these payments so as to mitigate any such conflict.

In 2017, the financial support of the Flat Fee Sponsors as allocated to Capital Analysts was less than one-half of one percent of total revenues to Capital Analysts. We do not believe that this amount is material. In 2017, Flat Fee Sponsors who compensated Lincoln Investment with a flat fee payment, in order from high to low, were Russell Investments, CLS Investments, LLC, ICON Advisers, Inc., Meeder Financial, DoubleLine, and JP Morgan. Some of the Flat Fee Sponsors revenue may be used to support the ongoing operational expenses of Lincoln Investment, Capital Analysts and Legend Advisory and not used solely for sales and marketing support.

#### **Material Changes to Item 9, *Disciplinary Information***

Capital Analysts has entered into a settlement with the SEC for alleged violations of the Investment Advisers Act of 1940 (“Advisers Act”) in connection with its mutual fund share class selection practices and receipt of shareholder servicing fees for the CAAMS Wrap Fee Programs. The firm neither admitted nor denied the SEC’s allegations in agreeing to the settlement. The SEC alleged that from April 2013 through March 2016, Capital Analysts did not disclose that it had a conflict of interest when it invested CAAMS Wrap Fee clients in mutual fund share classes that paid 12b-1 fees to its affiliated broker-dealer, Lincoln Investment Planning, LLC (“Lincoln Investment”) when a lower-cost share class of the same fund without a 12b-1 fee was available. The SEC also alleged that Capital Analysts did not meet its duty of best execution; failed to adopt and implement written policies and procedures reasonably designed to address mutual fund share class selection and related conflicts of interest; and did not adequately disclose that its affiliate Lincoln Investment received shareholder servicing fee revenue in connection with Capital Analysts’ recommendation of certain mutual funds for the CAAMS Wrap Program. The SEC’s order recognized remedial actions voluntarily undertaken by Capital Analysts. Capital Analysts was censured and ordered to cease and desist from further violations of the Advisers Act. Under the terms of the settlement, Capital Analysts will pay a \$300,000 civil monetary penalty, and disgorgement with interest of approximately \$1.82 million, of which approximately \$1.05 million will be paid to affected investors.

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Brochure Supplement(s) Included:

- Capital Analysts Wrap Fee Program Brochure (Form ADV Part 2A Appendix I)
- Investment Management & Research Team Brochure Supplement (Form ADV Part 2B)

#### Item 4: Advisory Business

*This section describes our firm, the advisory services we offer, how we tailor your portfolio to your individual needs, which of our advisory services allows you to impose investment restrictions, and the total amount of assets we manage.*

#### **Our Firm**

**Who we are...** Capital Analysts, LLC (Capital Analysts) is a registered investment adviser; it is not affiliated with any company that issues or sponsors securities or insurance products, and, therefore, provides independent and objective investment advice when making recommendations to you. There is, of course, always the potential for financial conflicts of interest, which are described later in this brochure.

Capital Analysts offers investment advisory services through a network of investment adviser representatives (Advisors) located throughout the United States. Capital Analysts' Advisors are not employees of Capital Analysts, but independent contractors, contracted to offer and perform the services of Capital Analysts.

Capital Analysts was formed in 2012 and is owned by Lincoln Investment Capital Holdings, LLC, a Delaware limited liability company. Lincoln Investment Planning, LLC ("Lincoln Investment") is a broker-dealer and registered investment adviser that is under common control with Capital Analysts and may perform broker-dealer services for Capital Analysts and its Advisors. On January 1, 2017, Lincoln Investment Capital Holdings, LLC acquired a third registered investment adviser, Legend Advisory, LLC ("Legend Advisory"). We refer to these companies as The Lincoln Investment Companies.

#### **Our Advisory Services**

**What we offer...** Capital Analysts offers the following investment advisory services. A more detailed description of each service is provided under the corresponding headings below, as well as in Item 5: Fees and Compensation.

- I. Capital Analysts Proprietary Managed Portfolios – also see attached *Capital Analysts Wrap Fee Program Brochure for the Capital Analysts Proprietary Managed Portfolios***
- II. Advisor Consulting with Managed Model and/or Client Custom Portfolios**
- III. Third Party Managed Model and Custom Portfolios**
- IV. Periodic Investment Consulting**
- V. Financial Planning Services**
- VI. ERISA Retirement Plan Advice**

In choosing one or more of the services above, your Advisor will work with you to assess your needs and investment objectives. You may be asked to complete a confidential investor profile, or a similar questionnaire or application, providing personal and financial information to assist in this assessment. Your Advisor will collect information including, but not limited to, your investment goals, income requirements, time horizon, and tolerance for risk in order to tailor his or her recommendations to your needs and objectives. Your Advisor will assist you in assessing appropriate risk level portfolio. Our goal is to provide you with the most appropriate investment advisory service or services to help you meet your financial goals.

In general, Capital Analysts offers proprietary and non-proprietary advisory services through a number of platforms and custodians, which are listed on the tables included in this brochure. The platform or custodian chosen by you will depend on the tax type of your account(s), the account custodian you wish to work with, the advisory programs you prefer and the pricing you wish to pay.

### **I. Capital Analysts Managed Portfolios**

The portfolios in the Capital Analysts Asset Management Services (CAAMS) offerings that are managed by the Investment Management & Research (“IM&R”) team are offered as non-Wrap Fee Programs and Wrap Fee Programs.

A non-Wrap Fee Program is an investment advisory program in which you pay an unbundled fee to compensate Capital Analysts and your Advisor for their services as well as transaction and clearing costs associated with your advisory account. A Wrap Fee Program is an investment advisory program in which you pay one bundled fee to compensate Capital Analysts and your Advisor for their services and includes the transaction and clearing costs associated with transactions in your advisory account. The CAAMS Wrap Fee Programs are detailed in the Capital Analysts Wrap Fee Program Brochure (Form ADV Part 2A Appendix I) attached.

#### ***CAAMS Fidelity 403(b) Program***

CAAMS Fidelity 403(b) is a non-Wrap Program exclusively managed on a discretionary basis by Capital Analysts through its Investment Management & Research (IM&R) team. The IM&R team’s background is described in more detail in the ADV 2B Brochure Supplement to this brochure.

When a 403b eligible employer select a CAAMS Fidelity 403(b) Program for its participants, the participant must authorize, in writing, full discretionary trading authority to the IM&R team. “Full discretion” means Capital Analysts may place any security transactions in your account without specific consultation with or authorization by you prior to the transactions being entered. Fidelity Management Trust Company (“Fidelity”) provides custody and clearing services for CAAMS Fidelity 403(b) Program.

CAAMS Fidelity 403(b) Program is comprised of model portfolios offering you a choice of mutual fund portfolios with automatic rebalancing. Mutual funds are selected using a screening and rating methodology. The objective is to identify consistently superior performing mutual funds for consideration of inclusion in diversified investment portfolios. While the list represents funds that have exhibited strong characteristics over full market cycles, it is by no means a buy list. On a quarterly basis, the IM&R team screens the Fidelity list of available funds for inclusion. Morningstar Direct is used to quantitatively screen funds. Finalists are further subjected to style analysis and a qualitative analysis. The CAAMS Fidelity 403(b) Program only includes the mutual funds approved by the program sponsor. Five portfolios are offered and managed by the IM&R team to different risk levels or objectives.

- Conservative
- Income & Growth
- Balanced
- Capital Growth
- Aggressive Growth

### ***CAAMS Schwab Platform Programs***

CAAMS Schwab Platform Programs are a Non-Wrap program exclusively managed on a discretionary basis by Capital Analysts through its IM&R team. The IM&R team's background is described in more detail in the ADV 2B Brochure Supplement to this brochure. The CAAMS Schwab Platform Programs consist of CAAMS Schwab Complete Models and CAAMS Schwab ETF Models.

When you select Capital Analysts within a CAAMS Schwab Platform Program, you authorize full discretionary trading authority to the IM&R team. "Full discretion" means Capital Analysts may place any security transactions in your account without specific consultation with or authorization by you prior to the transactions being entered. Custody and clearing services for CAAMS Schwab Programs are performed by Charles Schwab & Company, Inc. ("Schwab").

CAAMS Schwab Platform Programs are comprised of model portfolios offering you a choice of mutual fund and/or ETF portfolios with automatic rebalancing. Mutual funds and ETFs are selected using a screening and rating methodology. The objective is to identify consistently superior performing mutual funds and ETFs for consideration of inclusion in diversified investment portfolios. Capital Analysts programs are managed as Model Portfolios where the portfolio is managed to the stated objectives of the portfolio, not to you or your account.

### ***CAAMS Schwab Complete Models***

CAAMS Schwab Complete is comprised of mutual fund based model portfolios offering you a choice of different risk levels or objectives with automatic rebalancing. Mutual funds are selected for the CAAMS Schwab Complete portfolios using a screening and rating methodology called Capital Analysts Performance Statistics Leaders (CAPSL).

The objective of CAPSL is to identify consistently superior performing mutual funds for consideration of inclusion in diversified investment portfolios. While the CAPSL list represents funds that have exhibited strong characteristics over full market cycles, it is by no means a buy list. On a quarterly basis, the IM&R team screens U.S. open-ended funds for inclusion on the CAPSL list. Morningstar Direct is used to quantitatively screen thousands of funds. Initial screens typically include funds with a five-year track record and those that have at least \$100 million in AUM. Funds are sorted by investment objective and the top funds in each category then undergo an eight-factor quantitative analysis. Finalists are further subjected to style analysis and a qualitative analysis. The final CAPSL list of approximately 100 funds represents less than 1% of the mutual fund universe. This CAPSL list, together with occasional selected ETFs, forms the basis for CAAMS Schwab Complete. Seven portfolios are managed by the IM&R team to different risk levels or objectives, each available with standard and tax-aware options:

- Focused Income
- Conservative
- Income & Growth
- Balanced
- Capital Growth
- Aggressive Growth
- High Equity

In addition to the portfolios above, CAAMS Schwab Complete offers, specialized “sleeves” to be used in conjunction with other more broadly diversified portfolios.

*CAAMS Schwab Alternatives*

CAAMS Schwab Alternatives model portfolio uses alternative mutual funds and ETFs to gain exposure to alternative investments in order to complement a larger diversified portfolio.

*CAAMS Schwab Yield*

CAAMS Schwab Yield model portfolio is focused on generating income. The portfolio typically allocates to income producing mutual funds and ETFs to gain exposure to both high-dividend equities and yield-bearing bonds.

*CAAMS Schwab Custom Strategies*

CAAMS Schwab Custom Strategies is constructed and managed to meet your specific objectives, on a discretionary basis. You and your Advisor will work together to determine your specific risk tolerance and potential income needs. Your portfolio will be structured accordingly by the IM&R team using a laddered bond strategy, which may use corporate, municipal, and government debt, as well as other investments such as ETFs, preferred and common stocks, and closed-end funds, covered options, and CDs to help increase yield. These portfolios have a higher minimum investment size than other CAAMS Schwab Complete programs.

*CAAMS Schwab ETF Models*

CAAMS Schwab ETF implements asset allocation model portfolios substantially the same as those used in CAAMS Schwab Complete using selected ETFs to create model portfolios that correlate closely to industry benchmarks. Use of ETFs can reduce the internal expenses of a portfolio. The IM&R team analyzes hundreds of ETFs representing multiple asset classes to determine those ETFs that are best suited to the asset allocation and constructs the model portfolios typically utilizing 10-15 ETFs. The ETF screening and selection process is accompanied by strategic asset allocation analysis. Portfolios are rebalanced and reallocated as necessary. Seven portfolios are managed by the IM&R team to different risk levels or objectives, each available with standard and tax-aware options:

- Focused Income
- Conservative
- Income & Growth
- Balanced
- Capital Growth
- Aggressive Growth
- High Equity

Three additional portfolios are managed by the IM&R team to similar risk levels or objectives as described above for low balance accounts, each available with standard and tax-aware options:

- Moderate Conservative
- Balanced
- Aggressive

Capital Analysts also offer a Managed Volatility option. Designed to reduce fluctuations of the portfolio over a market cycle, particularly during periods of heightened volatility, these portfolios are based on the same asset allocation models as other CAAMS Schwab ETF model portfolios but are constructed using ETFs that are overweight low-volatility securities within a given asset class. The Managed Volatility portfolios may sacrifice some potential gains in exchange for the possibility of avoiding large losses. Because of the effect of managed volatility ETFs on the overall risk-return profile of a portfolio, the Managed Volatility option is available for each of the following portfolios only:

- Income & Growth
- Capital Growth
- High Equity

## **II. Advisor Managed Model and Client Custom Portfolios**

Your Advisor's role is to earn and maintain a relationship with you to provide you financial and life planning and consultation, as requested by you, as well as investment advice services which includes assisting you in the determination of the appropriate investment advisory investments and advisory programs for you, conversing with you on an as-needed or as requested basis, to ensure that the investments and programs continue to meet your stated objectives and needs. Some advisors may also provide supplemental reports on a periodic basis to assist you in evaluating the effectiveness of the investments and advisory program(s). Capital Analysts Advisors may provide periodic non-discretionary investment advice to their clients, or certain Advisors provide ongoing discretionary management to their clients. The Advisor has the responsibility to select securities or make recommendations based on your needs and objectives, but if the advisor does not have written discretionary authority over your account, he/she cannot purchase or sell securities without first obtaining your approval. All advice is geared to meet the client's risk tolerance, income, any investment restrictions, and tax management objectives, if applicable. Advisor Managed Portfolios generally allocate to securities including, but not limited to, mutual funds, ETFs, stocks, bonds and options.

For those Advisors who have been granted the authority to manage accounts on an ongoing discretionary basis, discretionary authority may be exercised using Model Portfolios, where your account is managed to the stated objectives of the portfolio, or custom managed, where your account is constructed and managed to meet your specific objectives (Client Custom Portfolios). Discretionary authority granted to Advisors may be limited or full. "Limited discretion" means that your Advisor has limited authority to select the time and/or price of the security to be purchased or sold, and/or if applicable to rebalance your account back to a pre-stated asset allocation of pre-selected securities. Limited Discretion, which has been granted to all advisors allows them, when necessary, to liquidate shares in one or more securities for the sole purpose of using proceeds to satisfy a shortfall in funds available for the deduction of the quarterly investment advisory fee. An Advisor with limited discretion does not have the authority to select new securities to be purchased in your account. The final decision regarding any new security, whether to buy or sell, remains with the client in a Limited Discretion account. "Full discretion" means your Advisor may place any security transactions in your account without specific consultation with you or authorization by you prior to the transactions being entered. Your written investment advisory agreement will identify whether, and to what degree, you have granted your Advisor discretionary authority on your account.

Each Capital Analysts Advisor may follow a different investment discipline and may or may not establish a minimum investment amount. The fees charged by Advisors on Advisor Managed Model and Client Custom Portfolios will vary depending on the platform utilized and the individual Advisor. Most Capital

Analysts Advisors manage or advise portfolios containing securities such as, but not limited to, mutual funds, ETFs, stocks, bonds and options. Consult with your Advisor to learn more about the advisory services and fees he or she offers. Your Advisor’s education, licenses and professional designations are described in Form ADV Part 2B Brochure Supplement, a copy of which your Advisor will provide to you.

<b>Advisor Managed Model and Client Custom Portfolios</b>			
<i>Advisory Offering</i>	<i>Minimum Investment</i>	<i>Investment Types</i>	<i>Custodian of Assets</i>
Advisor Consulting with Managed Models and/or Client Custom Portfolios	\$25,000	Mutual funds only (CAAMS)	Pershing LLC
Advisor Consulting with Managed Models and/or Client Custom Portfolios	\$25,000	Securities such as, but not limited to, mutual funds, stocks, bonds, ETFs, options (CAAMS Plus)	Pershing LLC
Advisor Consulting with Managed Models and/or Client Custom Portfolios	Depends on platform and individual Advisor	Securities such as, but not limited to, mutual funds, stocks, bonds, ETFs, options	Fidelity Investments, SEI Private Trust, Charles Schwab & Co., TD Ameritrade, Inc., Pentegra Trust Company, PFPC Global Fund Services/BNY Mellon, AssetMark Trust

### **III. Third Party Managed Model and Custom Portfolios**

#### *CAAMS Select Program*

In the CAAMS Select Program, the IM&R team will work with you and your Advisor to assist in the selection of one or more third party portfolio managers, called Select Managers, based on your investment objectives and risk tolerance. Capital Analysts relies on the expertise and management disciplines of these Select Managers when they are engaged to manage your assets to their stated discipline and risk level. Capital Analysts, however, retains the authority to terminate a Select Manager at any time. If a Select Manager is removed from Capital Analysts’ offerings, Capital Analysts will notify you in writing, and allow you the opportunity to change Select Managers.

You will enter into agreements with both Capital Analysts and the Select Manager you choose to provide asset management services. Only the Select Manager exercises discretionary authority to determine the securities to be purchased and sold in your CAAMS Select account. Neither Capital Analysts nor your Advisor has trading authority with respect to your CAAMS Select account. The clearing and custody services for CAAMS Select Programs are provided by Pershing LLC. Select Managers have account minimum requirements that will vary. A list of Select Managers is shown below. A complete description

of each Select Manager's services, fee schedules, and account minimums will be disclosed in their respective Forms ADV 2A, Wrap Brochures, or similar disclosure brochures provided to you at or before the time your CAAMS Select agreement is executed and the account is established.

<b>CAAMS Select Managers</b>			
<i>Select Manager</i>	<i>Minimum Investment</i>	<i>Max. Annual Fee to Client</i>	<i>Investment Discipline(s)</i>
First Fiduciary Investment Counsel	\$200,000	2.05%	Large-cap domestic equity
Fort Washington Investment Advisors	\$1,000,000	1.90%	Domestic fixed income
Franklin Templeton Investments	\$250,000	1.80%	Fixed Income-Intermediate
The Haverford Trust Company	\$250,000	2.05%	Large-cap domestic equity, balanced
Headwaters Investment Counsel LLC	\$100,000	1.96%	Large-cap blend, dividend growth
One Capital Management LLC	\$500,000	2.20%	Large-cap domestic equity, balanced
RNC-Genter Capital Management	\$250,000	1.85%	Domestic fixed income
SeaCap Investment Advisors	\$300,000	1.90%	Domestic fixed income
The Pennsylvania Trust Company	\$500,000	2.05%	Multi-cap domestic equity
Thornburg Investment Management	\$250,000	2.05%	Large-cap domestic equity, domestic fixed income
Todd-Veredus Asset Management	\$500,000	2.05%	Large-cap domestic equity
Uniplan Investment Counsel	\$100,000	2.05%	Real estate investment trusts (REITs)

Each Select Manager sets its own investment management fee, which generally ranges between 0.50% - 1.00% for equity accounts and 0.25% - 0.50% for fixed income accounts, although some Select Managers may assess fees that are higher or lower. Each Select Manager's current fees are listed in its Form ADV 2A and/or Form ADV 2A & Appendix I, which Financial Advisor should provide you.

#### *Co-Adviser and Sub-Adviser*

Capital Analysts may also act as Co-Adviser to introduce you to third party money managers in order to provide you with certain unique investment advisory services tailored to your needs. Neither Capital Analysts nor your Advisor performs the ongoing discretionary asset management in these portfolios; this is provided by the third party money manager. Capital Analysts and your Advisor will charge an additional fee over and above the money manager's fee to work with both you and the money manager to ensure that the managed program continues to meet your needs and goals. As Co-Adviser, Capital Analysts typically is responsible to work with you to collect all necessary information and documentation to assist the third-party investment adviser in managing your assets, and to answer any questions you may have about the third party-managed portfolio.

### *Solicitor*

When Capital Analysts or your Advisor acts as a Solicitor, we introduce you to a third party money manager that we have determined could best manage all or a portion of your assets. Should you choose to do business with the money manager, we will be paid an ongoing percentage of the fee you pay the investment adviser for the introduction or referral. The fee arrangement will be disclosed to you at the time that you are referred to the investment adviser. Neither Capital Analysts nor your Advisor performs any other role with respect to the assets placed with the money manager.

The following table is a list of third party money managers for which Capital Analysts or your Advisor may act as Co-Advisor or Solicitor:

<b>Third Party Money Managers Offering Model and/or Custom Portfolios Capital Analysts may act as Co-Advisor or Solicitor</b>	
Aris Wealth Services, Inc.	ITS Asset Management, L.P.
AssetMark, Inc.	Lockwood Advisors, Inc.
Bellatore Financial, Inc.	Loring Ward
Bernstein Private Wealth Management	Manning & Napier
Brinker Capital, Inc.	Matson Money, Inc.
BTS Asset Management, Inc.	Morningstar Investment Services
CLS Investments	Portfolio Strategies Inc.
Clark Capital Management Group, Inc.	Potomac Fund Management
Curian Capital LLC	PTS Asset Management
Edelman Financial Services, LLC	SEI Investment Company
Envestnet Inc.	Standard Retirement Services
FTJ FundChoice	Symmetry Partners
Goelzer Investment Management	Wallington Asset Management
ICON Advisers	

Not all third party money managers are available to all Advisors and clients.  
This list is subject to change.

### **IV. Periodic Investment Consulting**

Advisors may, for a fee, provide periodic investment analysis or advice on assets held at a custodian other than Pershing LLC or another custodian with which Capital Analysts has an advisory relationship; for example, your 401(k) assets held within your employer's plan. Advisors may assist you in diversifying and risk-adjusting your entire household of investments. You will enter into a separate written fee for services agreement before any services are performed. This agreement will describe the services and fees you and your Advisor have agreed upon. Advisors may charge you for these services through a flat, hourly, or asset-based fee.

### **V. Financial Planning**

Advisors may offer comprehensive or limited financial planning services for a fee. Financial planning services may include, but are not limited to, retirement, college, tax, business succession planning or insurance needs analysis, and assistance with estate distribution matters. Financial Planning services are generally provided to you by your Advisor on a flat fee or hourly fee basis. You will enter into a separate written fee for services agreement before any financial services begin. This agreement will describe the services and fees you and your Advisor have agreed upon. Many Advisors have earned professional designations that qualify them to offer these planning services, but Capital Analysts does not require the Advisor to maintain a professional designation in order to offer financial planning services. Ask your

Advisor about his or her professional designations, or see their Form ADV 2B Supplement which provides their career biographical information and the professional designations earned. Lincoln Investment does not provide tax or legal advice. Please consult with your personal attorney and tax accountant.

**VI. ERISA Retirement Plan Advice**

Capital Analysts and its Advisors provide investment advice to sponsors of ERISA retirement plans, as well as education and enrollment services to eligible participants of the plans. At the plan level, Capital Analysts assists the responsible plan fiduciary in analysis, selection, and monitoring of investment options made available to plan participants. Capital Analysts may recommend appropriate mutual fund Model Portfolios, which are managed on a discretionary basis by Capital Analysts, a Select Manager, or a Third Party Money Manager. Advisors of Capital Analysts may also assist eligible participants of these plans in education and enrollment. Capital Analysts may also assist the responsible plan fiduciary in the selection of a product sponsor’s program or third party platform. Below is a list of third party platforms and providers who work with Capital Analysts to provide services to ERISA plans.

<b>ERISA Approved Third Party Platforms</b>	
ADP Retirement Services	Nationwide
Alerus	Newport Group
Alliance Bernstein	OneAmerica
American Funds – Recordkeeper Direct	Oppenheimer
Ascensus	PAi – RIA
Aspire Financial Services	PayChex
CUNA ( <i>formerly CPI</i> )	PenServ
Employee Fiduciary	Pershing
Empower Retirement (Great West)	Pinnacle Financial Group
ePlan	Principal Financial
Expert Plan	ProTPA – RIA
Fidelity Advisors	Power401k
Independent Financial Partners/Montgomery Retirement Advisors	SBL – Variflex
Invesco	Securian
J. P. Morgan Retirement Link	SEI Private Trust
John Hancock	Spectrum Employee Benefits RIA
K Trade	Summit Benefit Solutions – RIA
Lincoln Financial – Director	The Standard
Mass Mutual	Transamerica
	Ubiquity ( <i>formerly The Online 401(k)</i> )
	Voya (ING)

**Assets Under Management**

As of December 31, 2017, Capital Analysts and its Advisors managed or advised on over \$4.7 billion in advisory assets:

- \$4.3 billion in advisory assets on a discretionary basis, and
- \$494 million in advisory assets on a non-discretionary basis

## Item 5: Fees and Compensation

*This section provides to you a description of our advisory fees, how and when these advisory fees are collected, and if refunds are available. Other types of fees and expenses that you may incur are described below in the section titled "Other Costs That You May Incur." Other compensation that Capital Analysts and/or your Advisor may receive, which may create a conflict of interest, is described in the section titled "Other Compensation to Capital Analysts Affiliates and Our Conflicts of Interest."*

For all advisory services offered by Capital Analysts, the specific manner in which advisory fees are calculated and charged is described in your written Investment Management Agreement. In your agreement, you will also authorize Capital Analysts to directly debit advisory fees from your account. Advisory fees are in most cases automatically deducted on a quarterly basis in advance from cash/money market positions or by liquidating assets held within the account. Capital Analysts may waive or negotiate advisory fees at our sole discretion.

