

# Investor Agreement and Disclosure Handbook

This document is intended to provide you, the investor, with important information regarding your agreement to terms and policies established between you and the Lincoln Investment Companies, as well as those disclosures required to be delivered by our regulatory authorities. Please read this information carefully as it pertains to your current investments, and may also be relevant to future investments. Retain this document for your records.

If you have any questions regarding the information found within this document, please contact your financial advisor.

**Information contained in this guide supersedes prior disclosures or Handbooks you may have received.**



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The following outlines various terms and conditions of opening and maintaining an account or engaging investment advisory services, provides disclosures and offers a general education that is designed to help you, the investor, understand the products and services available to you through Lincoln Investment Planning, LLC, (“Lincoln Investment”) a registered broker/dealer and investment adviser, Legend Advisory, LLC, (“Legend Advisory”) a registered investment adviser, and Capital Analysts, LLC, (“Capital Analysts”) a registered investment adviser. Lincoln Investment, Legend Advisory and Capital Analysts are affiliates of Lincoln Investment Capital Holdings, LLC and are hereinafter referred to jointly as “The Lincoln Investment Companies,” “we,” “us,” or “our.” All references to “you” include individual investors, joint investors and/or any non-natural person investors.

## **TERMS AND CONDITIONS**

### **I. THE LINCOLN INVESTMENT COMPANIES PRE-DISPUTE ARBITRATION AGREEMENT**

You hereby agree that any and all controversies that may arise between you and one or more of The Lincoln Investment Companies and/or between you and your Financial Advisor (Advisor) (other than putative class actions) shall be determined and settled by using the arbitration forum provided by the Financial Industry Regulatory Authority (FINRA) or the American Arbitration Association (for disputes not eligible for FINRA arbitration) in accordance with their rules then in effect. By entering into any agreement or opening an account with one or more of The Lincoln Investment Companies, you have agreed to the following:

- (A) All parties to this agreement are giving up the right to sue each other in court, including the right to a trial by jury, except as provided by the rules of the arbitration forum in which a claim is filed.**
- (B) Arbitration awards are generally final and binding; a party’s ability to have a court reverse or modify an arbitration award is very limited.**
- (C) The ability of the parties to obtain documents, witness statements and other discovery is generally more limited in arbitration than in court proceedings.**
- (D) The arbitrators do not have to explain the reason(s) for their award, unless, in an eligible case, a joint request for an explained decision has been submitted by all parties to the panel at least 20 days prior to the first scheduled hearing date.**
- (E) The panel of arbitrators will typically include a minority of arbitrators who were or are affiliated with the securities industry.**
- (F) The rules of some arbitration forums may impose time limits for bringing a claim in arbitration. In some cases, a claim that is ineligible for arbitration may be brought in court.**
- (G) The rules of the arbitration forum in which the claim is filed, and any amendments thereto, shall be incorporated into this agreement.**

No person shall bring a putative or certified class action to arbitration, nor seek to enforce any pre-dispute arbitration agreement against any person who has initiated in court a putative class action, or who is a member of a putative class action who has not opted out of the class with respect to any claims encompassed by the putative class action until: (1) the class certification is denied; or (2) the class is decertified; or (3) the customer is excluded from the class by the court. Such forbearance to enforce an agreement to arbitrate shall not constitute a waiver of any rights under this agreement except to the extent stated herein.

### **PERSHING LLC PRE-DISPUTE ARBITRATION AGREEMENT**

The Lincoln Investment Companies introduce brokerage accounts to Pershing LLC (Pershing). If you choose to open an account with Pershing, you will also be subject to the following Pre-Dispute Arbitration Agreement as well as Pershing’s other terms and conditions as stated later in this Handbook.