When you engage Capital Analysts, your costs will depend on the Program(s) selected, your Advisor's fee, whether the account will be comprised of mutual funds or ETFs that have their own internal expenses and may or may not have transaction costs, and whether you choose a Wrap or non-Wrap Fee Program.

### **I. Capital Analysts Managed Portfolios**

The portfolios in the CAAMS offerings that are managed by the IM&R team are offered primarily as Wrap Fee Programs. A Wrap Fee Program is an investment advisory program in which you pay one bundled fee to compensate Capital Analysts and your Advisor for their services *and* to pay the transaction and clearing costs associated with transactions in your advisory account. Capital Analysts' Wrap Fee Programs are offered on Pershing LLC's brokerage platform, and depending on the Wrap Fee Program you select, your managed account may include, but is not limited to, stocks, bonds, mutual funds options, CDs, and exchange traded funds (ETFs). Transactions in most of these securities have transactions costs associated with them; however, certain mutual funds are available on the Pershing LLC platform without transaction costs. The Wrap Fee for these programs is not based directly upon the actual transaction or execution costs for your account. Depending on the underlying securities and number of transactions you expect to trade in your account, a Wrap Fee account may cost you more or less than if you choose to pay separately for all of your transaction costs (e.g., pay the advisory fee plus all transaction costs). In general, you should only choose a Wrap Fee Program if you or your Advisor expect to trade regularly in the account.

For further information regarding Capital Analysts' Wrap Fee Program, see the Capital Analysts' Wrap Fee Program Brochure (Form ADV Part 2A Appendix I) attached.

#### *CAAMS Fidelity 403(b) Program*

##### Fees and Expenses

<b>Types of Securities available in Managed Account</b>	<b>Maximum Percentage Annual Capital Analysts Management Fee (as a percentage of assets in the Account)</b>	<b>Maximum Annual Advisor Fee is Negotiable (as a percentage of assets in the Account)</b>	<b>Maximum Annual Fee (Total of columns to left)</b>
Mutual funds	0.30%	1.00%	1.30%

The client is also responsible for any transaction costs and account fees imposed by the custodian.

## CAAMS Schwab Platform Programs

### Fees and Expenses

Types of Securities available in Managed Account	Maximum Percentage Annual Capital Analysts Management Fee (as a percentage of assets in the Account)	Maximum Annual Advisor Fee is Negotiable* (as a percentage of assets in the Account)	Maximum Annual Wrap Fee (Total of columns to left)
Mutual funds and ETFs	0.30%	1.50%	1.80%

\* This service is also available to third-party registered investment advisers. The maximum annual advisor fee is at the discretion of the third-party registered investment adviser.

The client is also responsible for any transaction costs and account fees imposed by the custodian.

## II. Advisor Managed Model and Client Custom Portfolios

Unless otherwise stated, your Advisor's fee is negotiable at the Advisor's sole discretion and to a maximum fee that is established by Capital Analysts. Advisor services, including consultations and advice, are provided for an unbundled fee where you pay a fee to compensate Capital Analysts and your Advisor for their services, and you would pay separately the transaction costs associated with the trading in your account. Advisor managed services and fees typically differ by Advisor.

For accounts custodied on Pershing, LLC, Pershing offers mutual funds that can be purchased and sold without any transaction fee (NTF) and other mutual funds that will incur a transaction fee (TF). The funds with no transaction fee could have higher expense ratios, which can impact the performance of your account compared to the funds with a transaction fee. Ticket charges are shared with Lincoln Investment and are a source of revenue to Lincoln Investment. This additional revenue to its affiliate can create a potential conflict of interest for Capital Analysts.

Securities other than mutual funds such as stocks, bonds, ETFs, and options, also have ticket charges associated with them that you will incur in addition to the advisory fee. These brokerage charges are described in the Lincoln Investment Brokerage Account Fee Schedule for Accounts Held at Pershing LLC provided to you at the time you establish your account. In addition to transactional charges, brokerage accounts are subject to administrative charges such as retirement plan custody fees, termination fees, wire execution fees, and inactivity fees. The maximum annual fee that may be charged by your Advisor (Financial Advisor Fee) for his/her services is 1.50% of the assets being advised or managed. In addition, Capital Analysts assesses an annual administrative fee of 0.07% of assets or \$100, whichever is greater. The Administrative Fee minimum of 0.07% will only be applicable if an account value is equal to or greater than \$142,857. For accounts sizes less than \$142,857, you will pay an administrative fee in excess of the stated 0.07%. This minimum annual fee will have a greater relative impact on the total fee paid by smaller accounts.

A portion of the Administrative Fee will be shared with those Advisors who meet certain thresholds of total Advisor Managed Model and Client Custom Portfolios assets. The sharing of the Administrative Fee earned by Capital Analysts and shared with your Advisor has no impact on the total client fee paid by you. The sharing of this Capital Analysts Administrative Fee with your Financial Advisor may result in your Financial Advisor receiving greater compensation than what is indicated in your Investment Management Agreement.

Your Advisor's fees are billed on a quarterly basis, in the beginning of the quarter in which they will be earned. Fees are based on the market value of all assets held within the account (including cash and cash equivalents), on the last business day of the previous calendar quarter. Accounts opened during a calendar quarter will be charged a prorated fee based on the number of calendar days left in the quarter. For advisory services terminated during the calendar quarter, any prepaid, unearned fees will be refunded on a pro-rata basis, and any earned, unpaid fees will be due and payable on a pro-rata basis. Advisory fees may be prorated for each capital contribution and withdrawal made during the applicable calendar quarter. Some existing clients are assessed fees quarterly in arrears of services rendered. Fees assessed in arrears are no longer offered to new clients. In general, a client may terminate Capital Analysts advisory services at any time upon written notice to us. The death of a client also constitutes termination of any agreement with Capital Analysts, though an executor or other authorized representative may choose to continue services under a new or modified agreement.

#### *Other Advisor Managed Model Portfolios and Client Custom Portfolios*

Your Advisor has a choice of platforms to recommend to you for the custody of your assets. The platform and fee for advisory services offered to you can differ by Advisor, whether the Advisor is providing ongoing or periodic asset management or advice to you, what investments are available on the platform (e.g., a mutual fund only or mutual fund and other general securities offerings) and whether the asset advice to be provided by the Advisor is with limited or full discretionary authority. The specific fee for your managed or advised portfolio is provided within the investment advisory agreement you sign prior to the start of advisory services. Consult with your Advisor to learn more about the advisory services and fees he or she offers.

### **III. Third Party Portfolio Management Services**

#### *CAAMS Select*

For the CAAMS Select Program, Capital Analysts has entered into agreements with the Select Managers establishing the maximum Select Manager Fees that may be charged. The maximum annual advisory fee shown in the table in Item 4 compensates the Select Manager, Capital Analysts, and your Advisor. The Select Manager Fee will generally range between 0.50% and 1.00% for equity accounts and between 0.25% and 0.50% for fixed income accounts. The Select Manager Fee will be identified in your investment advisory agreement, which you should carefully review prior to signing. There is a 0.06% annual Capital Analysts (CAI) Administration Fee plus your Advisor's Fee.

The Select Manager Fee may or may not include within their management fee Pershing's transaction charges, such as ticket charges and other transaction costs. Transaction charges for accounts held at Pershing are described in the Lincoln Investment Brokerage Account Fee Schedule for Accounts Held at Pershing LLC provided to you at the time you establish your account. In addition to transactional charges, brokerage accounts are subject to administrative charges such as retirement plan custody fees, termination fees, wire execution fees, and inactivity fees.

A complete description of each Select Manager's services, fee schedules, and account minimums will be disclosed in their respective Forms ADV 2A, Wrap Brochures, or similar disclosure brochures provided to you at or before the time your CAAMS Select agreement is executed and the account is established.

#### *Co-Adviser or Sub-Adviser*

Capital Analysts, as Co-Adviser, works with third party money managers to provide you with access to their investment advisory services. In some instances, a portion of the Advisory Fee charged by the third party manager is paid to Capital Analysts and your Advisor; in other instances, Capital Analysts and your Advisor may add on a fee to the third party money manager's fee for our performance of certain assigned services as a Co-Adviser. Please review your investment advisory agreement and the Form ADV 2A of the third party money manager for further information regarding the advisory fee for your selected advisory service(s) and the portion that is paid to Capital Analysts and your Advisor.

#### *Solicitor*

Advisors may also act solely as a Solicitor and introduce or refer you to a third party money manager. For this introduction, the third party money manager will pay Capital Analysts a Solicitor's Fee. This fee, which is typically an ongoing portion of the fee collected from you by the money manager, must be disclosed to you at the time of the introduction in a Solicitor Disclosure Statement. Capital Analysts does not dictate or control the asset management or other fees that may be assessed by the third party money manager. Please review the money manager's ADV Part 2A for more information about their advisory fees.

#### **IV. Periodic Investment Consulting**

Periodic Investment Consulting Services that do not include asset management services are generally provided to you by your Advisor on an asset-based, flat fee or hourly fee basis. You will receive an Investment Consulting Agreement before any services are performed. This agreement will describe the services and fees you and your Advisor have agreed upon.

#### **V. Financial Planning**

Financial Planning services are generally provided to you by your Advisor on a flat fee or hourly fee basis. You will receive a written financial planning agreement before any financial services begin. This agreement will describe the services and fees you and your Advisor have agreed upon.

#### **VI. ERISA Retirement Plans**

Fees for advice and services provided to ERISA retirement plans fees are negotiable between Capital Analysts, the Advisor and the plan sponsor. For plans governed by ERISA, compensation arrangements will involve the offset or refunding of any indirect compensation relating to the assets in the plan, such as 12b-1 fees, to the plan and/or plan participants to ensure level compensation to Capital Analysts and the Advisor. All direct and indirect compensation will be described in the 408(b)(2) disclosure provided when your ERISA account is established.

#### **Additional Information Regarding Fee Billing**

In general, a client may terminate Capital Analysts or its Advisor's advisory services at any time upon written notice to us. The death of an investor also constitutes termination of any agreement with Capital Analysts, though an executor or other authorized representative may choose to continue services under a new or modified agreement. Unearned fees will be refunded to clients on a *pro rata* basis for asset management services. Where a client has paid a flat or hourly fee in advance, fees may be refunded to the client for services not yet performed or delivered. Clients remain responsible to pay fees for services performed but not yet billed.

You could purchase advisory services similar to those offered by Capital Analysts separately from our affiliated investment advisers, Lincoln Investment Planning, LLC or Legend Advisory, LLC, or from another financial services provider. Fees may higher or lower depending on the investment adviser.

Capital Analysts may offer employees, its Advisors, and family members a discount or waiver of some or all fees.

### **Other Cost That You May Incur**

Total advisory fees paid and other costs associated with your portfolio impact the overall performance of your portfolio. It is important to review these costs when making your advisory and investment decisions.

Costs may include the following:

1. **Internal Expenses.** Internal management fees or other expenses charged by the mutual fund or sub-account of a variable annuity (also known as the internal expense). All mutual funds and annuity companies charge a fee for the management and operations of their offerings. The higher the internal expense, the more impact it will have on the performance of your portfolio.
2. **Brokerage Account Fees.** Capital Analysts offers its advisory services on various broker-dealer platforms. Each platform assesses different account, service and transaction fees, such as commissions, wire fees, trade-away fees, statement and confirmation fees, retirement plan recordkeeping or custodial fees, and low balance or account termination fees. Please refer to Item 12: Brokerage Practices for further information. Pershing assesses a surcharge for the purchase and sale of certain no load or low expense mutual funds not available on the NTF platform.
3. **Mutual Fund Short-term Trading Redemption Fees.** Some mutual funds impose short-term trading redemption fees of up to 2% for active trading or exchanging in and out of their funds. Tickets charges may also be imposed if certain fund minimums are not met. This could affect you or your investment adviser's ability to properly manage your portfolio as these costs will impact the performance of your portfolio or may be an incentive not to trade. Capital Analysts' decision to reallocate your account assets may result in you incurring a redemption fee imposed by one or more mutual funds held in your account.
4. **Variable Annuity Rider and Contract Costs.** These costs may include, but are not limited to, annual base annuity contract charges, optional benefit riders, underlying sub-account expenses, and potential surrender fees.
5. **Rights of Accumulation.** Many mutual funds offer rights of accumulation or other sales charge discounts. The mutual fund company may or may not count your assets held in an advisory service as eligible for a reduced sales charge on other mutual fund purchases. You should consult the fund's prospectus for the product sponsor's specific rules.

You may incur additional charges imposed by custodians, broker-dealers, investment and insurance companies and other third parties, such as transfer taxes, wire transfer and electronic fund fees and other fees and taxes on brokerage accounts and securities transactions. Such charges and fees are exclusive of and in addition to Capital Analysts fee. You shall be responsible for payment of any and all taxes that may be due as a result of any transactions in your account.

### **Other Compensation to Capital Analysts and Our Conflicts of Interest**

Capital Analysts recognizes its fiduciary responsibility to place your interests above ours and that other compensation received by us, or an affiliate, from other sources presents a conflict of interest and could be looked upon by you as an incentive for us to recommend investment products or advisory services based on compensation rather than on your financial needs. Below is a description of potential conflicts of interest that we have identified in the conduct of our business that we believe may be material. With many of these conflicts, we have taken steps to mitigate away or reduce the potential conflict.

12b-1 Fees. An expense within some mutual fund share class offerings is a Mutual Fund Distribution Fee, also called a 12b-1 Fee, which is paid to Lincoln Investment, Capital Analysts broker-dealer affiliate. For assets held on the Pershing LLC platform, the amount of the 12b-1 fee received by Lincoln Investment will be refunded directly to your Pershing account. You may still incur a 12b-1 fee expense for any portion of the 12b-1 fee not paid to Lincoln Investment. The refunding of 12b-1 fees will alleviate the potential conflict of interest associated with Capital Analysts affiliate receiving this third party compensation and will also reduce the expense to you associated with purchasing a mutual fund share class which includes a 12b-1 fee expense.

### **Understanding Share Classes in Capital Analysts Advisory Accounts**

Mutual funds have multiple share classes. The expense ratio of a fund is disclosed in the fund's prospectus and annual reports and generally reflects the annual operating costs of the fund, assessed as a percentage of a fund's average assets. The expense ratio within a mutual fund share class can fluctuate from what is shown in a prospectus for the fund offering and annual report and can vary over time and from year to year. A fund that was deemed to have a lower expense ratio at the time of purchase may not actually maintain that expense ratio during the time that the fund is held and new fund share classes may become available with different expense ratios.

Share class selection for your advisory accounts will be based on a range of factors. Capital Analysts does not make all share classes available to your advisory accounts. While Capital Analysts will generally seek to designate a single share class of a mutual fund for purchase in your advisory accounts, designated share classes will likely vary among custodial platforms and more than one share class can be purchased and held in advisory accounts. Factors we consider in share class selection, include, but are not limited to, the net expense ratio of the share classes, an expense tracking error of ten basis points (0.10 %) based on the prospectus net expense ratio as provided by Morningstar, prospectus 12b-1 distribution fee as provided by Morningstar, whether a portfolio is a discretionary managed portfolio or a non-discretionary managed portfolio, the availability of share classes on various custodial platforms, whether particular share classes are subject to transaction fees ("TF") or do not have transaction fees ("NTF"), operational considerations such as share class consistency within a fund family on a particular custodial platform (as described below), the availability of account minimum waivers, tax and other circumstances that are unique to particular clients. Expense tracking error refers to an acceptable margin that Capital Analysts considers when comparing share class costs since share class expense ratios can fluctuate over time. Share class consistency refers to the objective of utilizing the same share class for all or a majority of the mutual funds within a fund family on a particular custodial platform to support consistency and efficiency. This objective may not always be achieved and more than one share class could be purchased and held. Generally, Capital Analysts will only consider a share class for share class consistency if the differential between the share classes being considered is ten basis points (0.10%) or less based on the prospectus net expense ratio as provided by Morningstar, taking into account the prospectus 12b-1 distribution fee as provided by Morningstar. If not within this range, then multiple share classes of a fund family could be available on a custodial platform.

Generally, only NTF funds will be available for new fund purchases in your advisory accounts. However, TF funds will be purchased if the NTF fund in the same mutual fund is not available on the applicable custody platform, subject to the purchase being eligible for investment minimums or investment waivers. A fund share class on one custodian's platform may be an NTF fund while on a different custodian's platform may be a TF fund, or vice versa. The expense ratio for TF funds will generally be lower than that for NTF funds, but the purchase and sale of TF funds is subject to additional transaction fees and other charges that increase the cost of investment. Trading in TF funds can increase cost to both the client and/or the firm depending on the level of trading in the account. Capital Analysts and its Advisors are not

under an obligation to pay the transaction fees and other charges associated with investments in TF funds on your behalf, unless you are in a Wrap Fee Program. However, if Capital Analysts does assume these costs, then it has a financial incentive to select NTF funds in its Wrap Fee programs to avoid paying or to lower mutual fund transaction charges. This creates a conflict of interest for Capital Analysts to select a NTF mutual fund in a Wrap Fee program because Capital Analysts would incur less expense and generate more revenue than if Capital Analysts selected a TF fund. When selecting a share class of a mutual fund for its platform and when recommending a mutual fund to you, Capital Analysts and your Advisor have a conflict of interest because the selection or recommendation of a more expensive share class results in greater net after cost compensation to Capital Analysts. The use of NTF funds can serve to minimize the potential for an overall increase in advisory fees charged to clients. If Capital Analysts or your Advisor were to incur transaction fees, Capital Analysts and/or your Advisor would likely charge higher advisory fees or increase other charges to clients for the services provided.

Capital Analysts and your Advisor can purchase, hold, and recommend mutual fund investments in share classes in your advisory accounts that are not the lowest cost share class. You should not assume that you are invested in the lowest cost share class, and the share class of a mutual fund offered by Capital Analysts can have higher expenses and therefore lower returns, which could impact performance over time, than other share classes of that mutual fund for which you are eligible or that may otherwise be available to you if you invested in the mutual fund through a third party or through the mutual fund directly. Other financial services firms may offer the same mutual fund at a lower overall cost to the investor than is available through your account.

Capital Analysts may, in its discretion, determine to convert your mutual fund positions held in one share class to a different share class. Such share class conversions will occur as deemed appropriate by Capital Analysts and will be reflected on your account statement. Capital Analysts will consider various factors when considering share class conversions in your advisory accounts, including but not limited to, the net expense ratio of the share classes, whether your account is subject to taxation, the difference in the expense ratio between share classes and whether the difference exceeds an expense tracking error of ten basis points (0.10%) based on the prospectus net expense ratio as provided by Morningstar, the prospectus 12b-1 distribution fee as provided by Morningstar, operational considerations such as share class consistency, your investment preferences and the amount of potential taxable gains or losses to which you could be subject. The ability and length of time to effect a share class conversion will vary by custodial platform and is subject to prospectus requirements and custodial platform approval. Capital Analysts will periodically compare the share classes of your funds with the share classes offered by the fund and available to the firm and your account. If, as a result of such review, the Firm initiates a share class conversion, the new share class will appear on your account statement. Capital Analysts will not consider converting your mutual fund position held in a lower expense share class of the same fund to a more expensive share class of the same fund unless the difference between the lower expense share class and the more expensive share class is less than or equal to the expense tracking error of ten basis points (0.10%) based on the prospectus net expense ratio as provided by Morningstar, taking into account the prospectus 12b-1 distribution fee as provided by Morningstar. Through the conversion process, you should not assume that you are or will be invested in the lowest expense share class, and the share class of a mutual fund offered by Capital Analysts can have higher expenses, and therefore lower returns, which can impact performance over time, than other share classes of that mutual fund for which you are eligible or that may otherwise be available to you if you invested in the mutual fund through a third party or through the mutual fund directly.

We are currently implementing the mutual fund share class selection process described above for new funds that are added to our advisory platforms. We are simultaneously reviewing existing positions to apply these mutual fund share class selection and conversion factors to current fund holdings. This review

process is ongoing and is expected to be completed by September 2018. Third-party investment managers that provide model portfolios or manage client accounts on a discretionary basis will follow their own share class selection practices.

When determining the reasonableness of any fees and expenses you agree to pay to Capital Analysts, you should consider both the fees and expenses that Capital Analysts charges to your account for its services and those of your Advisor, as well as any indirect fees and expenses that you pay in connection with any investment in share classes of mutual funds that bear expenses greater than other share classes for which are otherwise eligible. Information about the mutual funds and share classes that are available through your account, including their investment policies, restrictions, charges, and expenses, is contained in the mutual funds' prospectuses. You should read these prospectuses carefully. Please contact your Advisor for additional information on share class selection practices and related fees and expenses.

### **Third Party Payments**

#### **Pershing Platform**

**Money Market and Cash Deposit Fees.** For advisory accounts held on Pershing LLC's platform, Lincoln Investment, Capital Analysts affiliated broker dealer, shares in revenues with Pershing associated with money market interest on certain money market sweep account options and Interlink bank deposit assets associated with Capital Analysts accounts. We do not refund or offset this revenue sharing against advisory fees paid by clients whose advisory assets are on Pershing. The receipt of revenue sharing with Pershing creates a potential conflict of interest to Capital Analysts and Lincoln Investment to use Pershing as a custodian over other custodians that do not share these fees, and to recommend the purchase of those products that we share in revenue over other funds and platforms that we do not share in revenue. Capital Analysts does not share these fees with your Advisor. In 2017, the amount of this revenue received as allocated to Capital Analysts was less than one-half of one percent of total revenues of Capital Analysts. We do not believe that this amount is material.

**Shareholder Service Fees.** In 2017, Lincoln Investment, Capital Analysts affiliated broker-dealer, shared in Shareholder Service fees collected by Pershing from fund companies that could be attributable to Capital Analysts advisory accounts. These fees were derived from Pershing's FundVest FOCUS list of funds. Lincoln Investment did not share these fees with your Advisor. Pershing is no longer sharing these types of Shareholder Service fees with Lincoln Investment in connection with Capital Analysts accounts.

#### **Sales and Marketing Support**

Lincoln Investment receives Sales and Marketing Support as described below and includes flat fee sponsors, other sales support and asset and sale based sponsors. In order to minimize the potential conflicts associated with the receipt of these fees by its affiliate, Capital Analysts does not receive Sales and Marketing Support payments that are based on advisory account assets, advisory account transactions or that are based on ERISA account assets.

**Flat Fee Sponsors.** Lincoln Investment, Capital Analysts affiliate broker-dealer, has partnered with a select group of third party money managers and product sponsors who pay to assist Lincoln Investment in the training and education of Advisors at firm sponsored events, on such topics as advisory products and services, practice management, tools and technology, consumer education, and policies, rules and regulations. These sponsors provide financial support to Lincoln Investment in the form of a flat-dollar amount that may be amended annually and is not based on the assets or sales of their proprietary products

or services. Sponsors can compensate Lincoln Investment from fund assets, the fund's investment manager, distributor or other affiliate's assets. Payments made to broker dealers out of fund assets can lower investor returns and performance over time. Advisors do not share in any portion of these payments so as to mitigate any conflict for an Advisor to recommend one product or money manager over another. This financial support allows Lincoln Investment to defray or offset costs associated with firm sponsored events and other educational and outreach tools and services. The financial support by these Sponsors to Lincoln Investment and as allocated to Capital Analysts presents a potential conflict of interest to Lincoln Investment and Capital Analysts.

All Flat Fee Sponsors do not pay Lincoln Investment the same amount, and depending on the amount of the payment from the Flat Fee Sponsor, the access to Lincoln Investment sponsored events may differ. For example, Lincoln Investment holds a number of sales conferences both nationally and regionally throughout the year to educate advisors. The higher the annual flat fee payment, the more events the Flat Fee Sponsor will be invited to attend. Flat Fee Sponsors have more opportunities than other product sponsors and money managers that are not Flat Fee Sponsors to market to and educate Advisors which could pose a potential conflict to Advisors to offer these sponsors products or services over others. Advisors do not share in any portion of these payments so as to mitigate any such conflict.

In 2017, the financial support of the Flat Fee Sponsors as allocated to Capital Analysts was less than one-half of one percent of total revenues to Capital Analysts. We do not believe that this amount is material. In 2017, Flat Fee Sponsors who compensated Lincoln Investment with a flat fee payment, in order from high to low, were Russell Investments, CLS Investments, LLC, ICON Advisers, Inc., Meeder Financial, DoubleLine, and JP Morgan. Some of the Flat Fee Sponsors revenue may be used to support the ongoing operational expenses of Lincoln Investment and Capital Analysts are not used solely for sales and marketing support.

**Other Sales Support.** From time to time, product sponsors and third money managers may assist Advisors in their sales and marketing efforts by subsidizing certain Advisor costs, such as client meetings or workshops, mailings, administrative expenses and technology support. The amount of support is approved by Lincoln Investment and is monitored to ensure that it is not too frequent or excessive. Also, Advisors are invited from time-to-time by product sponsors to due diligence and educational meetings or seminars hosted by the product sponsor or money manager. Lincoln Investment must grant permission to our Advisors to attend any meeting or seminar hosted by a product or advisory service sponsor. Lincoln Investment approves events that are limited to education or due diligence only and allows the product sponsor to provide meals, hotel accommodations and reimbursement to the Advisor, through Lincoln, for travel expenses only. These events represent a nominal portion of revenue that may be received from product sponsors. The education of our Advisors in the offerings that are available to them is a key component of providing prudent investment advice to you. This could be deemed a conflict of interest that will incentivize the advisor to offer one product or money manager over another. This support is not based on client assets or transaction sales.

**Asset and Sales Based Sponsors.** On the brokerage side of Lincoln Investment's business, in addition to Flat Fee Sponsors, Networking Fees, and Money Market Fund fees, Lincoln Investment receives Sales and Marketing support from product sponsors, mutual fund companies, insurance companies and other third party providers to assist in the marketing and sales efforts of employees and Advisors ("Asset and Sales Based Sponsors"). The support provided by these sponsors is based on brokerage assets and brokerage transaction and not based on your advisory account assets or ERISA assets. Lincoln Investment receives compensation from these sponsors in various forms, including as a flat fee, a percentage of the amount of brokerage assets held by investors, a percentage of sales, or any combination of these methods. The amounts of these payments can vary by the type of product and by provider and

can include, but are not limited to, distribution fees and shareholder service fees. In some cases, Asset and Sales Based Sponsors pay additional marketing payments to Lincoln Investment to cover fees to attend conferences. Additionally, some Asset and Sales Based Sponsors make a monthly or quarterly payment or additional monthly or quarterly payment based on the assets you hold in a fund or variable insurance product over a period of time. As you may have both a brokerage account and an advisory account with us, we want you to understand that Lincoln Investment will receive Sales and Marketing Support based on assets or sales in connection with your brokerage account assets and transactions. As Lincoln Investment may be financially incentivized to recommend Asset and Sales Based Sponsors that provide sales and marketing support over others that do not, this is a potential conflict of interest.

In 2017, Sales and Marketing Support based on brokerage asset or sales (which would be as result of only the brokerage assets you held with Lincoln Investment) represented approximately one percent of total revenues to Lincoln Investment, and could be deemed material to Lincoln Investment clients. Some of this revenue may be used by Lincoln Investment to support the ongoing operational expenses of Lincoln Investment and not used solely for sales and marketing support.

### **Other Potential Conflicts**

**Ongoing Fiduciary Conflicts.** Capital Analysts has a supervisory duty to periodically monitor clients' portfolios to ensure suitability of investments and to ensure that the advisory services are being performed in recognition of our fiduciary duty to you, which includes acting in your best interest. A potential conflict of interest exists if an Advisor is assessing an advisory fee but no services are being performed. Supervision is performed over accounts and Advisors to monitor for activities that could be deemed a breach of our fiduciary duty to you, including such periodic reviews as accounts where there is no documentation of services being performed and accounts with uninvested cash balances over a period of time with no rationale for holding such a large cash position in an advisory account. In an advisory relationship, our fiduciary relationship will be most successful if both the client and the Advisor partner to ensure that there is regular and meaningful contact and that the advisory account continues to meet the needs of the client.

**Affiliates Other Businesses.** Capital Analysts principal business is as an investment adviser. The majority of Capital Analysts revenue comes from the advisory fees we collect from you. Through its affiliated broker-dealer, Lincoln Investment also receives compensation from its brokerage business. This compensation comes from securities and insurance product commissions and mutual fund concessions, 12b-1 distribution fees associated with the sale of mutual funds, trailing commissions from annuity sales, and persistency bonuses on insurance and other sources. You always have the option to purchase advisory services, securities products or insurance through non-affiliated investment advisers, brokers or agents. Capital Analysts also is affiliated with two other registered investment advisers, Lincoln Investment, LLC and Legend Advisory, LLC, and promotes the services of these investment advisers.

**Your Advisor's Other Businesses.** Your Advisor may have more than one relationship with you – one as an Advisor over an advisory account and one as a Registered Representative/Agent of Lincoln Investment over a non-advisory account where he or she may receive a sales commission for the sale of securities or insurance products which would be in addition to any advisory fees earned on your advisory assets. In these situations, our Advisor may have greater financial incentives to offer you both investment and/or insurance sales as well as advisory services.

Your Advisor may also be associated with one or more of Capital Analysts affiliated investment advisers, Lincoln Investment, LLC or Legend Advisory, LLC. These affiliated relationships present a conflict of interest. Through his or her affiliation with Capital Analysts and possibly with Lincoln Investments and

Legend Advisory, your Advisor may be in a position where he or she can offer the same or similar advisory services to you for different fees and compensation structures. If an identical Sub-Advisor or strategy is available through two affiliated registered investment advisers, you may pay higher fees for an advisory service that is similarly offered through another affiliated investment adviser. You always have the option to purchase advisory services, securities products or insurance through non-affiliated investment advisers, brokers or agents.

Capital Analysts shares with each Advisor a percentage of the advisory fee received based on the type of advisory service sold. Some Advisors can receive a higher percentage of the Advisor Fee when placing client assets within an IM&R managed program than when placing client assets with a third party money manager. In addition, Advisors who have significant advisory assets within Capital Analysts advisory programs receive higher percentages of the Advisor Fee than those who have lower advisory assets in Capital Analysts in-house managed offerings. This creates a conflict of interest for Advisors to recommend Capital Analysts offerings over other third party advisory offerings. Most of Lincoln's Advisors are independent contractors who may also offer other non-security financial services and products, such as life, health, disability, long term care and fixed annuity insurance products, and real estate. These services may be offered independent of The Lincoln Investment Companies.

**Sales Incentives.** Capital Analysts offers sales contests that may provide additional incentives to your Advisor to offer one product or advisory service over another. Capital Analysts offers sales contests based on such criteria as gross compensation to the Advisor, new accounts, and net sales of advisory programs. These contests may provide your Advisor with a conflict of interest and an incentive to offer you fee-based advisory services over commission-based brokerage services. Top achievers in these contests may receive firm sponsored trips, cash prizes, bonus commissions, club points, monetary donations in their name to a charity of their choice or other nominal prizes. No contest is offered which will award the Advisor based upon a specific investment product or on a specific product sponsor. In our capacity as an investment adviser, Capital Analysts and its Advisor recognize they have a fiduciary duty to investment advisory clients. You should ask your Advisor about these incentives at the time of sale.

**Endorsements.** From time-to-time, Lincoln Investment makes lump-sum payments to education-based associations and not-for-profit organizations with a large constituency of employees who are eligible to invest in 403(b) retirement plans (Associations). In some cases, Lincoln Investment voluntarily makes such payments to reimburse the Associations for certain marketing expenses (e.g., newsletter advertisements) in connection with Lincoln's products and services. Certain Associations require Lincoln Investment to reimburse them for (1) marketing expenses; (2) use of their facilities used to meet with their employees; (3) to obtain their explicit endorsement; or (4) to cover their administrative costs for the processing of payroll contributions.

**Loans and Advances.** On occasion, Lincoln Investment may extend a loan, provide a commission advance, or pay for practice management services for an advisor to assist an advisor in running his or her business. Sometimes these loans or advances may be waived, in whole or in part, if certain sales or assets under management thresholds are met or certain practice management goals or conditions are met. In situations where a sales, assets under management threshold or other financial contingency exists, this conflict of interest will be disclosed in the Advisor's Form ADV 2B, which is required to be delivered by the Advisor to every client. Lincoln Investment supervises Advisors who have these arrangements to ensure that all advice is suitable to the client.

**Gifts and Entertainment.** Offering or receiving a gift or entertainment from a product or advisory service sponsor could create a conflict of interest. Lincoln Investment has instituted a policy that prohibits excessive and/or too frequent gifts or entertainment activities to mitigate this conflict.

**Political Contributions.** Providing significant political contributions to a state or local official or candidate could create the perception that Capital Analysts or its Advisors are seeking *quid pro quo* arrangements with that state or local government or its employees to open an account with our firm. Lincoln prohibits contributions in excess of \$350 per election if the Advisor can vote for the candidate and \$150 per election if the Advisor cannot vote for the candidate.

**Charitable Donations.** Providing significant charitable donations to a charity organization could create the perception that Capital Analysts or its Advisors are seeking *quid pro quo* arrangements with that charity or its employees to open an account with our firm. Lincoln allows contributions to charities, but prohibits any donations that are deemed excessive or too frequent.

#### **Item 6: Performance-Based Fees and Side-by-Side Management**

Capital Analysts and our Advisors do not receive performance based fees. A performance based fee is an advisory fee that compensates the Advisor for the Advisor's success in managing a client's money or "a fee based on the share of the capital gains and appreciation of a client's funds." A performance based fee may induce an advisor to take greater and undue risks with client's funds in an attempt to generate higher compensation to the advisor. Your Advisory Fees with Capital Analysts are typically assessed as a percentage of the total value of your advisory account assets as of each calendar quarter-end and are not performance based fees.

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

Capital Analysts primarily serves individuals, high net worth individuals, trusts, institutions, foundations, businesses, and charitable organizations as well as the retirement assets of individuals and businesses, individual retirement accounts (IRAs) and employer sponsored ERISA plans. Clients may open qualified and non-qualified accounts with Capital Analysts. Not all investors and plans, including retirement plans, are eligible to invest in one or more of Capital Analysts advisory programs. Please consult with your Advisor or your employer to determine if your assets are eligible to invest.

Capital Analysts imposes a minimum dollar value of assets for its investment advisory accounts as described in the tables of offerings throughout this brochure. These minimum account requirements may be waived at our sole discretion.

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

Investing in securities involves risk of loss that you, the investor, should be prepared to bear.

The advisory services and advice offered by Capital Analysts and its Advisors primarily attempt to provide to you a risk-appropriate diversified portfolio. A risk-appropriate diversified portfolio applies the disciplines and theories of asset allocation. Asset allocation means, first and foremost, working to design a portfolio that sufficiently allocates your assets across different asset classes to help reduce the exposure to any single asset class and market loss you could incur in your account(s) if you didn't diversify. It is important to understand that asset allocation, although a proven theory to reduce risk to a portfolio, does not guarantee a profit or protect against loss.

Asset classes include, but are not limited to, domestic and international equities, domestic and international bonds, cash and cash equivalents, as well as alternative investment types such as real estate and commodities. Equities can be further broken down by market capitalization (company size based on annual revenues) ranging from large companies (large-cap) to medium and small companies (medium- and small-cap). Bonds, meanwhile, can be further broken down by issuer type – such as corporate, municipal, and government – and by duration, ranging from short term to long.

Your Advisor will determine with you your risk profile and objectives, create an asset allocation policy, recommend a risk appropriate diversified portfolio; and may periodically re-balance the account (as directed) back to any stated asset allocation, if any. Your Advisor will also periodically review your account with you to determine if any additional changes should be recommended or made to your account. Your Advisor can analyze your financial situation provided you make available to them your personal and financial data, employee benefit and retirement programs, business continuation plans and even your most recent estate planning arrangements. The Advisor can coordinate with your attorney, accountant, and other staff to discuss solutions. If your Advisor analyzes your investment portfolio, the security analysis methods may include charting, fundamental, technical or cyclical analysis.

Capital Analysts also offers Advisors the results of a proprietary screening and rating methodology called Capital Analysts Performance Statistics Leaders (CAPSL). The objective of CAPSL is to identify consistently superior performing mutual funds for consideration of inclusion in diversified investment portfolios. While the CAPSL list represents funds that have exhibited strong characteristics over full market cycles, it is by no means a buy list. CAPSL is a comprehensive mutual fund research tool proprietary to Capital Analysts. On a quarterly basis, the Investment Management & Research team screens U.S. open-ended funds for inclusion on the CAPSL list. Morningstar Direct is used to quantitatively screen over 25,000 funds. Initial screens typically include funds with a five-year track record and those that have at least \$100 million in AUM. Funds are sorted by investment objective and the top 500 funds in each category then undergo an eight-factor quantitative analysis. Finalists are further subjected to style analysis and a qualitative analysis. The final CAPSL list of 100 funds represents less than 1% of the mutual fund universe. This CAPSL list is made available to Advisors quarterly. However, the mutual fund recommendations of Advisors are not limited to those on the CAPSL list.

In overseeing the CAAMS Select program, the Investment Management & Research team utilizes a database that evaluates independent third party portfolio managers and strategies. Comparisons to both peers and appropriate benchmarks are evaluated. Each third party portfolio manager in the CAAMS Select program develops their own proprietary research methodology, investment analysis and risk strategies. Third party portfolio managers are solely responsible for their investment advice and services.

For more information related to the Methods of Analysis, Investment Strategies and Risk of Loss associated with the advisory services provided by third party portfolio managers, please request a copy of the portfolio managers Form ADV Part 2, Wrap Fee Program Brochure, or other appropriate disclosure documents.

The asset classes and securities used by Capital Analysts and your Advisor in implementing the methods of analysis and investment strategies described above carry material risks.

- **Equities:** The price of equities fluctuate due to many factors including changes in interest rates, global events, industry and company specific events, investor expectations, and general market conditions. You may receive more or less than the original purchase price when selling a security. Concentrated positions in equities typically pose additional risks as a downturn in your investment will cause a more significant loss. Diversification assists in reducing concentration risk.
- **Fixed Income Investments:** One of the most important risks associated with fixed-income securities is interest rate risk, the risk encountered in the relationship between bond prices and interest rates. The price of a bond will change in the opposite direction of movements in prevailing interest rates. For example, as interest rates rise, bond prices will generally fall. If an investor has to sell a bond prior to the maturity date, an increase in interest rates could mean that the bondholder will experience a capital loss (i.e., selling the bond below its original purchase price).

Reinvestment risk is the risk that the interest rate at which the interim cash flows can be reinvested will decline and thus reinvestments will receive a lower interest rate. Reinvestment risk is greater for longer holding periods.

Default risk is commonly referred to as “credit risk” and is based on the probability that the issuer of the debt obligation may default. Default risk is rated by quality ratings assigned by commercial rating companies.

Call risk is the risk related to call provisions on debt obligations. You should be aware of four risks associated with call provisions.

- 1) The cash flow patterns of callable bonds are not known with certainty.
- 2) Since the issuer will typically exercise their right to call the bonds when interest rates have dropped, you may be exposed to reinvestment risk. You would have to reinvest the proceeds after the bond is called at relatively lower interest rates.
- 3) The potential for capital appreciation of a callable bond is reduced relative to that of a non-callable bond, because its price may not rise much above the price at which the issuer can call the issue.
- 4) If the issue is purchased at a premium, you may lose the difference between the purchase price and call price.

Inflation risk arises because the value of the cash flows being received from a debt obligation may actually lose purchasing power over the course of time due to the effects of inflation. Liquidity risk depends on the ease with which an asset can be sold at or near its current value. The best indicator to measure an issue’s liquidity is the size of the spread between the bid price and the ask price quoted by a dealer. A wider spread on the asset indicates a greater liquidity risk. If you plan on holding a bond until its maturity date, liquidity risk is less of a concern. Finally, exchange rate risk, which is encountered in non-dollar denominated bonds or bonds whose payments occur in a foreign currency, has unknown U.S. currency cash flows. The dollar cash flows are dependent on the exchange rate at the time the payments are received. For example, consider a bond whose coupon payment is paid out in Japanese yen. If the yen

depreciates relative to the U.S. dollar, fewer net dollars will be received. Conversely, if they should appreciate relative to the U.S. dollar, the investor will benefit by receiving more net dollars.

- **International Investing:** Investing in the global market can assist with diversification of a portfolio but it is important to consider some of the unique risks with such a strategy. Each country has unique rules and regulations covering corporations and their stock markets, which offer investors varying degrees of protection. Additionally, investing in foreign markets subjects your investment to currency risk.
- **Exchange Traded Funds (ETFs):** While investing in ETFs has similar risks as investing in individual equities, ETFs typically invest in a diverse group of securities. The level of diversification varies by ETF. While ETFs reduce the effects of concentration risk as compared to investing in a single security, certain ETFs are susceptible to industry, commodity or country risk. Investing in a diverse selection of ETFs may help to reduce this risk. Another important factor to consider with ETFs is that the portfolio of securities in which they invest are typically not actively managed. Leveraged and Inverse ETFs bear unique risks that investors who wish to trade in these securities must understand; due to the significant risk involved in these securities, Capital Analysts will approve their use only on an exception basis.
- **Options:** Certain options strategies are highly specialized contracts based on securities and entail greater than ordinary investment risks.

For further information regarding the risks associated with the portfolios managed by Capital Analysts and its Advisors and the best suited investment strategies for your account(s), please review the risk level of the portfolio you have selected and your mutual fund prospectuses, or consult with your Advisor.

#### Item 9: Disciplinary Information

Provided below is a summary of legal or disciplinary events within the past ten years that may be material to your evaluation of Capital Analysts' advisory business.

**September 14, 2018:** Capital Analysts has entered into a settlement with the SEC for alleged violations of the Investment Advisers Act of 1940 ("Advisers Act") in connection with its mutual fund share class selection practices and receipt of shareholder servicing fees for the CAAMS Wrap Fee Programs. The firm neither admitted nor denied the SEC's allegations in agreeing to the settlement. The SEC alleged that from April 2013 through March 2016, Capital Analysts did not disclose that it had a conflict of interest when it invested CAAMS Wrap Fee clients in mutual fund share classes that paid 12b-1 fees to its affiliated broker-dealer, Lincoln Investment Planning, LLC ("Lincoln") when a lower-cost share class of the same fund without a 12b-1 fee was available. The SEC also alleged that Capital Analysts did not meet its duty of best execution; failed to adopt and implement written policies and procedures reasonably designed to address mutual fund share class selection and related conflicts of interest; and did not adequately disclose that its affiliate Lincoln received shareholder servicing fee revenue in connection with Capital Analysts' recommendation of certain mutual funds for the CAAMS Wrap Program. The SEC's order recognized remedial actions voluntarily undertaken by Capital Analysts. Capital Analysts was censured and ordered to cease and desist from further violations of the Advisers Act. Under the terms of the settlement, Capital Analysts will pay a \$300,000 civil monetary penalty, and disgorgement with interest of approximately \$1.82 million, of which approximately \$1.05 million will be paid to affected investors.

Your Advisor should provide along with this brochure a Form ADV 2B Brochure Supplement that describes your Advisor's education, business experience, professional designations and material legal or disciplinary history, if any. For further information regarding Capital Analysts' disciplinary events, you may go to [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) or [www.brokercheck.finra.org](http://www.brokercheck.finra.org) and search for Capital Analysts, LLC.

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

#### **Relationship with Lincoln Investment**

As noted earlier, Capital Analysts is an affiliate of Lincoln Investment Planning, LLC, which is a registered broker-dealer and investment adviser, as well as a general insurance agency. The majority of Capital Analysts advisors are also registered representatives of Lincoln Investment. This relationship may present a conflict of interest. Additionally, through its relationship with Lincoln Investment, Capital Analysts introduces client accounts to Pershing LLC, a broker-dealer and member of the New York Stock Exchange, which provides custody and clearing of securities, including exchange traded securities. Pershing LLC carries accounts on a fully disclosed basis. Lincoln Investment is also an introducing broker member of the National Futures Association to facilitate the offering and sale of managed futures contracts to clients. Please refer to the "Other Compensation and Our Conflicts of Interest" section under Item 5 of this brochure for more information.

#### **Authorized Agent for UMB Bank, N.A.**

Lincoln Investment acts as authorized agent for UMB Bank, N.A., the retirement plan custodian used in our SOLUTIONS and some Pershing retirement plan platform offerings. As an authorized agent, Lincoln Investment performs administrative and custodial duties, such as, recordkeeping, consolidated reporting, client communications, trade confirmations, account statements and tax reporting for UMB Bank, N.A.

#### **NFA Membership**

Lincoln Investment is also an introducing broker member of the National Futures Association to facilitate the offering and sale of managed futures contracts to clients. The contracts are not eligible for advisory accounts.

#### **Other Affiliated Investment Adviser**

Capital Analysts is a wholly-owned subsidiary of Lincoln Investment Capital Holdings, LLC. On January 1, 2017, Lincoln Investment Capital Holdings, LLC acquired Legend Group Holdings, LLC and its subsidiaries, including Legend Advisory, LLC, an SEC registered investment adviser. Advisors of Capital Analysts may be dually registered to offer the advisory services of Lincoln Investment and Legend Advisory, LLC.

#### **Advisors Other Business Activities and Affiliations**

Capital Analysts' Advisors are independent contractors, many of whom hold themselves out to the public under a name other than Capital Analysts and offer other financial services independent of Capital Analysts, such as, life, health, disability, long term care and fixed annuity insurance products, real estate, and business succession planning services. A few of our Advisors may also be qualified lawyers and accountants or hold certain professional designations not required by us to conduct their business. These services are offered independent of Capital Analysts as outside business activities and Capital Analysts assumes no responsibility or supervision over these activities. Please refer to the "Other Compensation and Other Conflicts of Interest" section under Item 5 of this brochure, or refer to your Advisor's ADV 2B brochure supplement, for more information regarding outside business activities and how we address

these conflicts. You may go to [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) or [www.brokercheck.finra.org](http://www.brokercheck.finra.org) for further information regarding your Advisors' other business activities or affiliations.

### **Independent Registered Investment Advisers**

Capital Analysts may permit certain Advisors to maintain their own independent registered investment advisers through which they may offer advisory services similar to those services offered by Capital Analysts. In some cases, Capital Analysts allows these Advisors to offer Capital Analysts' advisory services to their investment advisory clients. In these situations, Capital Analysts acts as a sub-adviser or as a third party manager to the Advisors' investment adviser clients. Capital Analysts assumes no suitability responsibility for any advisory offerings other than those sponsored by us. Advisors affiliated with other registered investment advisory firms must provide to their clients the firm's Form ADV Part 2A, applicable supplements, advisory agreements and disclosures. To inquire as to whether your Advisor is affiliated with a separate registered investment advisory firm, you may go to [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) or [www.brokercheck.finra.org](http://www.brokercheck.finra.org).

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

### **Code of Ethics**

As a fiduciary, Capital Analysts has established a Code of Ethics under which all Capital Analysts employees and Advisors must comply. Capital Analysts accepts its fiduciary responsibility to (1) place the interests of clients first at all times, (2) act with the utmost good faith, (3) provide full and fair disclosure of all material facts and conflicts of interest to clients, and (4) conduct all personal securities transactions consistent with its Code of Ethics.