You hereby agree that any and all controversies that may arise between you and Pershing, and/or between you and your Advisor, shall be determined and settled by using the arbitration forum provided by FINRA, and in accordance with their rules then in effect. By entering into any agreement or opening an account with Pershing LLC through one or more of The Lincoln Investment Companies, you agree to the following:

- (A) All parties to this agreement are giving up the right to sue each other in court, including the right to a trial by jury, except as provided by the rules of the arbitration forum in which a claim is filed.**
- (B) Arbitration awards are generally final and binding; a party’s ability to have a court reverse or modify an arbitration award is very limited.**
- (C) The ability of the parties to obtain documents, witness statements and other discovery is generally more limited in arbitration than in court proceedings.**

- (D) The arbitrators do not have to explain the reason(s) for their award, unless, in an eligible case, a joint request for an explained decision has been submitted by all parties to the panel at least 20 days prior to the first scheduled hearing date.**
- (E) The panel of arbitrators will typically include a minority of arbitrators who were or are affiliated with the securities industry.**
- (F) The rules of some arbitration forums may impose time limits for bringing a claim in arbitration. In some cases, a claim that is ineligible for arbitration may be brought in court.**
- (G) The rules of the arbitration forum in which the claim is filed, and any amendments thereto, shall be incorporated into this agreement.**

No person shall bring a putative or certified class action to arbitration, nor seek to enforce any pre-dispute arbitration agreement against any person who initiated in court a putative class action; or who is a member of a putative class who has not opted out of the class with respect to any claims encompassed by the putative class action until: (1) the class certification is denied; (2) the class is decertified, or (3) the customer is excluded from the class by the court. Such forbearance to enforce an agreement to arbitrate shall not constitute a waiver of any rights under this Agreement except to the extent stated herein. The laws of the state of New York govern.

## **II. CUSTOMERS OF FINANCIAL INSTITUTIONS**

As a customer of a financial institution (e.g., bank, credit union), the following important notices are applicable, as well as The Lincoln Investment Companies' other terms and conditions stated in this Handbook:

- (A) Investment products are not insured by the Federal Deposit Insurance Corporation (FDIC), the National Credit Union Share Insurance Fund (NCUSIF), or any other government agency.**
- (B) Investment products are not deposits or other obligations of the financial institution, are not guaranteed by the financial institution and or any affiliated entity.**
- (C) Investment products are subject to investment risks, including possible loss of principal investment.**

Investments are made through Lincoln Investment, and are not offerings of the financial institution. The Securities Investor Protection Corporation (SIPC) insurance is not the same as FDIC insurance. For more information about SIPC, please refer to Section IV in the Disclosure portion of this Handbook.

## **III. INTRODUCTION AND NATURE OF THE RELATIONSHIP**

Depending on your individual goals and investment objectives, our Advisors may assist you with brokerage services, investment advisory services, or both. The Lincoln Investment Companies offers investors different types of financial products and services, including brokerage, investment advisory, and insurance products and services. When you receive multiple services from The Lincoln Investment Companies, each service will be governed by the specific agreement, laws, and regulations applicable to that type of service or product. The nature of the relationship that we have with you depends on the affiliate with whom you do business and the products and services you select with us.

**It is important for you to understand that our brokerage services and investment advisory services are separate and distinct.** Brokerage products and services are offered through Lincoln Investment, a broker-dealer that is registered with the Securities and Exchange Commission ("SEC") and that is a member of the Financial Industry Regulatory Authority ("FINRA"). When we act as a broker for you, our primary role is to accept orders and execute transactions within your brokerage account based on your instructions. Investment advisory services are offered through Capital Analysts, Legend Advisory and/or Lincoln Investment, each of which is a registered investment adviser registered with the SEC under the Investment Advisers Act of 1940 (the "Advisers Act"). When we act as a registered investment adviser, our primary role is the provision of investment advisory services, management of investment advisory accounts and financial planning services.

### **Investment Advisory Services**

When you purchase advisory services from one of The Lincoln Investment Companies, we act as your investment adviser and your Advisor acts as an investment advisory representative. When you purchase advisory services from us, you will sign an advisory services agreement, investment management agreement or financial planning agreement, pay an asset-based or flat fee, and receive an applicable advisory disclosure brochure (Form ADV Part 2A, or Wrap Fee Program brochure and a Form ADV Part 2B). When we act as an investment adviser, we have a fiduciary relationship with you and are held to standards of fiduciary conduct under applicable federal and state securities laws. If you are an investment advisory client, Lincoln Investment, Capital Analysts or Legend Advisory as applicable, owes a fiduciary duty to you under the Advisers Act in connection with the specific investment advisory service to be provided to you. When acting as a fiduciary, we will act with: the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims, based on your investment objectives, risk tolerance, financial circumstances, and needs, without regard to our or the Advisor's financial or other interests. Examples of this duty as an investment adviser are to make full and fair disclosure

of all material facts about our services and our relationship and to execute your trades with diligence and competence and seek to provide best execution in light of prevailing market conditions.

#### **Broker/Dealer Services**

When you select individual products and services on a periodic transactional basis, for which Lincoln Investment and your Advisor may receive a sales commission rather than an advisory fee, Lincoln Investment and your Advisor are acting as agent on your behalf. Lincoln Investment and your Advisor are responsible for the suitability of the transaction at the time of the recommendation of a transaction but are not legally responsible for the ongoing monitoring of the investment, product, or any changes in your personal financial situation in order to continue to meet your best interests. Under applicable rules and regulations, broker/dealers are required to: Execute your trades with diligence and competence and seek to provide best execution in light of prevailing market conditions; Have reasonable grounds for believing that any security that we specifically present to you is suitable given your investment objectives, risk tolerance, financial and tax status and other financial information you have disclosed to us; Treat you in a manner characterized by principles of fair dealing and high standards of honesty and integrity.

In the event of a controversy, the distinction between broker/dealer services and advisory services may be relevant as to the responsibilities of each party, the role we play in any particular relationship or transaction and as to the rights and remedies available to you. As a general rule, all relationships established by Lincoln Investment and your Advisor are in our capacity of broker/dealer/agent and financial advisor/agent unless you have specifically signed an advisory agreement with Lincoln Investment, Legend Advisory or Capital Analysts. Any questions with regard to this matter may be directed to your Advisor or the Compliance Department at 800-242-1421, extension 4300.

#### **IV. CONSENT TO ELECTRONIC DELIVERY**

The Lincoln Investment Companies' ability to offer the delivery of certain information and documents to you via the Internet rather than U.S. Mail.

E-delivery:

- Simplifies and helps organize your financial life
- Saves valuable resources and time
- Provides you with quick, easy access to your account information
- Eliminates the need for storing (or losing) documents in paper form
- Eliminates the often large packet of investment prospectuses

For those who consent to electronic delivery when entering into any agreement or opening an account with one or more of The Lincoln Investment Companies, you are consenting to electronic delivery and electronic access to all prospectuses and regulatory documents. Electronic delivery of your account transaction confirmations and account statements will not begin until you register on your custodian's investor website. For **SOLUTIONS** accounts, go to [www.lincolninvestment.com](http://www.lincolninvestment.com). For Pershing accounts go to [www.mydocumentsuite.com](http://www.mydocumentsuite.com). Documents to be electronically delivered include, but are not limited to: all legal and regulatory disclosures and communications associated with the account or the products or services available through us, which may include prospectuses; annual reports; proxy notices; required annual disclosures; privacy policy and notices; notices or disclosures about a change in the terms of your account agreement(s); quarterly, monthly or other periodic notifications of advisory fees, trade confirmations, account statements for your account(s), consolidated reports; or such other communications that we may include from time to time in the electronic delivery. **We will not deliver electronically through email any of your personal financial information, such as information on a confirmation or statement. Rather, you will be provided a link to a secure Web site for viewing and retention of all documents that contain personal financial information.**

**Right to Revoke. You maintain the right** to revoke this consent at any time and receive some or all covered documents in paper format. To revoke, please log on to the applicable secure web site to update your delivery notification preference. Clients of The Lincoln Investment Companies should go to [www.lincolninvestment.com](http://www.lincolninvestment.com). Pershing clients should go to [www.mydocumentsuite.com](http://www.mydocumentsuite.com). You may also send an e-mail to: [service@lincolninvestment.com](mailto:service@lincolninvestment.com) or send a letter to: The Lincoln Investment Companies, 601 Office Center Drive, Suite 300, Fort Washington, PA 19034, Attn: Electronic Delivery; or call in your request at 800-242-1421, extension 4770.

For technical assistance regarding electronic document delivery, please contact our Technology Department, 888-508-4780, between 8:30 a.m. and 5 p.m. ET.

**Requesting Paper Copy.** You can obtain a paper copy of an electronic communication by printing it yourself or by requesting that we mail you a paper copy. To request a paper copy, contact your Advisor.