Capital Analysts Advisors are held to a professional standard that requires they avoid any abuse of an individual's position of trust and responsibility, not take inappropriate advantage of their positions; comply with applicable securities laws and regulations; and maintain confidentiality of client's financial circumstances. You may request a full copy of Capital Analysts' Code of Ethics from your Advisor or Capital Analysts' Compliance Department at (800) 242-1421, ext. 4300.

### **Participation or Interest in Client Accounts and Personal Trading**

Capital Analysts, its Advisors, members of the Investment Management & Research team, and employees may buy or sell for themselves securities that are also recommended to clients. With the exception of its Insider Trading policies and procedures, Capital Analysts does not impose on itself or any person associated with it any restrictions in connection with the purchase or sale, directly or indirectly, of investments for his or her own account. Capital Analysts requires that Advisors disclose any and all conflicts of interest to you if an investment product is recommended in which Capital Analysts or the Advisor has a material financial interest.

For all portfolios on which Capital Analysts or your Advisor have discretionary authority, the Advisor and his or her employees must give priority when placing an order to buy or sell to client securities purchases and sales over their own personal transactions in the same security.

This means that any transaction by the Advisor or his/her employee must be placed either simultaneously with the client's transaction (i.e., aggregating the orders and sharing in the same price and execution costs) or *after* all client trades are placed on the same trading day. While this does not guarantee that the client will receive a better price, it does establish that the client trades will occur at the same time or

before that of the Advisor or his/her employees. At no time may an Advisor participate in the profits or losses of an investor's account. Personal trading accounts of Advisors are reviewed regularly to ensure compliance.

### Item 12: Brokerage Practices

Capital Analysts utilizes its affiliate, Lincoln Investment, as its introducing broker-dealer unless specifically directed by a client or third party manager to place trades with another broker-dealer. Lincoln Investment's primary clearing arrangement is with Pershing LLC. Pershing may make a market in stocks, bonds, and ETFs in which Lincoln Investment has acted as broker. Lincoln Investment and Capital Analysts have policies and procedures in place to monitor trade execution practices at Pershing LLC to its best execution obligations with respect to these types of securities on behalf of Capital Analysts' clients. Capital Analysts does not receive "research" or higher execution costs (soft dollars) from broker-dealers in exchange for the directing of brokerage. Most transactions clear through Pershing LLC to facilitate our ability to access and properly monitor your investments.

Capital Analysts may on occasion place non-exchange traded securities transactions through its broker-dealer affiliate, Lincoln Investment, unless otherwise directed by the client. Clients have the right to utilize a broker-dealer other than Lincoln; however, Capital Analysts reserves the right to accept or reject such accounts based on its ability to provide adequate account monitoring and best execution.

#### **Trade Aggregation Policy**

Offering advisory services to clients includes an obligation on the part of Capital Analysts and its Advisors to ensure that the allocation of investment opportunities or trades among its various client accounts, as well as accounts in which it (or its affiliates) has a proprietary interest, is performed in a manner that is fair and equitable in its treatment of all clients and, wherever possible, avoids conflicts of interest.

Therefore, Capital Analysts has adopted a Trade Allocation Policy to be used by Advisors who have been granted full discretionary authority by their clients when placing orders in the same security on the same day for one or more clients or accounts. By aggregating orders, Advisors ensures that all clients receive that same price for the security on the same day. This policy is intended to prevent favoritism of one client over another and establish a rational and predictable fashion for the allocation of trade pricing on a given day for a given security.

Trades in the following situations will typically be aggregated:

- The Advisor recognizes ahead of time that he/she will be buying or selling the same security in more than one client account on the same day;
- The Advisor reasonably believes that aggregating may facilitate a better execution price for all clients; and
- The securities involved are exchange-traded rather than open-ended funds or annuity sub-accounts.

Trades in the following situations will not typically be aggregated:

- Where prohibited by or inconsistent with the client's investment management agreement;
- The trade is a result of the implementation of a change of investment strategy for a specific client;
- The trade is part of a new client's account allocation;

- The trade is a result of rebalancing to an asset allocation policy pursuant to an account review with the client; and/or
- The Advisor reasonably believes that aggregating orders would adversely impact price and/or best execution for the client.

If the security to be purchased in aggregate cannot be obtained in the total quantity required, the allocation of that security will be made on a pro rata basis determined by the ratio of the quantity obtained to the share quantity required to implement the investment strategy. Each client would participate in the order at the average price for all of the transactions on a given day. The transaction cost to all advisory clients shall be the standard ticket charge for the aggregated order.

If implementing the trade requires transactions over several days, each day's execution shares and average price on all executions for that day shall be allocated by the end of each trading day or no later than the next trading day.

In the course of executing an aggregated trade, a list of clients' accounts and shares to be bought or sold is to be prepared. This is to be used in allocating the trade and the list is to be kept as a record with the original aggregated trade order. Allocation of shares, prices, and costs shall be done on a timely basis, in no event to exceed 24 hours following execution. Capital Analysts and your Advisor shall not receive any additional compensation for aggregating trades.

### Item 13: Review of Accounts

#### **Account Review Policies and Procedures**

Your Advisor is responsible to ensure that the recommended advisory service is in your best interest. Many of our programs are managed to meet different levels of risk, so choosing the appropriate risk level or tolerance for market fluctuation and potential loss of investment is an important part of your decision. Furthermore, the Advisor Fee portion of your Fee compensates your Advisor for his or her services. This fee is an annual fee that continues as long as you maintain your account with us. This fee provides ongoing access to your Advisor for financial and life planning consultation, as requested by you, as well as ongoing investment advice services which include assisting you in the determination of the appropriate investment advisory investments and advisory programs for you, conversing with you on an as-needed or as requested basis, to ensure that the investments and programs continue to meet your stated objectives and needs. It is important therefore that you take the time to speak with your Advisor regarding your financial objectives and needs and particularly when there is a material life event that could affect or change your investment objectives or financial needs.

A Supervising Principal will review all advisory recommendations and financial plans prepared by your Advisor and will also provide an oversight of the recommendations and trading activities occurring in your account. If you have any questions about the trading or recommendations in your account, please call your Advisor's Designated Supervisor.

Capital Analysts' Investment Management & Research (IM&R) team routinely reviews the advisory services managed, sponsored, and/or offered by Capital Analysts. A description of the IM&R team is provided in the Appendix at the end of this brochure. The IM&R team performs the following roles on Capital Analysts' behalf:

- The management of all CAAMS Wrap Fee Programs
- The selection of advisory services offered by Capital Analysts;
- The monitoring of advisory services offered by Capital Analysts;
- The removal of advisory services offered by Capital Analysts;
- The comparison of advisory results to predetermined benchmarks to monitor whether third party investment advisers', including CAAMS Select Managers, disciplines are providing value to clients.

### **Written Reports**

At minimum, you will receive regular account statements, either monthly or quarterly depending on your account activity, from the custodian(s) who carry your account(s). As most Capital Analysts advised or managed accounts are custodied at Pershing LLC, you will receive these statements directly from Pershing LLC, either in hard copy or electronic format. This statement will reflect all positions and transactions that have occurred in your account as well as identify any fees, including the advisory fee, deducted from your account.

Some Advisors and advisory services may also provide you supplemental advisory reports which may include performance reports, aggregated account reviews, or a portfolio snapshot. These supplemental reports, typically generated on a quarterly, semi-annual or annual basis, are made available to you either electronically or will be delivered to you at the time of a meeting. These supplemental reports are provided as a service to you and should not replace your custodial statement(s). We urge you to compare these supplemental reports to the account statements you receive. If you find any discrepancies, please contact your Advisor or Capital Analysts.

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

On occasion, Capital Analysts permits an Advisor to compensate an outside party (for example, an attorney or an accountant) for client referrals to the Advisor for one of our advisory services. The outside party must execute a Solicitor Agreement with Capital Analysts, and you will receive a Solicitor Disclosure Statement at the time of the referral describing the relationship and portion of your advisory fee that will be paid by us to the Solicitor. At no time will you pay a higher advisory fee as a result of this referral relationship. Capital Analysts is currently not entering into agreements with new Solicitors for new referrals.

Please also refer to the "Other Compensation and Our Conflicts of Interest" section of this brochure for further information regarding Capital Analysts' other compensation and conflicts of interests.

### **Item 15: Custody**

Capital Analysts is not a qualified custodian under broker-dealer regulations and Rule 206(4)-2 (the "Custody Rule") of the Investment Advisers Act of 1940, but utilizes affiliated and unaffiliated broker-dealers to maintain client assets. Capital Analysts' affiliate, Lincoln Investment, is the broker-dealer for most Capital Analysts advisory business and introduces accounts to Pershing LLC as the fully disclosed clearing broker-dealer and qualified custodian.

You may have your advisory assets held at a qualified custodian other than Pershing LLC. You should receive, at minimum, a quarterly statement from the qualified custodian(s) of your advisory assets. We urge you to carefully review these statements and compare them to any reports provided to you by Capital Analysts or your Advisor. The information in these reports may vary from your custodial statements based on accounting procedures and reporting dates. Please contact your Advisor or Capital Analysts regarding any statement discrepancies.

#### **Item 16: Investment Discretion**

Depending on the advisory service chosen, Capital Analysts, its Advisors, or a third party independent registered investment adviser may have discretionary authority to determine which securities shall be bought and sold, and the total amount to be bought or sold in your advisory account(s). This authorization does not grant Capital Analysts or its Advisors the right to withdraw any funds or securities from your advisory account(s), except as specifically authorized in your advisory agreement for the deduction of Advisory Fees. Your advisory agreement or account application will identify if you are giving limited or full discretionary trading authority for your advisory account(s) to Capital Analysts, your Advisor, or a third party independent registered investment adviser.

Discretionary authority granted to Advisors may be limited or full. "Limited discretion" means that your Advisor has limited authority to select the time and/or price of the security to be purchased or sold, and/or if applicable to rebalance your account back to a pre-stated asset allocation of pre-selected securities. Limited Discretion, which has been granted to all advisors allows them, when necessary, to liquidate shares in one or more securities for the sole purpose of using proceeds to satisfy a shortfall in funds available for the deduction of the quarterly investment advisory fee. An Advisor with limited discretion does not have the authority to select new securities to be purchased in your account. The final decision as to any new securities to be bought or sold remains with the client in a Limited Discretion account. "Full discretion" means your Advisor may place any security transactions in your account without specific consultation with you or authorization by you prior to the transactions being entered. Your written investment advisory agreement will identify whether, and to what degree, you have granted your Advisor discretionary authority on your account.

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

Neither Capital Analysts nor your Advisor vote proxies on your behalf in any non-Wrap Fee Program described in this brochure. Currently, the Investment Management & Research team votes all proxies for all CAAMS Wrap Fee Programs; see the Capital Analysts Wrap Fee Program Brochure for more information on Capital Analysts' proxy voting policies. Advisors cannot vote proxies on your behalf.

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

As a registered investment adviser, Capital Analysts is required to provide you with certain financial information and disclosures about our financial condition if we collect more than \$1,200 in fees per client, six months or more in advance. Capital Analysts has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, has not been the subject of a bankruptcy proceeding and does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance.



Capital Analysts, LLC  
Wrap Fee Program Brochure

**As of October 9, 2018**

Principal Office:

601 Office Center Drive, Suite 300  
Fort Washington, PA 19034

You may also visit us on the web at [www.capitalanalysts.com](http://www.capitalanalysts.com).

This Wrap Fee Program Brochure provides information about the qualifications and business practices of Capital Analysts, LLC, a registered investment adviser with the U.S. Securities and Exchange Commission (SEC). If you have any questions about the contents of this brochure, please contact us at (800) 242-1421. The information in this brochure has not been approved or verified by the SEC or by any state securities authority. Furthermore, registration with the SEC does not imply a certain level of skill or training.

Additional information about Capital Analysts, LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Item 2: Material Changes

*For material changes in Capital Analysts, LLC's investment advisory services and operations since its last Form ADV2A annual amendment in March 2017 see page 2 of the attached Capital Analysts Investment Advisory Disclosure Brochure – Form ADV Part 2A. This information is being provided so that you can continue to make informed decisions about your investments with Capital Analysts, LLC.*

### **Material Changes to Item 4, Services, Fees and Compensation**

Capital Analysts increased the administration fee for new accounts opened after July 1, 2017 for two programs. The administrative fee for CAAMS & CAAMS Plus Accounts increased from a flat 6 basis points to a flat 7 basis points on all assets. And the administrative fee for CAAMS Complete accounts increased by 5 basis points (“bps”) for each tier: First \$500,000 – 30bps, Next \$500,000 – 25bps, Next \$1,000,000 – 20 bps, Over \$2,000,000 – 15 bps.

### Other Compensation to Capital Analysts and Our Conflicts of Interest

Capital Analysts recognizes its fiduciary responsibility to place your interests above ours and that other compensation received by us, or an affiliate, from other sources presents a conflict of interest and could be looked upon by you as an incentive for us to recommend investment products or advisory services based on compensation rather than on your financial needs. Below is a description of potential conflicts of interest that we have identified in the conduct of our business that we believe may be material. With many of these conflicts, we have taken steps to mitigate away or reduce the potential conflict.

12b-1 Fees. An expense within some mutual fund share class offerings is a Mutual Fund Distribution Fee, also called a 12b-1 Fee, which is paid to Lincoln Investment, Capital Analysts broker-dealer affiliate. For assets held on the Pershing LLC platform, the amount of the 12b-1 fee received by Lincoln Investment will be refunded directly to your Pershing account. You may still incur a 12b-1 fee expense for any portion of the 12b-1 fee not paid to Lincoln Investment. The refunding of 12b-1 fees will alleviate the potential conflict of interest associated with Capital Analysts affiliate receiving this third party compensation and will also reduce the expense to you associated with purchasing a mutual fund share class which includes a 12b-1 fee expense.

### Understanding Share Classes in Capital Analysts Advisory Accounts

Mutual funds have multiple share classes. The expense ratio of a fund is disclosed in the fund's prospectus and annual reports and generally reflects the annual operating costs of the fund, assessed as a percentage of a fund's average assets. The expense ratio within a mutual fund share class can fluctuate from what is shown in a prospectus for the fund offering and annual report and can vary over time and from year to year. A fund that was deemed to have a lower expense ratio at the time of purchase may not actually maintain that expense ratio during the time that the fund is held and new fund share classes may become available with different expense ratios.

Share class selection for your advisory accounts will be based on a range of factors. Capital Analysts does not make all share classes available to your advisory accounts. While Capital Analysts will generally seek to designate a single share class of a mutual fund for purchase in your advisory accounts, designated share classes will likely vary among custodial platforms and more than one share class can be purchased and held in advisory accounts. Factors we consider in share class selection, include, but are not limited to, the net expense ratio of the share classes, an expense tracking error of ten basis points (0.10 %) based on

the prospectus net expense ratio as provided by Morningstar, prospectus 12b-1 distribution fee as provided by Morningstar, whether a portfolio is a discretionary managed portfolio or a non-discretionary managed portfolio, the availability of share classes on various custodial platforms, whether particular share classes are subject to transaction fees (“TF”) or do not have transaction fees (“NTF”), operational considerations such as share class consistency within a fund family on a particular custodial platform (as described below), the availability of account minimum waivers, tax and other circumstances that are unique to particular clients. Expense tracking error refers to an acceptable margin that Capital Analysts considers when comparing share class costs since share class expense ratios can fluctuate over time. Share class consistency refers to the objective of utilizing the same share class for all or a majority of the mutual funds within a fund family on a particular custodial platform to support consistency and efficiency. This objective may not always be achieved and more than one share class could be purchased and held. Generally, Capital Analysts will only consider a share class for share class consistency if the differential between the share classes being considered is ten basis points (0.10%) or less based on the prospectus net expense ratio as provided by Morningstar, taking into account the prospectus 12b-1 distribution fee as provided by Morningstar. If not within this range, then multiple share classes of a fund family could be available on a custodial platform.

Generally, only NTF funds will be available for new fund purchases in your advisory accounts. However, TF funds will be purchased if the NTF fund in the same mutual fund is not available on the applicable custody platform, subject to the purchase being eligible for investment minimums or investment waivers. A fund share class on one custodian’s platform may be an NTF fund while on a different custodian’s platform may be a TF fund, or vice versa. The expense ratio for TF funds will generally be lower than that for NTF funds, but the purchase and sale of TF funds is subject to additional transaction fees and other charges that increase the cost of investment. Trading in TF funds can increase cost to both the client and/or the firm depending on the level of trading in the account. Capital Analysts and its Advisors are not under an obligation to pay the transaction fees and other charges associated with investments in TF funds on your behalf, unless you are in a Wrap Fee Program. However, if Capital Analysts does assume these costs, then it has a financial incentive to select NTF funds in its Wrap Fee programs to avoid paying or to lower mutual fund transaction charges. This creates a conflict of interest for Capital Analysts to select a NTF mutual fund in a Wrap Fee program because Capital Analysts would incur less expense and generate more revenue than if Capital Analysts selected a TF fund. When selecting a share class of a mutual fund for its platform and when recommending a mutual fund to you, Capital Analysts and your Advisor have a conflict of interest because the selection or recommendation of a more expensive share class results in greater net after cost compensation to Capital Analysts. The use of NTF funds can serve to minimize the potential for an overall increase in advisory fees charged to clients. If Capital Analysts or your Advisor were to incur transaction fees, Capital Analysts and/or your Advisor would likely charge higher advisory fees or increase other charges to clients for the services provided.

Capital Analysts and your Advisor can purchase, hold, and recommend mutual fund investments in share classes in your advisory accounts that are not the lowest cost share class. You should not assume that you are invested in the lowest cost share class, and the share class of a mutual fund offered by Capital Analysts can have higher expenses and therefore lower returns, which could impact performance over time, than other share classes of that mutual fund for which you are eligible or that may otherwise be available to you if you invested in the mutual fund through a third party or through the mutual fund directly. Other financial services firms may offer the same mutual fund at a lower overall cost to the investor than is available through your account.

Capital Analysts may, in its discretion, determine to convert your mutual fund positions held in one share class to a different share class. Such share class conversions will occur as deemed appropriate by Capital Analysts and will be reflected on your account statement. Capital Analysts will consider various factors when considering share class conversions in your advisory accounts, including but not limited to, the net expense ratio of the share classes, whether your account is subject to taxation, the difference in the expense ratio between share classes and whether the difference exceeds an expense tracking error of ten basis points (0.10%) based on the prospectus net expense ratio as provided by Morningstar, the prospectus 12b-1 distribution fee as provided by Morningstar, operational considerations such as share class consistency, your investment preferences and the amount of potential taxable gains or losses to which you could be subject. The ability and length of time to effect a share class conversion will vary by custodial platform and is subject to prospectus requirements and custodial platform approval. Capital Analysts will periodically compare the share classes of your funds with the share classes offered by the fund and available to the firm and your account. If, as a result of such review, the Firm initiates a share class conversion, the new share class will appear on your account statement. Capital Analysts will not consider converting your mutual fund position held in a lower expense share class of the same fund to a more expensive share class of the same fund unless the difference between the lower expense share class and the more expensive share class is less than or equal to the expense tracking error of ten basis points (0.10%) based on the prospectus net expense ratio as provided by Morningstar, taking into account the prospectus 12b-1 distribution fee as provided by Morningstar. Through the conversion process, you should not assume that you are or will be invested in the lowest expense share class, and the share class of a mutual fund offered by Capital Analysts can have higher expenses, and therefore lower returns, which can impact performance over time, than other share classes of that mutual fund for which you are eligible or that may otherwise be available to you if you invested in the mutual fund through a third party or through the mutual fund directly.

We are currently implementing the mutual fund share class selection process described above for new funds that are added to our advisory platforms. We are simultaneously reviewing existing positions to apply these mutual fund share class selection and conversion factors to current fund holdings. This review process is ongoing and is expected to be completed by September 2018. Third-party investment managers that provide model portfolios or manage client accounts on a discretionary basis will follow their own share class selection practices.

When determining the reasonableness of any fees and expenses you agree to pay to Capital Analysts, you should consider both the fees and expenses that Capital Analysts charges to your account for its services and those of your Advisor, as well as any indirect fees and expenses that you pay in connection with any investment in share classes of mutual funds that bear expenses greater than other share classes for which are otherwise eligible. Information about the mutual funds and share classes that are available through your account, including their investment policies, restrictions, charges, and expenses, is contained in the mutual funds' prospectuses. You should read these prospectuses carefully. Please contact your Advisor for additional information on share class selection practices and related fees and expenses.

#### Other Compensation

Flat Fee Sponsors. Lincoln Investment, Capital Analysts affiliate broker-dealer, has partnered with a select group of third party money managers and product sponsors who pay to assist Lincoln Investment in the training and education of Advisors at firm sponsored events, on such topics as advisory products and services, practice management, tools and technology, consumer education, and policies, rules and regulations. These sponsors provide financial support to Lincoln Investment in the form of a flat-dollar

amount that may be amended annually and is not based on the assets or sales of their proprietary products or services. Sponsors can compensate Lincoln Investment from fund assets, the fund's investment manager, distributor or other affiliate's assets. Payments made to broker dealers out of fund assets can lower investor returns and performance over time. Advisors do not share in any portion of these payments so as to mitigate any conflict for an Advisor to recommend one product or money manager over another. This financial support allows Lincoln Investment to defray or offset costs associated with firm sponsored events and other educational and outreach tools and services. The financial support by these Sponsors to Lincoln Investment and as allocated to Capital Analysts presents a potential conflict of interest to Lincoln Investment and its affiliated investment advisers, Capital Analysts and Legend Advisory.

All Flat Fee Sponsors do not pay Lincoln Investment the same amount, and depending on the amount of the payment from the Flat Fee Sponsor, the access to Lincoln Investment sponsored events may differ. For example, Lincoln Investment holds a number of sales conferences both nationally and regionally throughout the year to educate advisors. The higher the annual flat fee payment, the more events the Flat Fee Sponsor will be invited to attend. Flat Fee Sponsors have more opportunities than other product sponsors and money managers that are not Flat Fee Sponsors to market to and educate Advisors which could pose a potential conflict to Advisors to offer these sponsors products or services over others. Advisors do not share in any portion of these payments so as to mitigate any such conflict.

In 2017, the financial support of the Flat Fee Sponsors as allocated to Capital Analysts was less than one-half of one percent of total revenues to Capital Analysts. We do not believe that this amount is material. In 2017, Flat Fee Sponsors who compensated Lincoln Investment with a flat fee payment, in order from high to low, were Russell Investments, CLS Investments, LLC, ICON Advisers, Inc., Meeder Financial, DoubleLine, and JP Morgan. Some of the Flat Fee Sponsors revenue may be used to support the ongoing operational expenses of Lincoln Investment, Capital Analysts and Legend Advisory and not used solely for sales and marketing support.

### **Material Changes to Item 9, *Disciplinary Information***

Capital Analysts has entered into a settlement with the SEC for alleged violations of the Investment Advisers Act of 1940 ("Advisers Act") in connection with its mutual fund share class selection practices and receipt of shareholder servicing fees for the CAAMS Wrap Fee Programs. The firm neither admitted nor denied the SEC's allegations in agreeing to the settlement. The SEC alleged that from April 2013 through March 2016, Capital Analysts did not disclose that it had a conflict of interest when it invested CAAMS Wrap Fee clients in mutual fund share classes that paid 12b-1 fees to its affiliated broker-dealer, Lincoln Investment Planning, LLC ("Lincoln Investment") when a lower-cost share class of the same fund without a 12b-1 fee was available. The SEC also alleged that Capital Analysts did not meet its duty of best execution; failed to adopt and implement written policies and procedures reasonably designed to address mutual fund share class selection and related conflicts of interest; and did not adequately disclose that its affiliate Lincoln Investment received shareholder servicing fee revenue in connection with Capital Analysts' recommendation of certain mutual funds for the CAAMS Wrap Program. The SEC's order recognized remedial actions voluntarily undertaken by Capital Analysts. Capital Analysts was censured and ordered to cease and desist from further violations of the Advisers Act. Under the terms of the settlement, Capital Analysts will pay a \$300,000 civil monetary penalty, and disgorgement with interest of approximately \$1.82 million, of which approximately \$1.05 million will be paid to affected investors.