**Delivery Media.** We intend to deliver documents to you via a secure website. We will notify you via e-mail when documents are available for viewing. The e-mail will include an internet address (URL) where the document(s) can be accessed, viewed and printed. We may also use a CD-ROM to facilitate the delivery of a large document file, if necessary. You must have access (e.g., necessary software/hardware and email address) to all of these media in order to provide your Consent



to Electronic Delivery. In addition, documents may be delivered in a Portable Document Format (PDF) format, which requires special software in order to access and read, which is available for free at <http://www.adobe.com>.

**Costs.** You may incur printing costs and/or charges from your ISP for time spent online.

**Maintaining a Current E-mail Address.** If your e-mail address should become invalid, your consent to electronic delivery may be treated as withdrawn and we will revert to sending all documents to you via U.S. Mail.

**Joint and/or Multiple Owner Accounts.** You may only designate one e-mail address associated with a joint or multiple owner account as “the e-mail address of record.” The e-mail address of record must be that of the primary account holder, who is defined as the account holder whose tax identification number is associated with the account. This is the only e-mail address that electronic notification will be sent to when documents are available for viewing.

**Pershing Statements and Confirmations.** Pershing requires a signed Pershing E-delivery Request Form to deliver statements and confirmations electronically to you. You will be asked by your Advisor to sign this document upon the establishment of your account.

## **V. ERROR NOTIFICATION & CORRECTION POLICY**

We make every effort to ensure the integrity of the personal and financial information we maintain on your behalf. You, your Advisor and The Lincoln Investment Companies share this responsibility equally. While we agree to maintain a consistent and accurate level of quality in the processing of your transactions, you have a separate responsibility to ensure that all instructions have been carried out properly. Should you discover an error, omission, exception or you fail to receive a confirmation following an anticipated or requested transaction, you must notify us or your Advisor immediately and re-confirm any oral communication in writing. We will assume that your confirmations and statements are correct, unless you notify us within ninety (90) calendar days of the transaction date. Neither The Lincoln Investment Companies nor your Advisor will assume financial liability if an error is not reported to us within 90 calendar days of the transaction date. After 90 calendar days, we will correct the error, but neither The Lincoln Investment Companies nor your Advisor can accept responsibility for market fluctuations or other related expenses incurred due to the error.

You agree that The Lincoln Investment Companies, their affiliates and their officers, directors, employees and successors shall be fully released and discharged from all claims, liabilities, losses, costs and expenses (including attorneys’ fees) that they may incur as a result of carrying out your instructions, or acting with respect to your account in accordance with the rules or customs of any exchange, investment company or insurance company where your transactions are executed, or in accordance with applicable law or regulation.

## **VI. ANTI-MONEY LAUNDERING**

To help the government fight the funding of terrorism and money laundering, federal law requires all financial institutions to obtain, verify and record information that identifies each person who opens an account. Therefore, we will verify your personal financial information, such as name, address, date of birth and other information for identification purposes, with an independent consumer reporting agency.

According to section 312 of the USA PATRIOT Act, we are required to determine if you or an immediate family member hold an account or maintain a relationship with a Private or Foreign Bank. A Private Bank account is an account or any combination of accounts with a minimum aggregate deposit of \$1,000,000, established by one or more individuals, and is assigned to or administered or managed by, in whole or in part, an officer, employee, or agent of a financial institution acting as a liaison between the financial institution and the direct or beneficial owner of the account. The USA PATRIOT Act (section 312) defines a Foreign Bank account as “any account established for a foreign financial institution to receive deposits from, or to make payments or other disbursement on behalf of, the foreign financial institution or to handle other financial transactions related to such foreign financial institution.” If you or an immediate family member holds such an account or maintains such a relationship, we must also determine if you or an immediate family member are a “Senior Foreign Political Figure,” defined as follows:

- Current or former senior official in the executive, legislative, administrative, military, or judicial branch of a foreign government (elected or not)
- A senior official of a major foreign political party
- A senior executive of a foreign government-owned commercial enterprise, being a corporation, business or other entity formed by or for the benefit of any such individual (senior executives are individuals with substantial authority over policy, operations or the use of government-owned resources)
- An immediate family member of such individual; meaning spouse, parents, siblings, children, and spouse’s parents or siblings
- Any individual widely and publicly known (or actually known) as a close associate of a senior foreign political figure

If any of the above scenarios is affirmative, we will not be able to open an account for you.