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Brochure Supplement(s) included:

- Form ADV Part 2A dated October 9, 2018
- Investment Management & Research Team Brochure Supplement (Form ADV Part 2B)

**Capital Analysts Form ADV Part 2A, Items 1-Item 17, is included and to be delivered together with this Capital Analysts Form ADV Part 2A – Appendix I Brochure**

#### Item 4: Service, Fees and Compensation

*This section will describe the wrap fee programs sponsored by Capital Analysts, LLC (Capital Analysts), how we tailor these programs to your individual needs, and which of our wrap fee programs allows you to impose investment restrictions. This section also provides a description of our wrap fees, how and when these wrap fees are collected, and if refunds are available. Other types of fees and expenses that you may incur are described below in the section titled, "Other Costs That You May Incur." Other types of compensation that Capital Analysts and your Advisor may receive, which may create a conflict of interest, are described below in the section titled, "Other Compensation to Capital Analysts' Affiliate and Our Conflicts of Interest."*

#### **General Information Regarding Wrap Fee Programs**

A Wrap Fee Program is an investment advisory program in which you pay one bundled fee to compensate Capital Analysts and your Advisor for their services *and* to pay the transaction and clearing costs associated with transactions in your advisory account. Capital Analysts also offers unbundled fee (non-wrap fee) programs, where you would pay a fee to compensate Capital Analysts and your Advisor for their services, but you would pay separately the transaction and clearing costs associated with the trading in your account. These services are described in Capital Analysts' Form ADV Part 2A Brochure.

Capital Analysts' Wrap Fee Programs are offered on Pershing LLC, a brokerage platform where securities such as mutual funds, stocks, bonds, ETFs and options, all of which typically have trading costs associated with them, are offered. The Wrap Fee is not based directly upon the actual transaction or execution costs of the transactions in your account.

Depending on the underlying investments and amount of transactions you expect to trade in your account, a Wrap Fee account may cost you more or less than if you chose to pay separately for all of your transaction costs (e.g., pay the advisory fee plus all ticket charges).

Similarly, if you are interested in a mutual fund-only portfolio, then a Wrap Fee Program may not be the lowest cost option for you. Pershing LLC offers many mutual funds with no transaction fees. Your Advisor will review your investment objectives with you to determine the best offering for you.

If the pricing structure of a Wrap Fee Program is suited to your needs, your Advisor will work with you to recommend one or more specific Wrap Fee Program(s) based on your confidential investor profile, in which you provide to Capital Analysts and your Advisor personal and financial information including, but not limited to, your investment goals, income requirements, time horizon, and tolerance for risk in order to tailor his or her recommendations to your needs and objectives.

You may have the opportunity to place reasonable restrictions on the types of investments that are purchased in certain Wrap Fee Programs. Please contact your Advisor to discuss any allowable investment restrictions in the Wrap Fee Program(s) you have selected. Further details regarding your specific Wrap Fee Program can be found in your investment management agreement.

You could purchase services similar to those offered in Capital Analysts' Wrap Fee Programs separately from unaffiliated financial services providers. Wrap Fee Programs may cost you more or less than purchasing the services from another investment adviser. Some cost factors to consider, other than the Wrap Fee itself, when considering an advisory offering include:

- Account custody fees
- Account maintenance and special handling fees, such as wire funds fees
- Volume of trading activity anticipated in your account
- Commissions or ticket charges to be charged in lieu of a Wrap Fee
- Account termination fees
- Account statement and confirmations fees

You should review the costs for each of the management services separately, as well as consider the internal costs of mutual funds in your account, when analyzing the total cost to you. Please contact your Advisor for a schedule of fees and costs associated with our Wrap Fee Program(s).

Your Advisor receives a portion of the Wrap Fee you pay. The amount of this compensation may be more than what your Advisor would receive from other advisory services offered by Capital Analysts, or more than if you paid separately for investment advice, brokerage, and other services. Your Advisor may have an incentive to recommend a Wrap Fee Program over other programs or services.

### **Description of Wrap Fee Programs and Fees**

Capital Analysts sponsors the following Wrap Fee Programs:

- I. CAAMS Complete**  
*CAAMS Alternative*  
*CAAMS Yield*  
*CAAMS Custom Income Strategies*
- II. CAAMS AssetBuilder**
- III. CAAMS ETF**  
*Managed Volatility Portfolios*
- IV. CAAMS Stock**
- V. CAAMS UMA**
- VI. CAAMS Strategists**  
*J.P. Morgan Global Multi-Asset*  
*DoubleLine Tactical Volatility*  
*Meeder Advisory Services, Inc.*  
*ICON Advisers, Inc.*  
*Russell Investment Company*

CAAMS Wrap Fee Programs, with the exception of the CAAMS Strategists Program are exclusively managed on a discretionary basis by Capital Analysts through its Investment Management & Research (IM&R) team. The IM&R team's background is described in more detail in the ADV 2B Brochure Supplement to this brochure.

When you select a CAAMS Wrap Fee Program, you must authorize, in writing, full discretionary trading authority to the IM&R team. "Full discretion" means Capital Analysts may place any security transactions in your account without specific consultation with or authorization by you prior to the transactions being entered. For CAAMS Strategists accounts, you are giving Capital Analysts full discretionary authority to manage and/or effect securities transactions in your account based on the model portfolios decisions of third-party portfolio managers. Custody and clearing services for CAAMS portfolios are performed by Pershing LLC.

The table below provides a comparison of the Wrap Fee Programs offered by Capital Analysts. Please refer to the specific Wrap Fee Program heading below for further information regarding the management and costs of the program you are considering.

The Wrap Fee amounts provided below represent the maximum annual fee that may be charged. The services and costs covered by the Wrap Fee are:

- Your Capital Analysts' Advisor's annual consultation and investment advice services fee;
- Capital Analysts' IM&R Team or Third Party Strategists' Annual Management Fee;
- Pershing LLC Transaction and Clearing costs associated with IM&R initiated transactions in the account (ticket charges and confirmation fees);
- Short term trading costs imposed by mutual funds if IM&R moves in and out of a fund within a specified short time frame;
- Charges imposed if certain investment minimums are not met by IM&R;
- Surcharges imposed when IM&R purchases no-load or low cost mutual funds or index funds; and
- Inactivity fees assessed on the account.

However, your Wrap Fee will *not* cover standard account administrative fees such as statement fees, electronic fund and wire transfer charges, annual IRA custodial and termination fees.

Wrap Fee Program Model Portfolio Offerings Managed by IM&R Team	Types of Securities available in Managed Account	Maximum Percentage Annual Capital Analysts Management Fee (as a percentage of assets in the Account), or Minimum Annual Dollar Fee Fee is not negotiable	Maximum Annual Advisor Fee (as a percentage of assets in the Account) Fee is Negotiable	Maximum Annual Wrap Fee (Total of columns to left)*	Minimum Account Size for Program (may be waived)	Minimum Account Size needed to Avoid \$250 or \$150 Annual Capital Analysts Management Fee*	
CAAMS Complete	Mutual funds and ETFs	0.30% or \$250, whichever is greater	1.50%	1.80%*	\$50,000	\$83,333	
CAAMS Complete Sleeves	CAAMS Alternative	Mutual funds and ETFs	0.30% or \$250, whichever is greater	1.50%	1.80%*	\$50,000	\$83,333
	CAAMS Yield	Mutual funds and ETFs	0.30% or \$250, whichever is greater	1.50%	1.80%*	\$50,000	\$83,333
	CAAMS Custom Income Strategies	Customizable to include corporate, municipal, & government debt, ETFs, options, CDs & stocks	0.25% or \$250, whichever is greater	1.50%	1.80%*	\$250,000	\$100,000
CAAMS AssetBuilder	Mutual funds	0.25% or \$150, whichever is greater	1.50%	1.75%*	\$15,000	\$60,000	

Wrap Fee Program Model Portfolio Offerings Managed by IM&R Team	Types of Securities available in Managed Account	Maximum Percentage Annual Capital Analysts Management Fee (as a percentage of assets in the Account), or Minimum Annual Dollar Fee Fee is not negotiable	Maximum Annual Advisor Fee (as a percentage of assets in the Account) Fee is Negotiable	Maximum Annual Wrap Fee (Total of columns to left)*	Minimum Account Size for Program (may be waived)	Minimum Account Size needed to Avoid \$250 or \$150 Annual Capital Analysts Management Fee*	
CAAMS ETF	ETFs	0.30% or \$250, whichever is greater	1.50%	1.80%*	\$50,000	\$83,333	
CAAMS Stock	Stocks and ETFs	0.45% or \$250, whichever is greater	1.50%	1.95%*	\$100,000	\$55,555	
CAAMS Unified Management Account (UMA)	Mutual funds, stocks, and ETFs	0.45% or \$250, whichever is greater	1.50%	1.95%*	\$100,000	\$55,555	
CAAMS Advisor Advised ERISA Accounts	Mutual funds, stocks, and ETFs	0.09%	1.50%	1.59%	N/A		
CAAMS Strategists	DoubleLine Tactical Volatility	Mutual funds	0.50%	1.50%	2.00%	\$50,000	
	ICON Advisers, Inc.	Mutual funds	0.50%	1.50%	2.00%	\$50,000	
	J.P. Morgan Global Multi-Asset	Mutual funds	0.50%	1.50%	2.00%	\$50,000	
	Meeder Advisory Services, Inc.	Mutual funds	0.50%	1.50%	2.00%	\$50,000	
	Russell Investment Company	Mutual funds	0.50%	1.50%	2.00%	\$50,000	

\*Important Note: Clients could pay higher than the percentage fee quoted as the Maximum Annual Wrap Fee due to the \$250 and \$150 minimum Capital Analysts Annual Management Fees. See Fees and Expenses under each program description below for additional information regarding the impact of the minimum Capital Analysts Annual Management Fees on client accounts.

**The Advisor Fee.** The Advisor Fee portion of your Wrap Fee compensates your Advisor for his or her services. This fee is an annual fee that continues as long as you maintain your account with us. This fee provides ongoing access to your Advisor for Financial and Life Planning Consultation, as requested by you, as well as ongoing Investment Advice Services which include, at minimum, assisting you in the determination of the appropriate investment advisory investments and advisory programs for you, conversing with you on an as-needed or as requested basis, but, at minimum, annually, to ensure that the investments and programs continue to meet your stated objectives and needs. It is important therefore that you make the time to speak with your Advisor at least annually or whenever there is a material life event that could affect or change your investment objectives or financial needs.

### **The Capital Analysts Programs Management Fees**

The Capital Analysts Management Fee is the portion of your Wrap Fee paid to Capital Analysts for the asset management of the CAAMS Wrap Fee Program selected by you. The Capital Analysts Management Fee varies depending on the CAAMS Wrap Fee Program selected. See the table above, as well as the descriptions below, for the Capital Analysts Management Programs.

### **Breakpoint for Capital Analysts Management Fees**

All IM&R Managed programs have a Breakpoint Table for fees. The IM&R portion of the fee is reduced for assets that meet or exceed the breakpoints. Some Advisors also offer Fee Breakpoints for their services. The Fee breakpoints, if applicable, will be reflected in your Capital Analysts Investment Management Agreement.

All Capital Analysts Wrap Programs, except the CAAMS Custom Income Portfolios, are managed as Model Portfolios, which means the portfolio is managed to the stated objectives of the portfolio, not to your personal needs or objectives.

Capital Analysts refunds any 12b-1 fees paid to its affiliated broker-dealer, Lincoln Investment, for Capital Analysts advisory accounts. The refunded amounts are identified on your Pershing statement as a line item transaction labeled “12b-1 Fee Credit”.

Details regarding each CAAMS Wrap Fee Program are below.

### **I. CAAMS Complete**

CAAMS Complete is comprised of model portfolios offering you a choice of mutual fund portfolios with automatic rebalancing. Mutual funds are selected for the CAAMS Complete portfolios using a screening and rating methodology called Capital Analysts Performance Statistics Leaders (CAPSL).

The objective of CAPSL is to identify consistently superior performing mutual funds for consideration of inclusion in diversified investment portfolios. While the CAPSL list represents funds that have exhibited strong characteristics over full market cycles, it is by no means a buy list. On a quarterly basis, the Investment Management & Research team screens the vast landscape of all U.S. open-ended funds for inclusion on the CAPSL list. Morningstar Direct is used to quantitatively screen thousands of funds. Initial screens typically include funds with a five-year track record and those that have at least \$100 million in AUM. Funds are sorted by investment objective and the top funds in each category then undergo an eight-factor quantitative analysis. Finalists are further subjected to style analysis and a qualitative analysis. The final CAPSL list of approximately 100 funds represents less than 1% of the mutual fund universe. This CAPSL list, together with occasional selected ETFs, forms the basis for CAAMS Complete and CAAMS AssetBuilder portfolios. With the exception of CAAMS Custom Income Strategies, Capital Analysts Wrap Programs are managed as Model Portfolios where the portfolio is managed to the stated objectives of the portfolio, not to you or your account. The CAAMS Custom Income Strategies portfolios are constructed on a client-by-client basis, generally utilizing a corporate, government and/or municipal bond laddering strategy.

Pershing LLC offers certain mutual funds with no transaction fees (“NTF funds”). When selecting specific mutual funds for use in CAAMS Complete and CAAMS AssetBuilder portfolios, the IM&R team will use the CAPSL list in conjunction with Pershing’s list of NTF funds. If a fund that has been deemed appropriate for use in one or more portfolios is not available on the NTF funds list, the IM&R team will choose a fund that has transaction fees (TF), which are covered by your Wrap Fee. This means your Wrap Fee for these programs is covering fewer actual transaction costs than it would if the NTF funds list were not available.

Seven portfolios are managed by the IM&R team to different risk levels or objectives, each available with standard and tax-aware options:

- Focused Income
- Conservative
- Income & Growth
- Balanced
- Capital Growth
- Aggressive Growth
- High Equity

In addition to the seven portfolios above, CAAMS Complete offers specialized “sleeves” to be used in conjunction with other more broadly diversified portfolios.

*CAAMS Alternatives*

CAAMS Alternatives model portfolio uses alternative mutual funds and ETFs to gain exposure to alternative investments in order to complement a larger diversified portfolio.

*CAAMS Yield*

The CAAMS Yield model portfolio is focused on generating income. The portfolio typically allocates to income producing mutual funds and ETFs to gain exposure to both high-dividend equities and yield-bearing bonds.

*CAAMS Custom Income Strategies*

Capital Analysts offers the CAAMS Custom Income Strategies program. Custom management means your account is constructed and managed to meet your specific objectives, on a discretionary basis. You and your Advisor will work together to determine your specific risk tolerance and potential income needs. Your portfolio will be structured accordingly by the IM&R team using a laddered bond strategy which may use corporate, municipal, and government debt, as well as other investments such as ETFs, preferred and common stocks, and closed-end funds, covered options, and CDs to help increase yield. These portfolios have a higher minimum investment size than other CAAMS Complete programs.

**Fees and Expenses (CAAMS Complete, excluding CAAMS Custom Income Strategies sleeve)**

<b>Assets Under Management (minimum account \$50,000)</b>	<b>First \$500,000</b>	<b>Next \$500,000</b>	<b>Next \$1,000,000</b>	<b>Over \$2,000,000</b>
<b>Capital Analysts Management Fee*</b>	0.30% or \$250, whichever is greater	0.25%	0.20%	0.15%

\* The minimum annual Capital Analysts Management Fee is \$250.00 per year, assessed at \$62.50 per calendar quarter. For accounts sizes less than \$83,333, the client is paying an administrative fee in excess of the stated 0.30%, which could make the total annual fee paid by clients exceed 1.80%. This minimum annual fee would have a greater relative impact on the total fee paid by smaller accounts; fees can exceed the stated maximums as a percentage on smaller accounts.

## Fees and Expenses (Custom Income Strategies sleeve)

Assets Under Management (minimum account \$250,000)	First \$500,000	Next \$500,000	Next \$1,000,000	Over \$2,000,000
Capital Analysts Management Fee*	0.25% or \$250, whichever is greater	0.25%	0.20%	0.15%

\* The minimum annual Capital Analysts Management Fee is \$250.00 per year, assessed at \$62.50 per calendar quarter. For accounts sizes less than \$100,000, the client is paying an administrative fee in excess of the stated 0.25%, which could make the total annual fee paid by clients exceed 1.75%. This minimum annual fee would have a greater relative impact on the total fee paid by smaller accounts; fees can exceed the stated maximums as a percentage on smaller accounts.

## II. CAAMS AssetBuilder

CAAMS AssetBuilder is comprised of model portfolios utilizing open end mutual funds only. This Program offers you a choice of three risk levels – Moderate Conservative, Balanced, and Aggressive – with automatic rebalancing. CAAMS AssetBuilder utilizes the same selection discipline as used for CAAMS Complete - the Capital Analysts Performance Statistics Leaders (CAPSL) proprietary mutual fund research tool.

See the description of the CAAMS Complete program above for more information on mutual fund selection in CAAMS AssetBuilder portfolios.

## Fees and Expenses

Assets Under Management (minimum account \$15,000)	First \$500,000	Next \$500,000	Next \$1,000,000	Over \$2,000,000
Capital Analysts Management Fee*	0.25% or \$150, whichever is greater	0.20%	0.15%	0.10%

\* The minimum annual Capital Analysts Management Fee is \$150.00 per year, assessed at \$37.50 per calendar quarter. For accounts sizes less than \$60,000, the client is paying an administrative fee in excess of the stated 0.25%, which could make the total annual fee paid by clients exceed 1.75%. This minimum annual fee would have a greater relative impact on the total fee paid by smaller accounts; fees can exceed the stated maximums as a percentage on smaller accounts.

## III. CAAMS ETF Portfolios

CAAMS ETF is comprised of model portfolios that invest primarily in exchange-traded funds (ETFs) and certain mutual funds across asset classes and styles. Seven portfolios are managed by the IM&R team to different risk levels or objectives, each available with standard and tax-aware options:

- Focused Income
- Conservative
- Income & Growth
- Balanced
- Capital Growth
- Aggressive Growth
- High Equity

CAAMS ETF implements asset allocation models substantially the same as those used in CAAMS Complete using selected ETFs to create portfolios that correlate closely to industry benchmarks. Use of

ETFs can reduce the internal expenses of a portfolio. The IM&R team analyzes hundreds of ETFs representing multiple asset classes to determine those ETFs that are best suited to the asset allocation model and constructs the portfolios typically utilizing 10-15 ETFs. The ETF screening and selection process is accompanied by strategic asset allocation analysis. Portfolios are rebalanced and reallocated as necessary.

Capital Analysts also offer a Managed Volatility option. Designed to reduce fluctuations of the portfolio over a market cycle, particularly during periods of heightened volatility, these portfolios are based on the same asset allocation models as other CAAMS ETF portfolios but are constructed using ETFs that are overweight low-volatility securities within a given asset class. The Managed Volatility portfolios may sacrifice some potential gains in exchange for the possibility of avoiding large losses. Because of the effect of managed volatility ETFs on the overall risk-return profile of a portfolio, the Managed Volatility option is available for each of the following portfolios only:

- Income & Growth
- Capital Growth
- High Equity

### Fees and Expenses

Assets Under Management (minimum account \$50,000)	First \$500,000	Next \$500,000	Next \$1,000,000	Over \$2,000,000
<b>Capital Analysts Management Fee*</b>	0.30% or \$250, whichever is greater	0.25%	0.20%	0.15%

\* The minimum annual Capital Analysts Management Fee is \$250.00 per year, assessed at \$62.50 per calendar quarter. For accounts sizes less than \$83,333, the client is paying an administrative fee in excess of the stated 0.30%, which could make the total annual fee paid by clients exceed 1.80%. This minimum annual fee would have a greater relative impact on the total fee paid by smaller accounts; fees can exceed the stated maximums as a percentage on smaller accounts.

### IV. CAAMS Stock

CAAMS Stock is composed of model portfolios offering core multi-cap, multi-style equity portfolios diversified by individual stocks across industry groups and sectors. Where applicable, the IM&R team will also work with you and your Advisor to identify tax loss harvesting opportunities in your CAAMS Stock account.

CAAMS Stock portfolios represent select groups of stocks chosen primarily from the industry groups and economic sectors in the S&P Composite 1500. ETF that track components of the S&P Composite 1500 or other broad-based indexes, as well as ETFs that track international or dividend stock indexes, may be used for some portfolios.

Six portfolios are managed by the IM&R team to different objectives:

- Core Equity
- Core Equity Plus
- Global Equity
- Capital Appreciation
- Equity Income
- Dividend Growth

## Fees and Expenses

Assets Under Management (minimum account \$100,000)	First \$500,000	Next \$500,000	Next \$1,000,000	Over \$2,000,000
Capital Analysts Management Fee*	0.45% or \$250, whichever is greater	0.35%	0.25%	0.20%

\* The minimum annual Capital Analysts Management Fee is \$250.00 per year, assessed at \$62.50 per calendar quarter. For accounts sizes less than \$55,555, the client is paying an administrative fee in excess of the stated 0.45%, which could make the total annual fee paid by clients exceed 1.95%. This minimum annual fee would have a greater relative impact on the total fee paid by smaller accounts; fees can exceed the stated maximums as a percentage on smaller accounts.

## V. CAAMS Unified Management Account (UMA)

CAAMS UMA portfolios use both active and passive investment approaches in a single account that combines individual securities from the CAAMS Stock portfolios, ETFs, and mutual funds. These portfolios are appropriate for investors who are interested in a professionally managed account providing the tax efficiency of individual securities and ETFs, and who want their holdings diversified across asset classes and industry groups.

Five portfolios are managed by the IM&R team to different risk levels or objectives:

- Income & Growth
- Balanced
- Growth
- Aggressive Growth
- High Equity

Custom portfolios managed by the IM&R team may also be available in the CAAMS UMA Wrap Fee Program.

## Fees and Expenses

Assets Under Management (Minimum initial account \$100,000)	First \$500,000	Next \$500,000	Next \$1,000,000	Over \$2,000,000
Capital Analysts Management Fee*	0.45% or \$250, whichever is greater	0.35%	0.25%	0.20%

\* The minimum annual Capital Analysts Management Fee is \$250.00 per year, assessed at \$62.50 per calendar quarter. For accounts sizes less than \$55,555, the client is paying an administrative fee in excess of the stated 0.45%, which could make the total annual fee paid by clients exceed 1.95%. This minimum annual fee would have a greater relative impact on the total fee paid by smaller accounts; fees can exceed the stated maximums as a percentage on smaller accounts.

## VI. CAAMS Strategists

CAAMS Strategists provide access to mutual fund model portfolios developed and managed by certain third party money managers (Strategists) selected by Capital Analysts and the IM&R team. Strategists are registered investment advisers unaffiliated with Capital Analysts, but have entered into agreement(s) to provide the model portfolios, as well as certain research and marketing services.

The current Strategists are DoubleLine Capital LP, ICON Advisers, Inc., J.P. Morgan Investment Management Inc., Meeder Advisory Services, Inc., and Russell Investment Company each offering the respective portfolios described below.

*DoubleLine Capital LP – Minimum Volatility*

Double Capital LP portfolios are composed solely of their affiliated funds (DoubleLine Funds). Developed and managed by DoubleLine Capital LP, they offer total return fixed-income minimum volatility model portfolios. DoubleLine employs active management of asset class exposure, sector allocations, and security selection to manage volatility in the portfolios over a full market cycle. Tactical allocations may be made as opportunities arise. The portfolios exclusively use mutual funds managed by DoubleLine to implement this strategy.

- Conservative
- Moderate Conservative
- Moderate

*ICON Advisers, Inc.*

ICON Advisers, Inc. portfolios are composed solely of their affiliated funds (ICON Funds). ICON brings an analytical logic to the world of investing that aims to reduce subjective decision-making. It enables ICON to challenge conventional wisdom based on disciplined, objective, non-emotional methodology. Led by co-founder and Chief Investment Officer Dr. Craig Callahan, ICON applies the Science of Investing to help identify industries that are underpriced. Dr. Callahan has created a valuation model that advanced the methodology originally developed by Benjamin Graham, often referred to as the “father of securities analysis,” by adapting it to today’s ever-changing market conditions.