We may refuse or restrict transactions or request further information or evidentiary documentation during the verification process.

## **VII. FUND CLOSINGS/FUND REPLACEMENTS**

If you are making ongoing periodic contributions to your account and a specific fund or share class is no longer available, we will automatically map your current contributions and/or positions to a suitable share class or money market fund. In the case where a particular share class may no longer be offered, we will default to the Class A share iteration of the current fund you are investing in, if available. In the case where a particular fund is closed, we will request that you provide new investment instructions, or we will default to an appropriate money market fund. We encourage you to discuss your investments with your Advisor to help ensure that the fund replacement is appropriate for you.

## **VIII. ADMINISTRATIVE FEES FOR SALARY DEFERRAL**

### **Authorization to deduct Third Party Administration (TPA) fees:**

Lincoln Investment, on behalf of UMB Bank, n.a., or its successors, may deduct TPA fees from your account. Such fees were negotiated between your employer and the TPA (the amount of the fee is available through the employer/TPA). As such, these fees are deemed reasonable in light of the services provided by the TPA. This authorization is in effect for the duration of time that this account is held through Lincoln Investment. Any fees deducted will appear in the Transaction Detail Section of your account statements.

## **IX. OTHER FEES AND EXPENSES**

You agree to pay any and all fees specified on the fee schedule received from your Advisor. The Lincoln Investment Companies may change the fee schedule from time-to-time. Further, The Lincoln Investment Companies may charge additional fees associated with the ongoing administration of your account(s) including, but not limited to, custodial fees, distribution fees, transfers fees, or termination fees. These fees, if any, are specified in the Provider's/Custodian's published fee schedule, which may be changed at any time by providing you 30 days prior written notice. You agree to pay any expenses incurred by The Lincoln Investment Companies in the performance of its duties in connection with your account(s). Such expenses include, but are not limited to, administrative expenses, such as legal and accounting fees, charges for related vendor services, such as return ACH or stopped check, and any taxes of any kind whatsoever that may be levied or assessed with respect to your account. All such fees, taxes, and other administrative expenses charged to your account shall be collected from the assets in your account or from any contributions to or distributions from your account, if not paid by you, but you shall be responsible for any deficiency.

## **X. COMPLAINTS**

Almost all investor concerns are resolved quickly when your concerns are addressed directly with your Advisor or other firm personnel. However, experience indicates that some misunderstandings can and will occur. Your first communication should be directed to your Advisor. In the event that you do not receive satisfaction at that level, you should then contact the Advisor's Branch Manager. If you are still dissatisfied, please contact our Compliance Department at 601 Office Center Drive, Suite 300, Fort Washington, PA 19034, 800-242-1421, extension 4300.

## **XI. PERSHING**

For those investors who open a brokerage account with Pershing LLC, in addition to Pershing's Pre-Dispute Arbitration Clause found on page one of this Handbook, the following additional terms and conditions apply.

**Provisions in the Event of Failure to Pay or Deliver.** Whenever the investor does not, on or before the settlement date, pay in full for any security purchased for his/her account, or deliver any security sold for such account, Pershing is authorized (subject to the provisions of any applicable statute, rule, or regulation): (A) until payment or delivery is made in full, to pledge, re-pledge, hypothecate, or re-hypothecate, without notice, any or all securities which Pershing may hold for the Investor (either individually or jointly with others), separately or in common with other securities or commodities or any other property, for the sum then due or for a greater or lesser sum and without retaining in your possession and control for delivery a like amount of similar securities; (B) to sell any or all securities which Pershing may hold for the investor (either individually or jointly with others), to buy in any or all securities required to make delivery for the investor, or to cancel any or all outstanding orders or commitments for the investor's account.

**Cancellation Provisions.** Pershing is authorized, at its discretion, should the investor die or should the investor for any reason whatsoever deem it necessary for Pershing's protection, without notice, to cancel any outstanding orders in order to close out the investor's accounts, in whole or in part, or to close out any of the commitments made on the investor's behalf.