- ICON US Income

*J.P. Morgan Investment Management, Inc. – Global Multi-Asset*

J.P. Morgan Investment Management, Inc. portfolios are composed solely of their affiliated funds (J.P. Morgan Funds). Developed and managed by J.P. Morgan Investment Management Inc., the Global Multi-Asset strategy provides five (5) risk-based model portfolios. J.P. Morgan uses both strategic and tactical asset allocation driven by both quantitative and qualitative analysis across widely diversified asset classes. The portfolios exclusively use mutual funds managed by J.P. Morgan to implement this strategy.

- Conservative
- Moderate Conservative
- Moderate
- Moderate Growth
- Growth

*Meeder Advisory Services, Inc.*

Meeder Advisory Services, Inc. portfolios are composed solely of their affiliated funds (Meeder Funds). Developed and managed by Meeder Advisory Services, Inc., Meeder offers six (6) risk-based Tactical Allocations Master model portfolios. Meeder uses tactical asset allocation to adjust among asset and sub-asset classes based on short- to intermediate-term market forecasts, with the objective of exploiting inefficiencies or temporary imbalances among them. The portfolios exclusively use mutual funds managed by Meeder to implement this strategy.

- Flexible Income
- Conservative
- Moderate Conservative
- Balanced

- Moderate Growth
- Growth

*Russell Investment Company*

Russell Investment Company portfolios are composed solely of their affiliated funds (Russell Funds). This is a strategic asset allocation strategy that uses a long-term approach to investing that mixes fundamental asset classes into a target portfolio. Because the Russell portfolios are constructed for long-term investors, short and intermediate term conditions are not a dominant factor in determining the allocations. The Russell portfolios are rebalanced on a semi-annual basis (typically March and September) to maintain the original balance.

The Russell investment philosophy is rooted in the belief that financial markets reward knowledgeable, disciplined investors. Based on a philosophy that over a long period of time active managers can add value, Russell selects teams of money managers to help meet clients’ investment goals. Russell aims to reduce risk and provide benchmark-beating returns both collectively and over time.

- Tax Managed Conservative
- Tax Managed Moderate
- Tax Managed Balanced
- Tax Managed Growth
- Tax Managed Equity Growth

**Fees and Expenses**

<b>Assets Under Management (Minimum Account \$50,000)</b>	<b>First \$100,000</b>	<b>Next \$400,000</b>	<b>Next \$500,000</b>	<b>Over \$1,000,000</b>
<b>Capital Analysts Management Fee</b>	0.50%	0.45%	0.35%	0.25%

**Additional Information Regarding Wrap Program Fees**

The Wrap Fee Programs described above may cost more or less than if you were to purchase such services separately. Certain factors, such as trading frequency can impact the cost effectiveness of a Wrap Fee Program. Generally, in an account where there is infrequent trading, a regular brokerage account incurring commissions along with the separate purchase of such investment advice for a fee may be less expensive. Your Advisor shares only in the portion of the Wrap Fee that is identified as the Financial Advisor Fee.

Should you transfer security holdings that require liquidation into your Wrap Fee account, you may incur one-time ticket charges, as indicated in your Investment Management Agreement or listed in the Lincoln Investment Brokerage Account Fee Schedule for Accounts Held at Pershing LLC.

Capital Analysts has existing clients in the CAAMS Stock and CAAMS ETF programs that pay an Investment Advisory Fee to the Advisor, a Management Fee to Capital Analysts, plus all ticket charges for the transactions that occur within their managed accounts. These non-Wrap Fee Program CAAMS Stock and CAAMS ETF Programs are no longer offered to new clients. Existing clients should refer to their advisory agreement for a description of the fees paid by them. In addition, some existing CAAMS Wrap Fee Program and non-Wrap Fee Program clients are assessed fees quarterly in arrears; these arrangements are no longer offered to new clients.

You are responsible to notify your Advisor of any changes in your financial situation or investment objectives or to give any investment restrictions that you wish to impose so that your Advisor can suggest the appropriate advisory service for you. If you wish to impose investment restrictions, Capital Analysts' programs may not be the appropriate advisory service for you as they may not be able to accommodate your investment restrictions.

For all CAAMS Wrap Fee Programs, fees are billed on a quarterly basis. In your investment management agreement, you give Capital Analysts authorization to instruct the account custodian, Pershing LLC, to directly debit fees owed to Capital Analysts from your account. Fees may be deducted from cash holdings or by liquidating assets held in the account at the discretion of Capital Analysts. Fees are assessed in advance or arrears, as indicated in your agreement with Capital Analysts, and are based on the market value of all assets held within the account (including cash and cash equivalents) on the last business day of the calendar quarter.

Accounts initiated during a calendar quarter will be charged a prorated fee based on the number of calendar days left in the quarter. For advisory services terminated during the calendar quarter, any prepaid, unearned fees will be refunded on a *pro rata* basis, and any earned, unpaid fees will be due and payable on a *pro rata* basis. Advisory fees may be prorated for each capital contribution and withdrawal of \$100 or more made during the applicable calendar quarter. Account fees and/or method of calculation may be changed with thirty days written notice to you by Capital Analysts.

In general, a client may terminate Capital Analysts' or its Advisor's advisory services at any time upon written notice to us. The death of an investor also constitutes termination of any agreement with Capital Analysts, though an executor or other authorized representative may choose to continue services under a new or modified agreement. Unearned fees will be refunded to clients on a *pro rata* basis for asset management services.

Capital Analysts may offer employees, its Advisors, and family members a discount or waiver of Wrap Fee Program fees.

#### **Other Fees in Wrap Fee Accounts**

The Wrap Fee will cover your transaction and clearing costs associated with transactions in the account, (such as ticket charges and confirmation fees), short term trading costs imposed by mutual funds if IM&R moves in and out of a fund within a specified short time frame, charges imposed if certain investment minimums are not met by IM&R; surcharges imposed when IM&R purchases no-load or low cost mutual funds or index funds and inactivity fees assessed on the account. You will, however, be responsible for other administrative charges that may be imposed by Pershing LLC, such as: IRA Custody and Termination, wire transfer and electronic fund fees, statement delivery charges, and other fees and taxes on brokerage accounts and securities transactions. For information on the fees applicable to Wrap Fee accounts held at Pershing LLC, please refer to the Lincoln Investment Brokerage Account Fee Schedule for Accounts Held at Pershing LLC or ask your Advisor.

#### **Other Cost That You May Incur**

Total advisory fees paid and other costs associated with your portfolio impact the overall performance of your portfolio. It is important to review these costs when making your advisory and investment decisions.

Costs may include the following:

1. **Internal Expenses.** Internal management fees, other fund charges or other expenses charged by the mutual fund or sub-account of a variable annuity (also known as the internal expense). All mutual funds and annuity companies charge a fee for the management and operations of their offerings. The higher the internal expense, the more impact it will have on the performance of your portfolio.
2. **Brokerage Account Fees.** Capital Analysts offers its advisory services on various broker-dealer platforms. Each platform assesses different account, service and transaction fees, such as commissions, wire fees, trade-away fees, statement and confirmation fees, retirement plan recordkeeping or custodial fees, and low balance or account termination fees. Please refer to Item 12: Brokerage Practices for further information. Pershing assesses a surcharge for the purchase and sale of certain no load or low expense mutual funds not available on the NTF platform.
3. **Mutual Fund Short-term Trading Redemption Fees.** Some mutual funds impose short-term trading redemption fees of up to 2% for active trading or exchanging in and out of their funds. Tickets charges may also be imposed if certain fund minimums are not met. This could affect you or your investment adviser's ability to properly manage your portfolio as these costs will impact the performance of your portfolio or may be an incentive not to trade. Capital Analysts' decision to reallocate your account assets may result in you incurring a redemption fee imposed by one or more mutual funds held in your account.
4. **Variable Annuity Rider and Contract Costs.** These costs may include, but are not limited to, annual base annuity contract charges, optional benefit riders, underlying sub-account expenses, and potential surrender fees.
5. **Rights of Accumulation.** Many mutual funds offer rights of accumulation or other sales charge discounts. The mutual fund company may or may not count your assets held in an advisory service as eligible for a reduced sales charge on other mutual fund purchases. You should consult the fund's prospectus for the product sponsor's specific rules.

You may incur additional charges imposed by custodians, broker-dealers, investment and insurance companies and other third parties, such as transfer taxes, wire transfer and electronic fund fees and other fees and taxes on brokerage accounts and securities transactions. Such charges and fees are exclusive of and in addition to Capital Analysts fee. You shall be responsible for payment of any and all taxes that may be due as a result of any transactions in your account.

### **Other Compensation to Capital Analysts and Our Conflicts of Interest**

Capital Analysts recognizes its fiduciary responsibility to place your interests above ours and that other compensation received by us, or an affiliate, from other sources presents a conflict of interest and could be looked upon by you as an incentive for us to recommend investment products or advisory services based on compensation rather than on your financial needs. Below is a description of potential conflicts of interest that we have identified in the conduct of our business that we believe may be material. With many of these conflicts, we have taken steps to mitigate away or reduce the potential conflict.

**12b-1 Fees.** An expense within some mutual fund share class offerings is a Mutual Fund Distribution Fee, also called a 12b-1 Fee, which is paid to Lincoln Investment, Capital Analysts broker-dealer affiliate. For assets held on the Pershing LLC platform, the amount of the 12b-1 fee received by Lincoln Investment will be refunded directly to your Pershing account. You may still incur a 12b-1 fee expense for any portion of the 12b-1 fee not paid to Lincoln Investment. The refunding of 12b-1 fees will alleviate the potential conflict of interest associated with Capital Analysts affiliate receiving this third party

compensation and will also reduce the expense to you associated with purchasing a mutual fund share class which includes a 12b-1 fee expense.

### **Understanding Share Classes in Capital Analysts Advisory Accounts**

Mutual funds have multiple share classes. The expense ratio of a fund is disclosed in the fund's prospectus and annual reports and generally reflects the annual operating costs of the fund, assessed as a percentage of a fund's average assets. The expense ratio within a mutual fund share class can fluctuate from what is shown in a prospectus for the fund offering and annual report and can vary over time and from year to year. A fund that was deemed to have a lower expense ratio at the time of purchase may not actually maintain that expense ratio during the time that the fund is held and new fund share classes may become available with different expense ratios.

Share class selection for your advisory accounts will be based on a range of factors. Capital Analysts does not make all share classes available to your advisory accounts. While Capital Analysts will generally seek to designate a single share class of a mutual fund for purchase in your advisory accounts, designated share classes will likely vary among custodial platforms and more than one share class can be purchased and held in advisory accounts. Factors we consider in share class selection, include, but are not limited to, the net expense ratio of the share classes, an expense tracking error of ten basis points (0.10 %) based on the prospectus net expense ratio as provided by Morningstar, prospectus 12b-1 distribution fee as provided by Morningstar, whether a portfolio is a discretionary managed portfolio or a non-discretionary managed portfolio, the availability of share classes on various custodial platforms, whether particular share classes are subject to transaction fees ("TF") or do not have transaction fees ("NTF"), operational considerations such as share class consistency within a fund family on a particular custodial platform (as described below), the availability of account minimum waivers, tax and other circumstances that are unique to particular clients. Expense tracking error refers to an acceptable margin that Capital Analysts considers when comparing share class costs since share class expense ratios can fluctuate over time. Share class consistency refers to the objective of utilizing the same share class for all or a majority of the mutual funds within a fund family on a particular custodial platform to support consistency and efficiency. This objective may not always be achieved and more than one share class could be purchased and held. Generally, Capital Analysts will only consider a share class for share class consistency if the differential between the share classes being considered is ten basis points (0.10%) or less based on the prospectus net expense ratio as provided by Morningstar, taking into account the prospectus 12b-1 distribution fee as provided by Morningstar. If not within this range, then multiple share classes of a fund family could be available on a custodial platform.

Generally, only NTF funds will be available for new fund purchases in your advisory accounts. However, TF funds will be purchased if the NTF fund in the same mutual fund is not available on the applicable custody platform, subject to the purchase being eligible for investment minimums or investment waivers. A fund share class on one custodian's platform may be an NTF fund while on a different custodian's platform may be a TF fund, or vice versa. The expense ratio for TF funds will generally be lower than that for NTF funds, but the purchase and sale of TF funds is subject to additional transaction fees and other charges that increase the cost of investment. Trading in TF funds can increase cost to both the client and/or the firm depending on the level of trading in the account. Capital Analysts and its Advisors are not under an obligation to pay the transaction fees and other charges associated with investments in TF funds on your behalf, unless you are in a Wrap Fee Program. However, if Capital Analysts does assume these costs, then it has a financial incentive to select NTF funds in its Wrap Fee programs to avoid paying or to lower mutual fund transaction charges. This creates a conflict of interest for Capital Analysts to select a NTF mutual fund in a Wrap Fee program because Capital Analysts would incur less expense and generate more revenue than if Capital Analysts selected a TF fund. When selecting a share class of a mutual fund for its platform and when recommending a mutual fund to you, Capital Analysts and your Advisor have a

conflict of interest because the selection or recommendation of a more expensive share class results in greater net after cost compensation to Capital Analysts. The use of NTF funds can serve to minimize the potential for an overall increase in advisory fees charged to clients. If Capital Analysts or your Advisor were to incur transaction fees, Capital Analysts and/or your Advisor would likely charge higher advisory fees or increase other charges to clients for the services provided.

Capital Analysts and your Advisor can purchase, hold, and recommend mutual fund investments in share classes in your advisory accounts that are not the lowest cost share class. You should not assume that you are invested in the lowest cost share class, and the share class of a mutual fund offered by Capital Analysts can have higher expenses and therefore lower returns, which could impact performance over time, than other share classes of that mutual fund for which you are eligible or that may otherwise be available to you if you invested in the mutual fund through a third party or through the mutual fund directly. Other financial services firms may offer the same mutual fund at a lower overall cost to the investor than is available through your account.

Capital Analysts may, in its discretion, determine to convert your mutual fund positions held in one share class to a different share class. Such share class conversions will occur as deemed appropriate by Capital Analysts and will be reflected on your account statement. Capital Analysts will consider various factors when considering share class conversions in your advisory accounts, including but not limited to, the net expense ratio of the share classes, whether your account is subject to taxation, the difference in the expense ratio between share classes and whether the difference exceeds an expense tracking error of ten basis points (0.10%) based on the prospectus net expense ratio as provided by Morningstar, the prospectus 12b-1 distribution fee as provided by Morningstar, operational considerations such as share class consistency, your investment preferences and the amount of potential taxable gains or losses to which you could be subject. The ability and length of time to effect a share class conversion will vary by custodial platform and is subject to prospectus requirements and custodial platform approval. Capital Analysts will periodically compare the share classes of your funds with the share classes offered by the fund and available to the firm and your account. If, as a result of such review, the Firm initiates a share class conversion, the new share class will appear on your account statement. Capital Analysts will not consider converting your mutual fund position held in a lower expense share class of the same fund to a more expensive share class of the same fund unless the difference between the lower expense share class and the more expensive share class is less than or equal to the expense tracking error of ten basis points (0.10%) based on the prospectus net expense ratio as provided by Morningstar, taking into account the prospectus 12b-1 distribution fee as provided by Morningstar. Through the conversion process, you should not assume that you are or will be invested in the lowest expense share class, and the share class of a mutual fund offered by Capital Analysts can have higher expenses, and therefore lower returns, which can impact performance over time, than other share classes of that mutual fund for which you are eligible or that may otherwise be available to you if you invested in the mutual fund through a third party or through the mutual fund directly.

We are currently implementing the mutual fund share class selection process described above for new funds that are added to our advisory platforms. We are simultaneously reviewing existing positions to apply these mutual fund share class selection and conversion factors to current fund holdings. This review process is ongoing and is expected to be completed by September 2018. Third-party investment managers that provide model portfolios or manage client accounts on a discretionary basis will follow their own share class selection practices.

When determining the reasonableness of any fees and expenses you agree to pay to Capital Analysts, you should consider both the fees and expenses that Capital Analysts charges to your account for its services and those of your Advisor, as well as any indirect fees and expenses that you pay in connection with any

investment in share classes of mutual funds that bear expenses greater than other share classes for which are otherwise eligible. Information about the mutual funds and share classes that are available through your account, including their investment policies, restrictions, charges, and expenses, is contained in the mutual funds' prospectuses. You should read these prospectuses carefully. Please contact your Advisor for additional information on share class selection practices and related fees and expenses.

### **Third Party Payments**

#### **Pershing Platform**

**Money Market and Cash Deposit Fees.** For advisory accounts held on Pershing LLC's platform, Lincoln Investment, Capital Analysts affiliated broker dealer, shares in revenues with Pershing associated with money market interest on certain money market sweep account options and Interlink bank deposit assets associated with Capital Analysts accounts. We do not refund or offset this revenue sharing against advisory fees paid by clients whose advisory assets are on Pershing. The receipt of revenue sharing with Pershing creates a potential conflict of interest to Capital Analysts and Lincoln Investment to use Pershing as a custodian over other custodians that do not share these fees, and to recommend the purchase of those products that we share in revenue over other funds and platforms that we do not share in revenue. Capital Analysts does not share these fees with your Advisor. In 2017, the amount of this revenue received as allocated to Capital Analysts was less than one-half of one percent of total revenues of Capital Analysts. We do not believe that this amount is material.

**Shareholder Service Fees.** In 2017, Lincoln Investment, Capital Analysts affiliated broker-dealer, shared in Shareholder Service fees collected by Pershing from fund companies that could be attributable to Capital Analysts advisory accounts. These fees were derived from Pershing's FundVest FOCUS list of funds. Lincoln Investment did not share these fees with your Advisor. Pershing is no longer sharing these types of Shareholder Service fees with Lincoln Investment in connection with Capital Analysts accounts.

#### **Sales and Marketing Support**

Lincoln Investment receives Sales and Marketing Support as described below and includes flat fee sponsors, other sales support and asset and sale based sponsors. In order to minimize the potential conflicts associated with the receipt of these fees by its affiliate, Capital Analysts does not receive Sales and Marketing Support payments that are based on advisory account assets, advisory account transactions or that are based on ERISA account assets.

**Flat Fee Sponsors.** Lincoln Investment, Capital Analysts affiliate broker-dealer, has partnered with a select group of third party money managers and product sponsors who pay to assist Lincoln Investment in the training and education of Advisors at firm sponsored events, on such topics as advisory products and services, practice management, tools and technology, consumer education, and policies, rules and regulations. These sponsors provide financial support to Lincoln Investment in the form of a flat-dollar amount that may be amended annually and is not based on the assets or sales of their proprietary products or services. Sponsors can compensate Lincoln Investment from fund assets, the fund's investment manager, distributor or other affiliate's assets. Payments made to broker dealers out of fund assets can lower investor returns and performance over time. Advisors do not share in any portion of these payments so as to mitigate any conflict for an Advisor to recommend one product or money manager over another. This financial support allows Lincoln Investment to defray or offset costs associated with firm sponsored events and other educational and outreach tools and services. The financial support by these Sponsors to Lincoln Investment and as allocated to Capital Analysts presents a potential conflict of interest to Lincoln Investment and its affiliated investment advisers, Capital Analysts and Legend Advisory.

All Flat Fee Sponsors do not pay Lincoln Investment the same amount, and depending on the amount of the payment from the Flat Fee Sponsor, the access to Lincoln Investment sponsored events may differ. For example, Lincoln Investment holds a number of sales conferences both nationally and regionally throughout the year to educate advisors. The higher the annual flat fee payment, the more events the Flat Fee Sponsor will be invited to attend. Flat Fee Sponsors have more opportunities than other product sponsors and money managers that are not Flat Fee Sponsors to market to and educate Advisors which could pose a potential conflict to Advisors to offer these sponsors products or services over others. Advisors do not share in any portion of these payments so as to mitigate any such conflict.

In 2017, the financial support of the Flat Fee Sponsors as allocated to Capital Analysts was less than one-half of one percent of total revenues to Capital Analysts. We do not believe that this amount is material. In 2017, Flat Fee Sponsors who compensated Lincoln Investment with a flat fee payment, in order from high to low, were Russell Investments, CLS Investments, LLC, ICON Advisors, Inc., Meeder Financial, DoubleLine, and JP Morgan. Some of the Flat Fee Sponsors revenue may be used to support the ongoing operational expenses of Lincoln Investment, Capital Analysts and Legend Advisory and not used solely for sales and marketing support.

**Other Sales Support.** From time to time, product sponsors and third money managers may assist Advisors in their sales and marketing efforts by subsidizing certain Advisor costs, such as client meetings or workshops, mailings, administrative expenses and technology support. The amount of support is approved by Lincoln Investment and is monitored to ensure that it is not too frequent or excessive. Also, Advisors are invited from time-to-time by product sponsors to due diligence and educational meetings or seminars hosted by the product sponsor or money manager. Lincoln Investment must grant permission to our Advisors to attend any meeting or seminar hosted by a product or advisory service sponsor. Lincoln Investment approves events that are limited to education or due diligence only and allows the product sponsor to provide meals, hotel accommodations and reimbursement to the Advisor, through Lincoln, for travel expenses only. These events represent a nominal portion of revenue that may be received from product sponsors. The education of our Advisors in the offerings that are available to them is a key component of providing prudent investment advice to you. This could be deemed a conflict of interest that will incentivize the advisor to offer one product or money manager over another. This support is not based on client assets or transaction sales.

**Asset and Sales Based Sponsors.** On the brokerage side of Lincoln Investment's business, in addition to Flat Fee Sponsors, Networking Fees, and Money Market Fund fees, Lincoln Investment receives Sales and Marketing support from product sponsors, mutual fund companies, insurance companies and other third party providers to assist in the marketing and sales efforts of employees and Advisors ("Asset and Sales Based Sponsors"). The support provided by these sponsors is based on brokerage assets and brokerage transaction and not based on your advisory account assets or ERISA assets. Lincoln Investment receives compensation from these sponsors in various forms, including as a flat fee, a percentage of the amount of brokerage assets held by investors, a percentage of sales, or any combination of these methods. The amounts of these payments can vary by the type of product and by provider and can include, but are not limited to, distribution fees and shareholder service fees. In some cases, Asset and Sales Based Sponsors pay additional marketing payments to Lincoln Investment to cover fees to attend conferences. Additionally, some Asset and Sales Based Sponsors make a monthly or quarterly payment or additional monthly or quarterly payment based on the assets you hold in a fund or variable insurance product over a period of time. As you may have both a brokerage account and an advisory account with us, we want you to understand that Lincoln Investment will receive Sales and Marketing Support based on assets or sales in connection with your brokerage account assets and transactions. As Lincoln Investment may be financially incentivized to recommend Asset and Sales Based Sponsors that provide sales and marketing support over others that do not, this is a potential conflict of interest.

In 2017, Sales and Marketing Support based on brokerage asset or sales (which would be as result of only the brokerage assets you held with Lincoln Investment) represented approximately one percent of total revenues to Lincoln Investment, and could be deemed material to Lincoln Investment clients. Some of this revenue may be used by Lincoln Investment to support the ongoing operational expenses of Lincoln Investment and not used solely for sales and marketing support.

### **Other Potential Conflicts**

**Ongoing Fiduciary Conflicts.** Capital Analysts has a supervisory duty to periodically monitor clients' portfolios to ensure suitability of investments and to ensure that the advisory services are being performed in recognition of our fiduciary duty to you, which includes acting in your best interest. A potential conflict of interest exists if an Advisor is assessing an advisory fee but no services are being performed. Supervision is performed over accounts and Advisors to monitor for activities that could be deemed a breach of our fiduciary duty to you, including such periodic reviews as accounts where there is no documentation of services being performed and accounts with uninvested cash balances over a period of time with no rationale for holding such a large cash position in an advisory account. In an advisory relationship, our fiduciary relationship will be most successful if both the client and the Advisor partner to ensure that there is regular and meaningful contact and that the advisory account continues to meet the needs of the client.

**Affiliates Other Businesses.** Capital Analysts principal business is as an investment adviser. The majority of Capital Analysts revenue comes from the advisory fees we collect from you. Through its affiliated broker-dealer, Lincoln Investment also receives compensation from its brokerage business. This compensation comes from securities and insurance product commissions and mutual fund concessions, 12b-1 distribution fees associated with the sale of mutual funds, trailing commissions from annuity sales, and persistency bonuses on insurance and other sources. You always have the option to purchase advisory services, securities products or insurance through non-affiliated investment advisers, brokers or agents. Capital Analysts also is affiliated with two other registered investment advisers, Lincoln Investment, LLC and Legend Advisory, LLC, and promotes the services of these investment advisers.

**Your Advisor's Other Businesses.** Your Advisor may have more than one relationship with you – one as an Advisor over an advisory account and one as a Registered Representative/Agent of Lincoln Investment over a non-advisory account where he or she may receive a sales commission for the sale of securities or insurance products which would be in addition to any advisory fees earned on your advisory assets. In these situations, our Advisor may have greater financial incentives to offer you both investment and/or insurance sales as well as advisory services.

Your Advisor may also be associated with one or more of Capital Analysts affiliated investment advisers, Lincoln Investment, LLC or Legend Advisory, LLC. These affiliated relationships present a conflict of interest. Through his or her affiliation with Capital Analysts and possibly with Lincoln Investments and Legend Advisory, your Advisor may be in a position where he or she can offer the same or similar advisory services to you for different fees and compensation structures. If an identical Sub-Advisor or strategy is available through two affiliated registered investment advisers, you may pay higher fees for an advisory service that is similarly offered through another affiliated investment adviser. You always have the option to purchase advisory services, securities products or insurance through non-affiliated investment advisers, brokers or agents.

Capital Analysts shares with each Advisor a percentage of the advisory fee received based on the type of advisory service sold. Some Advisors can receive a higher percentage of the Advisor Fee when placing client assets within an IM&R managed program than when placing client assets with a third party money manager. In addition, Advisors who have significant advisory assets within Capital Analysts advisory programs receive higher percentages of the Advisor Fee than those who have lower advisory assets in Capital Analysts in-house managed offerings. This creates a conflict of interest for Advisors to recommend Capital Analysts offerings over other third party advisory offerings. Most of Lincoln's Advisors are independent contractors who may also offer other non-security financial services and products, such as life, health, disability, long term care and fixed annuity insurance products, and real estate. These services may be offered independent of The Lincoln Investment Companies.

**Sales Incentives.** Capital Analysts offers sales contests that may provide additional incentives to your Advisor to offer one product or advisory service over another. Capital Analysts offers sales contests based on such criteria as gross compensation to the Advisor, new accounts, and net sales of advisory programs. These contests may provide your Advisor with a conflict of interest and an incentive to offer you fee-based advisory services over commission-based brokerage services. Top achievers in these contests may receive firm sponsored trips, cash prizes, bonus commissions, club points, monetary donations in their name to a charity of their choice or other nominal prizes. No contest is offered which will award the Advisor based upon a specific investment product or on a specific product sponsor. In our capacity as an investment adviser, Capital Analysts and its Advisor recognize they have a fiduciary duty to investment advisory clients. You should ask your Advisor about these incentives at the time of sale.

**Endorsements.** From time-to-time, Lincoln Investment makes lump-sum payments to education-based associations and not-for-profit organizations with a large constituency of employees who are eligible to invest in 403(b) retirement plans (Associations). In some cases, Lincoln Investment voluntarily makes such payments to reimburse the Associations for certain marketing expenses (e.g., newsletter advertisements) in connection with Lincoln's products and services. Certain Associations require Lincoln Investment to reimburse them for (1) marketing expenses; (2) use of their facilities used to meet with their employees; (3) to obtain their explicit endorsement; or (4) to cover their administrative costs for the processing of payroll contributions.

**Loans and Advances.** On occasion, Lincoln Investment may extend a loan, provide a commission advance, or pay for practice management services for an advisor to assist an advisor in running his or her business. Sometimes these loans or advances may be waived, in whole or in part, if certain sales or assets under management thresholds are met or certain practice management goals or conditions are met. In situations where a sales, assets under management threshold or other financial contingency exists, this conflict of interest will be disclosed in the Advisor's Form ADV 2B, which is required to be delivered by the Advisor to every client. Lincoln Investment supervises Advisors who have these arrangements to ensure that all advice is suitable to the client.

**Gifts and Entertainment.** Offering or receiving a gift or entertainment from a product or advisory service sponsor could create a conflict of interest. Lincoln Investment has instituted a policy that prohibits excessive and/or too frequent gifts or entertainment activities to mitigate this conflict.

**Political Contributions.** Providing significant political contributions to a state or local official or candidate could create the perception that Capital Analysts or its Advisors are seeking *quid pro quo* arrangements with that state or local government or its employees to open an account with our firm. Lincoln prohibits contributions in excess of \$350 per election if the Advisor can vote for the candidate and \$150 per election if the Advisor cannot vote for the candidate.

**Charitable Donations.** Providing significant charitable donations to a charity organization could create the perception that Capital Analysts or its Advisors are seeking *quid pro quo* arrangements with that charity or its employees to open an account with our firm. Lincoln allows contributions to charities, but prohibits any donations that are deemed excessive or too frequent.

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

#### **Types of Clients**

Capital Analysts primarily serves individuals, high net worth individuals, trusts, institutions, foundations, businesses, and charitable organizations as well as the retirement assets of individuals and businesses, individual retirement accounts (IRAs) and employer sponsored ERISA plans. Clients may open qualified and non-qualified accounts with Capital Analysts. Not all investors and plans, including retirement plans, are eligible to invest in one or more of Capital Analysts advisory programs. Please consult with your Advisor or your employer to determine if your assets are eligible to invest.

#### **Account Requirements**

Capital Analysts imposes a minimum dollar value of assets for its Wrap Fee accounts as described below. These minimum account requirements may be waived at our sole discretion.

<b>Wrap Fee Program Name</b>	<b>Minimum Investment</b>
CAAMS Complete (including Alternatives and Yield)	\$50,000
CAAMS Custom Income Strategies	\$250,000
CAAMS AssetBuilder	\$15,000
CAAMS ETF	\$50,000
CAAMS Stock	\$100,000
CAAMS UMA	\$100,000
CAAMS Strategists	\$50,000

### Item 6: Portfolio Manager Selection and Evaluation

All Capital Analysts Wrap Fee Programs are managed with discretion by the Investment Management & Research (IM&R) team. See the *Methods of Analysis, Investment Strategies and Risk of Loss* section below for more information about how the team manages the Wrap Fee Programs, including the selection of portfolio managers for the Strategists programs.

#### **Other Advisory Business**

Capital Analysts offers the following additional investment advisory services for a fee. A description of each service is provided in Capital Analysts' Form ADV 2A Brochure, a copy of which accompanies this Brochure.

1. Advisor Managed Model and Client Custom Portfolios
2. Third Party Managed Model and Custom Portfolios
3. Periodic Investment Consulting
4. Financial Planning Services
5. ERISA Retirement Plan Advice

### **Performance-Based Fees and Side-by-Side Management**

Capital Analysts and our Advisors do not receive performance based fees. A performance based fee is an advisory fee that compensates the Advisor for the Advisor's success in managing a client's money or "a fee based on the share of the capital gains and appreciation of a client's funds." A performance based fee may induce an advisor to take greater and undue risks with client's funds in an attempt to generate higher compensation to the advisor.

Your Advisory Fees with Capital Analysts are typically assessed as a percentage of the total value of your advisory account assets as of each calendar quarter-end and are not performance based fees.

### **Method of Analysis, Investment Strategies and Risk of Loss**

The IM&R team meets regularly to review current holdings and market conditions, make changes as appropriate, and ensure that the investment philosophy is consistently applied to each model portfolio. The management of all CAAMS Wrap Fee Programs includes investment selection and monitoring, portfolio construction, and portfolio rebalancing and realignment in accordance with the investment objectives of the managed model portfolio.

Investment strategies include both long-term solutions and short-term strategies, where appropriate, that coordinate with either the client's stated objectives (when managing a custom portfolio) or the objectives of the model portfolio (when managing the model to a stated objective.) Our goal is to manage the portfolio with the appropriate asset mix to optimize portfolio return within the given level of risk tolerance. Option writing may be used from time to time.

The investment management strategies of the CAAMS Wrap Fee Programs differ by Program and by model or custom portfolio, and can be strategic or involve tactical overlays. Investing in securities involves risk of loss that you, the investor, should be prepared to bear.

The primary objective of most advisory services and advice offered by Capital Analysts and its Advisors is to provide to you a risk-appropriate diversified portfolio. A risk-appropriate diversified portfolio applies the disciplines and theories of asset allocation. Asset allocation means, first and foremost, working to design a portfolio that sufficiently allocates your assets across different asset classes to help reduce the exposure to any single asset class and market loss you could incur in your account(s) if you didn't diversify. It is important to understand that asset allocation, although a proven method to reduce risk to a portfolio does not guarantee a profit or protect against loss.

Asset classes include, but are not limited to, domestic and international equities, domestic and international bonds, cash and cash equivalents, as well as alternative investment types such as real estate and commodities. Equities can be further broken down by market capitalization (company size based on annual revenues) ranging from large companies (large-cap) to medium and small companies (medium- and small-cap). Bonds, meanwhile, can be further broken down by issuer type – such as corporate, municipal, and government – and by duration, ranging from short term to long.

The IM&R team, once it establishes an asset allocation model portfolio, may periodically re-balance the account back to any stated asset allocation.

The asset classes used by the IM&R team in implementing the methods of analysis and investment strategies described above carry material risks.

- **Equities:** The price of equities fluctuate due to many factors including changes in interest rates, global events, industry and company specific events, investor expectations, and general market

conditions. You may receive more or less than the original purchase price when selling a security. Concentrated positions in equities typically pose additional risks as a downturn in your investment will cause a more significant loss. Diversification assists in reducing concentration risk. For its stock research, Capital Analysts applies various fundamental and technical screens to the investable universe of stocks and compares the results with current research recommendations of major independent services including Value Line, Standard & Poor's, Argus Research and Zacks Investment Research. Additional Wall Street analyst research is also factored into the stock selection process.

- **Fixed Income Investments:** One of the most important risks associated with fixed-income securities is interest rate risk, the risk encountered in the relationship between bond prices and interest rates. The price of a bond will change in the opposite direction of movements in prevailing interest rates. For example, as interest rates rise, bond prices will generally fall. If an investor has to sell a bond prior to the maturity date, an increase in interest rates could mean that the bondholder will experience a capital loss (i.e., selling the bond below its original purchase price).

Reinvestment risk is the risk that the interest rate at which the interim cash flows can be reinvested will decline and thus reinvestments will receive a lower interest rate. Reinvestment risk is greater for longer holding periods.

Default risk is commonly referred to as "credit risk" and is based on the probability that the issuer of the debt obligation may default. Default risk is rated by quality ratings assigned by commercial rating companies.

Call risk is the risk related to call provisions on debt obligations. You should be aware of four risks associated with call provisions.

- 1) The cash flow patterns of callable bonds are not known with certainty.
- 2) Since the issuer will typically exercise their right to call the bonds when interest rates have dropped, you may be exposed to reinvestment risk. You would have to reinvest the proceeds after the bond is called at relatively lower interest rates.
- 3) The potential for capital appreciation of a callable bond is reduced relative to that of a non-callable bond, because its price may not rise much above the price at which the issuer can call the issue.
- 4) If the issue is purchased at a premium, you may lose the difference between the purchase price and call price.

Inflation risk arises because the value of the cash flows being received from a debt obligation may actually lose purchasing power over the course of time due to the effects of inflation. Liquidity risk depends on the ease with which an asset can be sold at or near its current value. The best indicator to measure an issue's liquidity is the size of the spread between the bid price and the ask price quoted by a dealer. A wider spread on the asset indicates a greater liquidity risk. If you plan on holding a bond until its maturity date, liquidity risk is less of a concern. Finally, exchange rate risk, which is encountered in non-dollar denominated bonds or bonds whose payments occur in a foreign currency, has unknown U.S. currency cash flows. The dollar cash flows are dependent on the exchange rate at the time the payments are received. For example, consider a bond whose coupon payment is paid out in Japanese yen. If the yen depreciates relative to the U.S. dollar, fewer net dollars will be received. Conversely, if the yen should appreciate relative to the U.S. dollar, the investor will benefit by receiving more net dollars.

- **International Investing:** Investing in the global market can assist with diversification of a portfolio but it is important to consider some of the unique risks with such a strategy. Each country has unique rules and regulations covering corporations and their stock markets which offer investors varying degrees of protection. Additionally, investing in foreign markets subjects your investment to currency risk.
- **Exchange Traded Funds (ETFs):** While investing in ETFs has similar risks as investing in individual equities, ETFs typically invest in a diverse group of securities. The level of diversification varies by ETF. While ETFs reduce the effects of concentration risk as compared to investing in a single security, certain ETFs are susceptible to industry, commodity or country risk. Investing in a diverse selection of ETFs may help to reduce this risk. Another important factor to consider with ETFs is that the portfolio of securities in which they invest are typically not actively managed. Leveraged and Inverse ETFs bear unique risks that investors who wish to trade in these securities must understand; due to the significant risk involved in these securities, Capital Analysts will approve their use only on an exception basis.
- **Options:** Certain options strategies are highly specialized contracts based on securities and entail greater than ordinary investment risks.

For further information regarding the risks associated with the portfolios managed by Capital Analysts and its Advisors and the best suited investment strategies for your account(s), please review the risk level of the Wrap Fee Program portfolio you have selected and your mutual fund prospectuses, or consult with your Advisor.

### **Voting Client Securities**

The Investment Management & Research team, through the Proxy Voting Committee, votes proxies on behalf of all Wrap Fee Program clients, with the exception of proxies for securities held in CAAMS Strategist accounts. The Committee does not vote proxies for any other Capital Analysts accounts, and no Capital Analysts Advisors may vote proxies on behalf of clients. Proxies for securities held in CAAMS Strategist accounts are voted by the client.

The Capital Analysts Proxy Voting Policy and Procedures are designed to ensure that when the responsibility for voting client proxies rests with Capital Analysts, such proxies are voted in the clients' best economic interest. Economic interest means in a manner most likely to protect and promote the long-term economic value of the securities held in the clients' accounts. The Proxy Voting Committee, guided by the Proxy Voting Policy and Procedures, is responsible for arriving at voting decisions that support economically advantageous corporate practices, while leaving direct oversight of company management and strategy to the Board of Directors and allow the markets to value corporate assets appropriately. The procedures offer guidelines and factors to consider for various categories of shareholder votes.

In addition, Capital Analysts could encounter a material conflict in voting client proxies. Capital Analysts has a duty to recognize a material conflict and to resolve the conflict before voting the proxy. Material conflicts of interest include situations where Capital Analysts or a member of the Investment Management & Research team has a business or familial relationship with an executive officer or member of the Board of Directors of a company for which the firm is voting proxies. Members of the IM&R team are required to disclose all business and familial relationships that may present a material conflict of interest with respect to a future proxy vote, and the Proxy Voting Committee will abstain from voting the proxies of a company where such a material conflict exists.

To obtain a copy of the full Capital Analysts Proxy Voting Policy and Procedures, or to inquire on how a particular proxy was voted on your behalf, contact your Advisor.

### Item 7: Client Information Provided to Portfolio Managers

When your Wrap Fee Program account is opened, your Advisor will assist you in completing confidential investor profile containing personal and financial information such as your risk tolerance, investment objectives, net worth, and investing time horizon. This information will be communicated to the IM&R team when the Wrap Fee Program offers custom portfolio management. Your Advisor will contact you annually thereafter to confirm there have been no changes in your risk tolerance, investment objectives or financial situation, which would need to be communicated to the CAAMS portfolio manager who is performing the custom management.

Capital Analysts, the IM&R team, your Advisor, and any other portfolio manager(s) rely on the accuracy of the information you provide to manage your account(s). You are responsible to notify your Advisor of any changes in your financial situation or investment objectives.

### Item 8: Client Contact with Portfolio Managers

You may contact and consult with Capital Analysts, your Advisor, and the IM&R team in writing, over the phone or electronically. The IM&R team may hold regular conference calls to discuss investment strategies or current market events. In general, you should contact Capital Analysts and the IM&R team through, or together with, your Advisor so that the financial advice you receive is consistent.

### Item 9: Additional Information

#### Disciplinary Information

Provided below is a summary of legal or disciplinary events within the past ten years that may be material to your evaluation of Capital Analysts' advisory business.

**September 14, 2018:** Capital Analysts has entered into a settlement with the SEC for alleged violations of the Investment Advisers Act of 1940 ("Advisers Act") in connection with its mutual fund share class selection practices and receipt of shareholder servicing fees for the CAAMS Wrap Fee Programs. The firm neither admitted nor denied the SEC's allegations in agreeing to the settlement. The SEC alleged that from April 2013 through March 2016, Capital Analysts did not disclose that it had a conflict of interest when it invested CAAMS Wrap Fee clients in mutual fund share classes that paid 12b-1 fees to its affiliated broker-dealer, Lincoln Investment Planning, LLC ("Lincoln") when a lower-cost share class of the same fund without a 12b-1 fee was available. The SEC also alleged that Capital Analysts did not meet its duty of best execution; failed to adopt and implement written policies and procedures reasonably designed to address mutual fund share class selection and related conflicts of interest; and did not adequately disclose that its affiliate Lincoln received shareholder servicing fee revenue in connection with Capital Analysts' recommendation of certain mutual funds for the CAAMS Wrap Program. The SEC's order recognized remedial actions voluntarily undertaken by Capital Analysts. Capital Analysts was censured and ordered to cease and desist from further violations of the Advisers Act. Under the terms of the settlement, Capital Analysts will pay a \$300,000 civil monetary penalty, and disgorgement with interest of approximately \$1.82 million, of which approximately \$1.05 million will be paid to affected investors.

Your Advisor should provide along with this brochure a Form ADV 2B Brochure Supplement that describes your Advisor's education, business experience, professional designations and material legal or disciplinary history, if any. For further information regarding Capital Analysts' disciplinary events, you may go to [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) or [www.brokercheck.finra.org](http://www.brokercheck.finra.org) and search for Capital Analysts, LLC.

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

#### **Relationship with Lincoln Investment**

As noted earlier, Capital Analysts is an affiliate of Lincoln Investment Planning, LLC, which is a registered broker-dealer and investment adviser, as well as a general insurance agency. The majority of Capital Analysts advisors are also registered representatives of Lincoln Investment. This relationship may present a conflict of interest. Additionally, through its relationship with Lincoln Investment, Capital Analysts introduces client accounts to Pershing LLC, a broker-dealer and member of the New York Stock Exchange, which provides custody and clearing of securities, including exchange traded securities. Pershing LLC carries accounts on a fully disclosed basis. Lincoln Investment is also an introducing broker member of the National Futures Association to facilitate the offering and sale of managed futures contracts to clients. Please refer to the "Other Compensation and Our Conflicts of Interest" section under Item 5 of this brochure for more information.

#### **Authorized Agent for UMB Bank, N.A.**

Lincoln Investment acts as authorized agent for UMB Bank, N.A., the retirement plan custodian used in our SOLUTIONS and some Pershing retirement plan platform offerings. As an authorized agent, Lincoln Investment performs the administrative and custodial duties, such as, recordkeeping, consolidated reporting, client communications, trade confirmations, account statements and tax reporting for UMB Bank, N.A.

#### **NFA Membership**

Lincoln Investment is also an introducing broker member of the National Futures Association to facilitate the offering and sale of managed futures contracts to clients. The contracts are not eligible for advisory accounts.

#### **Other Affiliated Investment Adviser**

Capital Analysts is a wholly-owned subsidiary of Lincoln Investment Capital Holdings, LLC. On January 1, 2017, Lincoln Investment Capital Holdings, LLC acquired Legend Group Holdings, LLC and its subsidiaries, including Legend Advisory, LLC, an SEC registered investment adviser. Advisors of Capital Analysts may be dually registered to offer the advisory services of Lincoln Investment and Legend Advisory, LLC.

#### **Advisors Other Business Activities and Affiliations**

Capital Analysts' Advisors are independent contractors, many of whom hold themselves out to the public under a name other than Capital Analysts and offer other financial services independent of Capital Analysts, such as, life, health, disability, long term care and fixed annuity insurance products, real estate, and business succession planning services. A few of our Advisors may also be qualified lawyers and accountants or hold certain professional designations not required by us to conduct their business. These services are offered independent of Capital Analysts as outside business activities and Capital Analysts assumes no responsibility or supervision over these activities. Please refer to the "Other Compensation and Other Conflicts of Interest" section under Item 5 of this brochure, or refer to your Advisor's ADV 2B brochure supplement, for more information regarding outside business activities and how we address these conflicts. You may go to [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) or [www.brokercheck.finra.org](http://www.brokercheck.finra.org) for further information regarding your Advisors' other business activities or affiliations.

### **Independent Registered Investment Advisers**

Capital Analysts may permit certain Advisors to maintain their own independent registered investment advisers through which they may offer advisory services similar to those services offered by Capital Analysts. In some cases, Capital Analysts allows these Advisors to offer Capital Analysts' advisory services to their investment advisory clients. In these situations, Capital Analysts acts as a sub-adviser or as a third party manager to the Advisors' investment adviser clients. Capital Analysts assumes no suitability responsibility for any advisory offerings other than those sponsored by us. Advisors affiliated with other registered investment advisory firms must provide to their clients the firm's Form ADV Part 2A, applicable supplements, advisory agreements and disclosures. To inquire as to whether your Advisor is affiliated with a separate registered investment advisory firm, you may go to [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) or [www.brokercheck.finra.org](http://www.brokercheck.finra.org).

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

#### **Code of Ethics**

As a fiduciary, Capital Analysts has established a Code of Ethics under which all Capital Analysts employees and Advisors must comply. Capital Analysts accepts its fiduciary responsibility to (1) place the interests of clients first at all times, (2) act with the utmost good faith, (3) provide full and fair disclosure of all material facts and conflicts of interest to clients, and (4) conduct all personal securities transactions consistent with its Code of Ethics.

Capital Analysts Advisors are held to a professional standard that requires they avoid any abuse of an individual's position of trust and responsibility, not take inappropriate advantage of their positions; comply with applicable securities laws and regulations; and maintain confidentiality of client's financial circumstances. You may request a full copy of Capital Analysts' Code of Ethics from your Advisor or Capital Analysts' Compliance Department at (800) 242-1421, ext. 4300.

#### **Participation or Interest in Client Accounts and Personal Trading**

Capital Analysts, its Advisors, members of the Investment Management & Research team, and employees may buy or sell for themselves securities that are also recommended to clients. With the exception of its Insider Trading policies and procedures, Capital Analysts does not impose on itself or any person associated with it any restrictions in connection with the purchase or sale, directly or indirectly, of investments for his or her own account. Capital Analysts requires that Advisors disclose any and all conflicts of interest to you if an investment product is recommended in which Capital Analysts or the Advisor has a material financial interest.

For all portfolios on which Capital Analysts or your Advisor have discretionary authority, the Advisor and his or her employees must give priority when placing an order to buy or sell to client securities purchases and sales over their own personal transactions in the same security.

This means that any transaction by the Advisor or his/her employee must be placed either simultaneously with the client's transaction (i.e., aggregating the orders and sharing in the same price and execution costs) or *after* all client trades are placed on the same trading day. While this does not guarantee that the client will receive a better price, it does establish that the client trades will occur at the same time or before that of the Advisor or his/her employees. At no time may an Advisor participate in the profits or losses of an investor's account. Personal trading accounts of Advisors are reviewed regularly to ensure compliance.

## **Brokerage Practices**

Capital Analysts utilizes its affiliate, Lincoln Investment, as its introducing broker-dealer unless specifically directed by a client or third party manager to place trades with another broker-dealer. Lincoln Investment's primary clearing arrangement is with Pershing LLC. Pershing may make a market in stocks, bonds, and ETFs in which Lincoln Investment has acted as broker. Lincoln Investment and Capital Analysts have policies and procedures in place to monitor trade execution practices at Pershing LLC to its best execution obligations with respect to these types of securities on behalf of Capital Analysts' clients. Capital Analysts does not receive "research" or higher execution costs (soft dollars) from broker-dealers in exchange for the directing of brokerage. Most transactions clear through Pershing LLC to facilitate our ability to access and properly monitor your investments.