**General Provisions.** Any sale, purchase, or cancellation authorized hereby may be made according to Pershing's judgment and at Pershing's discretion on the exchange or other market where such business is then usually transacted, at public auction, or at private sale without advertising the same and without any notice, prior to tender, demand, or call. Pershing may purchase the whole or any part of such securities free from any right of redemption, and the investor shall remain liable for any deficiency. It is further understood that any notice, prior to tender, demand, or call, from Pershing shall not be considered

a waiver of any provision of this agreement. Investor shall include any person executing the Account Agreement.

### **Sweep Program General Terms and Conditions**

- **How the Sweep Program Works:** A sweep account is an interest-bearing account for any uninvested cash that flows into your Pershing brokerage account from various sources. Cash is automatically swept daily into the sweep account, potentially earning you interest. When you are ready to use this cash for trading or for cash management activities, the necessary cash is automatically pulled from the sweep account. Sweep options vary as to the amount and types of protection offered as well as rates paid, so choose a sweep option that is best for you. If you do not select a sweep option, Lincoln Investment will use the default option listed on the application. You may also indicate that you do not wish to participate in the sweep program on the application.
- **Available Cash Sweep Account Options:** Lincoln Investment's cash sweep program offers both money market mutual funds and bank sweep programs. The options available to you are subject to change and you should contact your Advisor for additional information on the products currently available to you.
- **Eligibility:** Some programs restrict eligibility by account registration or minimum balances.
- **Differing Risks and Account Protections:** Money Market Mutual Funds mostly invest in short-term securities and seek to maintain a stable value but may be subject to market risks and potential loss in value. Although the funds seek to preserve the value of your investments at \$1.00 per share, it is possible to lose money. They are not bank accounts and are not subject to Federal Deposit Insurance Corporation (FDIC) protection. They are instead covered by the Securities Investor Protection Corporation (SIPC), which protects against custodial risk (not a decline in market value) should a brokerage firm fail. The limit of SIPC protection is \$500,000, which includes a \$250,000 limit for cash. The bank sweep program is not subject to market risk and value loss but is subject to the risk of bank failure. Bank sweep programs are obligations of the program bank in which the deposits are held. Bank deposit programs are insured by the FDIC for up to \$250,000 per depositor, per insured bank, for each account ownership category. Within Lincoln's sweep program, funds in excess of \$2,500,000 (\$5 million for joint accounts) may be automatically swept to a secondary money market sweep option.
- **Rate of Return:** The rates of return for the different products vary over time and at times may be zero. Current rates can be obtained by contacting your Advisor. There is no guarantee that the yield on any particular sweep feature will remain higher than others over any given period. Bank sweep programs may offer tiered rates. In bank sweep programs, clients with higher balances will generally receive higher interest rates than clients with lower balances. The rate of return on any sweep program selection may be lower than that of similar investments offered outside of the sweep program. The program should not be viewed as a long-term investment option. If you desire to maintain sweep account balances for other than a short-term period and/or are seeking the highest yields currently available in the market, please contact your Advisor.
- **Duty to Monitor:** You must monitor and determine the best option for your cash. For purposes of FDIC insurance of deposits held under the bank sweep feature, you are responsible for monitoring the total amount of deposits that you hold with any bank within the bank sweep program, directly or through an intermediary, in order for you to determine the extent of deposit insurance coverage available to you on your deposits.
- **Benefits to Lincoln Investment:** We may receive a portion of the interest from the money market mutual fund and bank sweep program offerings. The portion of the interest that we receive as compensation will vary over time. The amount of the fee received will affect the interest rate paid to you. Because of this compensation to us, we have a financial incentive to recommend a Sweep Program option.
- **Changes and Amendments to the Cash Sweep Program:** We may change the terms of the cash sweep program, including the products and investment options available or eligibility rules, upon 30 days' advance written notice. *This material is intended to provide the general terms and conditions of Lincoln Investment's sweep programs. Where any terms or descriptions used herein conflict with terms of your account agreement, applicable prospectus, or the customer disclosure documents of the program which you selected, the terms of those documents shall govern.*

**Successors and Assigns.** This agreement and its provisions shall be continuous, and shall inure to the benefit of Pershing and any successor organization or assigns, and shall be binding upon the investor, and/or the estate, executors, administrators, and assigns of the investor.

**Age.** The investor, if an individual, represents that they are of full age.

**Interest in Account.** No one except the investor has an interest in the account with Pershing, unless such interest is revealed in the title of such account, and in any case, the investor has the interest indicated in such title.