Capital Analysts may on occasion place non-exchange traded securities transactions through its broker-dealer affiliate, Lincoln Investment, unless otherwise directed by the client. Clients have the right to utilize a broker-dealer other than Lincoln; however, Capital Analysts reserves the right to accept or reject such accounts based on its ability to provide adequate account monitoring and best execution.

## **Trade Aggregation Policy**

Offering advisory services to clients includes an obligation on the part of Capital Analysts and its Advisors to ensure that the allocation of investment opportunities or trades among its various client accounts, as well as accounts in which it (or its affiliates) has a proprietary interest, is performed in a manner that is fair and equitable in its treatment of all clients and, wherever possible, avoids conflicts of interest.

Therefore, Capital Analysts has adopted a Trade Allocation Policy to be used by Advisors who have been granted full discretionary authority by their clients when placing orders in the same security on the same day for one or more clients or accounts. By aggregating orders, Advisors ensures that all clients receive that same price for the security on the same day. This policy is intended to prevent favoritism of one client over another and establish a rational and predictable fashion for the allocation of trade pricing on a given day for a given security.

Trades in the following situations will typically be aggregated:

- The Advisor recognizes ahead of time that he/she will be buying or selling the same security in more than one client account on the same day;
- The Advisor reasonably believes that aggregating may facilitate a better execution price for all clients; and
- The securities involved are exchange-traded rather than open-ended funds or annuity sub-accounts.

Trades in the following situations will not typically be aggregated:

- Where prohibited by or inconsistent with the client's investment management agreement;
- The trade is a result of the implementation of a change of investment strategy for a specific client;
- The trade is part of a new client's account allocation;
- The trade is a result of rebalancing to an asset allocation policy pursuant to an account review with the client; and/or
- The Advisor reasonably believes that aggregating orders would adversely impact price and/or best execution for the client.

If the security to be purchased in aggregate cannot be obtained in the total quantity required, the allocation of that security will be made on a pro rata basis determined by the ratio of the quantity obtained

to the share quantity required to implement the investment strategy. Each client would participate in the order at the average price for all of the transactions on a given day. The transaction cost to all advisory clients shall be the standard ticket charge for the aggregated order.

If implementing the trade requires transactions over several days, each day's execution shares and average price on all executions for that day shall be allocated by the end of each trading day or no later than the next trading day.

In the course of executing an aggregated trade, a list of clients' accounts and shares to be bought or sold is to be prepared. This is to be used in allocating the trade and the list is to be kept as a record with the original aggregated trade order.

Allocation of shares, prices, and costs shall be done on a timely basis, in no event to exceed 24 hours following execution.

Capital Analysts and your Advisor shall not receive any additional compensation for aggregating trades.

### **Review of Accounts**

#### **Account Review Policies and Procedures**

Your Advisor is responsible to ensure that the recommended advisory service is in your best interest. Many of our programs are managed to meet different levels of risk, so choosing the appropriate risk level or tolerance for market fluctuation and potential loss of investment is an important part of your decision. Furthermore, the Advisor Fee portion of your Fee compensates your Advisor for his or her services. This fee is an annual fee that continues as long as you maintain your account with us. This fee provides ongoing access to your Advisor for financial and life planning consultation, as requested by you, as well as ongoing investment advice services which include assisting you in the determination of the appropriate investment advisory investments and advisory programs for you, conversing with you on an as-needed or as requested basis, to ensure that the investments and programs continue to meet your stated objectives and needs. It is important therefore that you take the time to speak with your Advisor regarding your financial objectives and needs and particularly when there is a material life event that could affect or change your investment objectives or financial needs.

A Supervising Principal will review all advisory recommendations and financial plans prepared by your Advisor and will also provide an oversight of the recommendations and trading activities occurring in your account. If you have any questions about the trading or recommendations in your account, please call your Advisor's Designated Supervisor.

Capital Analysts' Investment Management & Research (IM&R) team routinely reviews the advisory services managed, sponsored, and/or offered by Capital Analysts. A description of the IM&R team is provided at the end of this brochure. The IM&R team performs the following roles on Capital Analysts' behalf:

- The management of all CAAMS Wrap Fee Programs
- The selection of advisory services offered by Capital Analysts;
- The monitoring of advisory services offered by Capital Analysts;
- The removal of advisory services offered by Capital Analysts;
- The comparison of advisory results to predetermined benchmarks to monitor whether third party investment advisers', including CAAMS Select Managers, disciplines are providing value to clients.

### **Written Reports**

At minimum, you will receive regular account statements, either monthly or quarterly depending on your account activity, from the custodian(s) who carry your account(s). As most Capital Analysts advised or managed accounts are custodied at Pershing LLC, you will receive these statements directly from Pershing LLC, either in hard copy or electronic format. This statement will reflect all positions and transactions that have occurred in your account as well as identify any fees, including the advisory fee, deducted from your account.

Some Advisors and advisory services may also provide you supplemental advisory reports, which may include performance reports, aggregated account reviews, or a portfolio snapshot. These supplemental reports, typically generated on a quarterly, semi-annual or annual basis, are made available to you either electronically or will be delivered to you at the time of a meeting. These supplemental reports are provided as a service to you and should not replace your custodial statement(s). We urge you to compare these supplemental reports to the account statements you receive. If you find any discrepancies, please contact your Advisor or Capital Analysts.

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

On occasion, Capital Analysts permits an Advisor to compensate an outside party (for example, an attorney or an accountant) for client referrals to the Advisor for one of our advisory services. The outside party must execute a Solicitor Agreement with Capital Analysts, and you will receive a Solicitor Disclosure Statement at the time of the referral describing the relationship and portion of your advisory fee that will be paid by us to the Solicitor. At no time will you pay a higher advisory fee as a result of this referral relationship. Capital Analysts is currently not entering into agreements with new Solicitors for new referrals.

Please also refer to the "Other Compensation and Our Conflicts of Interest" section of this brochure for further information regarding Capital Analysts' other compensation and conflicts of interests.

### **Custody**

Capital Analysts is not a qualified custodian under broker-dealer regulations and Rule 206(4)-2 (the "Custody Rule") of the Investment Advisers Act of 1940, but utilizes affiliated and unaffiliated broker-dealers to maintain client assets. Capital Analysts' affiliate, Lincoln Investment, is the broker-dealer for most Capital Analysts advisory business and introduces accounts to Pershing LLC as the fully disclosed clearing broker-dealer and qualified custodian.

You may have your advisory assets held at a qualified custodian other than Pershing LLC. You should receive, at minimum, a quarterly statement from the qualified custodian(s) of your advisory assets. We urge you to carefully review these statements and compare them to any reports provided to you by Capital Analysts or your Advisor. The information in these reports may vary from your custodial statements based on accounting procedures and reporting dates. Please contact your Advisor or Capital Analysts regarding any statement discrepancies.

### **Investment Discretion**

Depending on the advisory service chosen, Capital Analysts, its Advisors, or a third party independent registered investment adviser may have discretionary authority to determine which securities shall be bought and sold, and the total amount to be bought or sold in your advisory account(s). This authorization does not grant Capital Analysts or its Advisors the right to withdraw any funds or securities from your advisory account(s), except as specifically authorized in your advisory agreement for the deduction of Advisory Fees. Your advisory agreement or account application will identify if you are giving limited or full discretionary trading authority for your advisory account(s) to Capital Analysts, your Advisor, or a third party independent registered investment adviser.



**Capital Analysts, LLC (Capital Analysts)**

Principal Office:

601 Office Center Drive, Suite 300  
Fort Washington, PA 19034

**Investment Management & Research**

Stephen T. Mayhew, CFA, CPA, CFP®  
Christopher J. Surrichio, CFA  
Gerald E. Burhop, CFA  
Brian Moran  
Ted O'Donoghue

October 9, 2018

This brochure supplement provides you with information about the five (5) members of the Investment Management & Research (IM&R) team of Capital Analysts who have the most significant day-to-day management responsibilities for the Capital Analysts managed portfolios. This information supplements the information contained in the Capital Analysts Form ADV 2A and/or Wrap Fee Program brochure, which you should have received.

Please contact Deirdre Koerick, Chief Compliance Officer of Capital Analysts, at (800) 242-1421 if you did not receive the applicable brochure or if you have any questions about the contents of this supplement.

Additional information about each of the members of the IM&R team is available through the U.S. Securities and Exchange Commission at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Stephen T. Mayhew, CFA, CPA, CFP®**

### **EDUCATIONAL BACKGROUND & BUSINESS EXPERIENCE**

Year of Birth: 1957

#### **Education**

Master of Business Administration, Drexel University, 1984

Bachelor of Science, Business, Pennsylvania State University, 1979

#### **Business Experience**

Capital Analysts, LLC, June 2012 – Present, Senior Vice President and Chief Investment Officer

Capital Analysts, LLC, June 2012 – Present, Investment Adviser Representative

Lincoln Investment Planning, LLC, June 2012 – Present, Investment Adviser Representative and Registered Representative

Capital Analysts, Incorporated, 1986 – June 2012, Senior Vice President

#### **Professional Licenses/Designations**

Mr. Mayhew holds general securities principal, general securities representative, commodities, and research analyst licenses with Lincoln Investment Planning, LLC (Lincoln Investment), a registered broker dealer and investment adviser and an affiliate of Capital Analysts, LLC. Mr. Mayhew is also registered with the National Futures Association. In addition, Mr. Mayhew maintains the following professional designations:

##### *Chartered Financial Analyst (CFA)*

Designation Status: Currently offered and recognized by the issuing organization

Issuing Organization: CFA Institute

Prerequisites/Experience Required: Candidate must meet one of the following requirements:

Undergraduate degree and four years of professional experience involving investment decision-making, or four years qualified work experience (full time, but not necessarily investment related)

Educational Requirements: Self-study program (250 hours of study for each of the three levels)

Examination Type: Three course exams

Continuing Education/Experience Requirements: None

##### *Certified Public Accountant (CPA)*

Certified Public Accountant (CPA) is the statutory title of qualified accountants in the United States who have passed the Uniform Certified Public Accountant Examination and have met additional state education and experience requirements for certification as a CPA. Individuals who have passed the Exam but have not either accomplished the required on-the-job experience or have previously met it but in the meantime have lapsed their continuing professional education are, in many states, permitted the designation "CPA Inactive" or an equivalent phrase. In most U.S. states, only CPAs who are licensed are able to provide the public attestation (including auditing) opinions on financial statements. The exceptions to this rule are Arizona, Kansas, North Carolina and Ohio where, although the "CPA" designation is restricted, the practice of auditing is not.

##### *Certified Financial Planner (CFP®)*

Designation Status: Currently offered and recognized by the issuing organization

Issuing Organization: Certified Financial Planner Board of Standards, Inc.

Prerequisites/Experience Required: A candidate must meet the following requirements; A bachelor's degree (or higher) from an accredited college or university and three years of full-time personal financial planning experience.

Educational Requirements: Candidate must complete a CFP-board registered program, or hold one of the following: CPA, ChFC, CLU, CFA, Ph.D. in business or economics, Doctor of Business Administration, or a bar admission  
Examination Type: CFP Board of Standards 10 hour board exam  
Continuing Education/Experience Requirements: 30 hours every two years

#### **DISCIPLINARY INFORMATION**

Mr. Mayhew has no material legal or disciplinary events to report.

#### **OTHER BUSINESS ACTIVITIES**

The IM&R team is responsible for the proprietary asset management programs offered by Capital Analysts and Lincoln Investment Planning, LLC, an affiliated investment adviser. The management of portfolios for both investment advisers may create a conflict of interests.

Mr. Mayhew serves as a FINRA Dispute Resolution Arbitrator.

#### **ADDITIONAL COMPENSATION**

Generally, members of the Investment Management & Research team are compensated through salaries and annual bonuses. They may be compensated with profit sharing contributions and, in some cases, participation in a long-term incentive plan. Salaries are fixed annually and are driven by the marketplace. Compensation is not affected by an increase in advised assets.

Mr. Mayhew, as a registered representative of Lincoln Investment, has a small number of clients for whom he acts as financial advisor. For these accounts, he will share in the advisory fee or sales commission.

Please see the *Services, Fees and Compensation* section of the accompanying Form ADV 2A and/or Wrap Program brochure. This section describes in detail other potential forms of compensation in addition to the advisory fee paid to Lincoln Investment or Capital Analysts. Compensation to Lincoln Investment or Capital Analysts may be in the form of 12b-1 fees, shareholder servicing fees, administrative fees, or marketing support.

#### **SUPERVISION**

The individual responsible for monitoring the advisory activities of Mr. Mayhew is Denis Houser, President and CEO of Capital Analysts, LLC. Mr. Houser or his designee is responsible to review the duties, responsibilities and trading of Mr. Mayhew and the Investment Management & Research team. If you have any questions about the trading or allocations in your account, please contact Mr. Houser at (215) 887-8111 ex. 4619.

## **Christopher J. Surrichio, CFA**

### **EDUCATIONAL BACKGROUND & BUSINESS EXPERIENCE**

Year of Birth: 1970

#### **Education**

Bachelor of Arts, Economics, Boston College, 1992

#### **Business Experience**

Capital Analysts, LLC, June 2012 – Present, Vice President and Portfolio Manager

Capital Analysts, LLC, June 2012 – Present, Investment Adviser Representative

Lincoln Investment Planning, LLC, June 2012 – Present, Investment Adviser Representative and Registered Representative

Capital Analysts, Incorporated, 2002 – June 2012, Vice President

#### **Professional Licenses/Designations**

Mr. Surrichio holds general securities principal, general securities representative and research analyst licenses with Lincoln Investment Planning, LLC (Lincoln Investment), a registered broker dealer and investment adviser and an affiliate of Capital Analysts, LLC.

In addition, Mr. Surrichio maintains the following professional designations:

*Chartered Financial Analyst (CFA)*

Designation Status: Currently offered and recognized by the issuing organization

Issuing Organization: CFA Institute

Prerequisites/Experience Required: Candidate must meet one of the following requirements:

Undergraduate degree and four years of professional experience involving investment decision-making, or four years qualified work experience (full time, but not necessarily investment related)

Educational Requirements: Self-study program (250 hours of study for each of the three levels)

Examination Type: Three course exams

Continuing Education/Experience Requirements: None

### **DISCIPLINARY INFORMATION**

Mr. Surrichio has no material legal or disciplinary events to report.

### **OTHER BUSINESS ACTIVITIES**

The IM&R team is responsible for the proprietary asset management programs offered by Capital Analysts and Lincoln Investment Planning, LLC, an affiliated investment adviser. The management of portfolios for both investment advisers may create a conflict.

Mr. Surrichio has no other business activities to report.

### **ADDITIONAL COMPENSATION**

Generally, members of the Investment Management & Research team are compensated through salaries and annual bonuses. They may be compensated with profit sharing contributions and, in some cases, participation in a long-term incentive plan. Salaries are fixed annually and are driven by the marketplace. Compensation is not affected by an increase in advised assets.

Please see the *Services, Fees and Compensation* section of the accompanying Form ADV 2A and/or Wrap Program brochure. This section describes in detail other potential forms of compensation in addition to the advisory fee paid to Lincoln Investment or Capital Analysts. Compensation to Lincoln Investment or Capital Analysts may be in the form of 12b-1 fees, shareholder servicing fees, administrative fees, or marketing support.

## **SUPERVISION**

The individual responsible for monitoring the advisory activities of Mr. Surrichio is Stephen T. Mayhew, Senior Vice President and Chief Investment Officer of Capital Analysts, LLC. Mr. Mayhew or his designee is responsible to review the duties, responsibilities and trading assigned to Mr. Surrichio. If you have any questions about the trading in your account, please call Mr. Mayhew at (215) 881-7734.

## **Gerald E. Burhop, CFA**

### **EDUCATIONAL BACKGROUND & BUSINESS EXPERIENCE**

Year of Birth: 1964

#### **Education**

Master of Business Administration, Finance, Temple University, 1998

Bachelor of Science, Agricultural Journalism/Advertising, University of Wisconsin-Madison, 1988

#### **Business Experience**

Lincoln Investment Planning, LLC, 2002 – Present, Vice President and Portfolio Manager

Lincoln Investment Planning, LLC, 2000 – Present, Investment Adviser Representative and Registered Representative

Lincoln Investment Planning, LLC, March 1999 – 2002, Mutual Fund Financial Analyst

Capital Analysts, LLC, 2014 – Present, Investment Adviser Representative

#### **Professional Licenses/Designations**

Mr. Burhop holds general securities principal and general securities representative licenses with Lincoln Investment Planning, LLC (Lincoln Investment), a registered broker dealer and investment adviser and an affiliate of Capital Analysts, LLC.

In addition, Mr. Burhop maintains the following professional designations:

##### *Chartered Financial Analyst (CFA)*

Designation Status: Currently offered and recognized by the issuing organization

Issuing Organization: CFA Institute

Prerequisites/Experience Required: Candidate must meet one of the following requirements:

Undergraduate degree and four years of professional experience involving investment decision-making, or four years qualified work experience (full time, but not necessarily investment related)

Educational Requirements: Self-study program (250 hours of study for each of the three levels)

Examination Type: Three course exams

Continuing Education/Experience Requirements: None

##### *Certificate in Investment Performance Measurement (CIPM)*

Designation Status: Currently offered and recognized by the issuing organization

Issuing Organization: CFA Institute

Prerequisites/Experience Required: Candidate must meet one of the following requirements:

Two years of professional experience “substantially entailing performance-related activities,” or four years of investment industry work experience

Educational Requirements: Self-study program (100 or more hours of study for each of the two levels)

Examination Type: Two level exams (Principles and Expert)

Continuing Education/Experience Requirements: None

### **DISCIPLINARY INFORMATION**

Mr. Burhop has no material legal or disciplinary events to report.

### **OTHER BUSINESS ACTIVITIES**

The IM&R team is responsible for the proprietary asset management programs offered by Capital Analysts and Lincoln Investment Planning, LLC, an affiliated investment adviser. The management of portfolios for both investment advisers may create a conflict.

Mr. Burhop has no other business activities to report.

## **ADDITIONAL COMPENSATION**

Generally, members of the Investment Management & Research team are compensated through salaries and annual bonuses. They may be compensated with profit sharing contributions and, in some cases, participation in a long-term incentive plan. Salaries are fixed annually and are driven by the marketplace. Compensation is not affected by an increase in advised assets.

Please see the *Services, Fees and Compensation* section of the accompanying Form ADV 2A and/or Wrap Program brochure. This section describes in detail other potential forms of compensation in addition to the advisory fee paid to Lincoln Investment or Capital Analysts. Compensation to Lincoln Investment or Capital Analysts may be in the form of 12b-1 fees, shareholder servicing fees, administrative fees, or marketing support.

## **SUPERVISION**

The individual responsible for monitoring the advisory activities of Mr. Burhop is Stephen T. Mayhew, Senior Vice President and Chief Investment Officer of Capital Analysts, LLC. Mr. Mayhew or his designee is responsible to review the duties, responsibilities and trading assigned to Mr. Burhop. If you have any questions about the trading in your account, please call Mr. Mayhew at (215) 881-7734.

## **Brian Moran**

### **EDUCATIONAL BACKGROUND & BUSINESS EXPERIENCE**

Year of Birth: 1967

#### **Education**

Master of Business Administration, Drexel University, 2012

Bachelor of Science, Economics, University of Pennsylvania, 1990

#### **Business Experience**

Capital Analysts, LLC, June 2012 – Present, Institutional Trading Manager

Capital Analysts, LLC, June 2012 – Present, Investment Adviser Representative

Lincoln Investment Planning, LLC, June 2012 – Present, Investment Adviser Representative and Registered Representative

Capital Analysts, Incorporated, 2001 – June 2012, Institutional Trading Manager

#### **Professional Licenses/Designations**

Mr. Moran holds general securities principal, general securities representative, municipal securities principal, and options principal licenses with Lincoln Investment Planning, LLC (Lincoln Investment), a registered broker dealer and investment adviser and an affiliate of Capital Analysts, LLC.

### **DISCIPLINARY INFORMATION**

Mr. Moran has no material legal or disciplinary events to report.

### **OTHER BUSINESS ACTIVITIES**

The IM&R team is responsible for the proprietary asset management programs offered by Capital Analysts and Lincoln Investment Planning, LLC, an affiliated investment adviser. The management of portfolios for both investment advisers may create a conflict.

Mr. Moran has no other business activities to report.

### **ADDITIONAL COMPENSATION**

Generally, members of the Investment Management & Research team are compensated through salaries and annual bonuses. They may be compensated with profit sharing contributions and, in some cases, participation in a long-term incentive plan. Salaries are fixed annually and are driven by the marketplace. Compensation is not affected by an increase in advised assets.

Please see the *Services, Fees and Compensation* section of the accompanying Form ADV 2A and/or Wrap Program brochure. This section describes in detail other potential forms of compensation in addition to the advisory fee paid to Lincoln Investment or Capital Analysts. Compensation to Lincoln Investment or Capital Analysts may be in the form of 12b-1 fees, shareholder servicing fees, administrative fees, or marketing support.

### **SUPERVISION**

The individual responsible for monitoring the advisory activities of Mr. Moran is Stephen T. Mayhew, Senior Vice President and Chief Investment Officer of Capital Analysts, LLC. Mr. Mayhew or his designee is responsible to review the duties, responsibilities and trading assigned to Mr. Moran. If you have any questions about the trading in your account, please call Mr. Mayhew at (215) 881-7734.

## **Ted O'Donoghue**

### **EDUCATIONAL BACKGROUND & BUSINESS EXPERIENCE**

Year of Birth: 1976

#### **Education**

MBA, Investment Management/Finance, Smeal College of Business, Pennsylvania State University, 2008  
Bachelor of Arts, Economics, Bucknell University, 2000

#### **Business Experience**

Capital Analysts, LLC, April 2012 – Present, Senior Research Analyst  
Capital Analysts, LLC, April 2012 – Present, Investment Adviser Representative  
Lincoln Investment Planning, LLC, April 2012 – Present, Investment Adviser Representative and Registered Representative  
Commonwealth Financial Network, July 2008 – December 2011, Investment Consultant  
Liberty Mutual, June 2007 – August 2007, CDP MBA Intern  
Columbia Management, November 2002 – August 2006, Regional Sales Consultant

#### **Professional Licenses/Designations**

Mr. O'Donoghue holds general securities principal and general securities representative licenses with Lincoln, as well as through its affiliated RIA, Capital Analysts, LLC.

#### **DISCIPLINARY INFORMATION**

Mr. O'Donoghue has no material legal or disciplinary events to report.

#### **OTHER BUSINESS ACTIVITIES**

The IM&R team is responsible for the proprietary asset management programs offered by Lincoln and Capital Analysts, LLC, an affiliated investment adviser. The management of portfolios for both investment advisers may create a conflict of interest.

Mr. O'Donoghue has no other business activities to report.

#### **ADDITIONAL COMPENSATION**

Generally, members of the Investment Management & Research team are compensated through salaries and annual bonuses. They may be compensated with profit sharing contributions and, in some cases, participation in a long-term incentive plan. Salaries are fixed annually and are driven by the marketplace. Compensation is not affected by an increase in advised assets.

Please see the *Services, Fees and Compensation* section of the accompanying Form ADV 2A and/or Wrap Program brochure. This section describes in detail other potential forms of compensation in addition to the advisory fee paid to Lincoln Investment or Capital Analysts. Compensation to Lincoln Investment or Capital Analysts may be in the form of 12b-1 fees, shareholder servicing fees, administrative fees, or marketing support.

#### **SUPERVISION**

The individual responsible for monitoring the advisory activities of Mr. O'Donoghue is Christopher Surrichio, Vice President and Portfolio Manager. Mr. Surrichio or his designee is responsible to review the duties, responsibilities and trading assigned to Mr. O'Donoghue. If you have any questions about the trading in your account, please call Mr. Mayhew at (215) 881-7733.