**Orders and Statements.** Reports of the execution of orders and statements of the investor's account shall be conclusive if not objected to in writing, the former within two days and the latter within ten days, after forwarding by Pershing to the investor by mail or otherwise.



**Extraordinary Events.** Pershing shall not be liable for loss or delay caused directly or indirectly by war, natural disasters, government restrictions, exchange, or market rulings, or other conditions beyond Pershing's control.

**Fees and Charges.** The investor agrees to the fees and charges on the fee schedule received from your Advisor. The Lincoln Investment Companies and/or Pershing may change the fee schedule from time to time.

**Joint Accounts.** If this is a joint account, unless you notify Lincoln Investment otherwise and provide such documentation as required, the brokerage account(s) shall be held by Pershing jointly with rights of survivorship (payable to either or the survivor of the investor). Each joint tenant irrevocably appoints the other as attorney-in-fact to take all action on his or her behalf and to represent him or her in all respects in connection with the Account Agreement. The Lincoln Investment Companies and Pershing shall be fully protected in acting, but shall not be required to act upon the instructions of any joint owner. Each joint owner shall be liable, jointly and individually, for any amounts due to The Lincoln Investment Companies or Pershing pursuant to the Account Agreement, whether incurred by any one or all of the joint owners.

**Address.** Communications may be sent to the investor's current address which is on file at Pershing, or at such other address the investor may hereinafter give to Pershing in writing. All communications so sent by The Lincoln Investment Companies or Pershing, whether by mail, telegraph, messenger, or otherwise, shall be deemed given to the investor personally, whether actually received or not.

**Recording Conversations.** The investor understands and agrees that for our mutual protection The Lincoln Investment Companies and/or Pershing may electronically record any telephone conversations.

**Amendment and Modification of Agreement.** The investor agrees that Pershing or their successors or assigns may unilaterally, at any time, change or modify the terms and conditions of the investor's New Account Agreement by sending the investor notice of the change as required by law or regulation.

**Debit Balances.** You agree that you shall at all times be liable for the payment upon demand of any debit balance or other obligations owing in any of your accounts and you shall be liable to The Lincoln Investment Companies for any deficiency remaining in any such accounts in the event of the liquidations thereof, in whole or in part, by The Lincoln Investment Companies or you; and you shall make payment of such obligations and indebtedness upon demand. You agree that if, after demand, you fail to pay the indebtedness, The Lincoln Investment Companies may liquidate the assets in your account in an amount sufficient to pay your indebtedness. The Lincoln Investment Companies retain the right to close your account(s) and liquidate the assets at their discretion, including determining which securities and assets are to be sold and which contracts are to be closed. The reasonable costs of collection of the debit balance and any unpaid deficiency in your accounts, including attorney's fees incurred by The Lincoln Investment Companies, shall be reimbursed by you to The Lincoln Investment Companies.

## **XII. LIMITATION OF LIABILITY; WAIVERS**

To the extent permitted by applicable state or federal law, neither The Lincoln Investment Companies nor any Advisor shall have any liability for any losses, costs, expenses, fees, taxes, or penalties whatsoever arising by reason of: (1) The Advisor's or our reliance on any information you provide to us concerning your investment objectives, risk tolerance or financial circumstances; or (2) Any breach of contract or violation of law caused by you or any other third party fiduciary with respect to an account with us. The federal and state securities laws impose liabilities under certain circumstances on persons who act in good faith, and therefore nothing in this Agreement will waive or limit any rights that Client may have under those laws or, if applicable, ERISA.

**Waiver of Punitive Damages.** You knowingly agree to waive your rights to obtain punitive damages as a result of any dispute with The Lincoln Investment Companies or our Advisors, to the extent that such waiver is permitted under applicable state or federal law.

# **DISCLOSURES**

## **I. PRIVACY POLICY**

The Privacy Policy of The Lincoln Investment Companies is as follows:

**What We Collect.** We are committed to safeguarding customer personal and financial information in the strictest confidence. In order to provide you with individualized service, we and your Advisor collect certain public and nonpublic personal information about you that you provide on applications or other forms, whether in writing, in person, by telephone, electronically or by any other means, as well as information about your account. This may include your name, address, phone number, date of birth, Social Security number, assets, income, purchases, sales and account balances.

**How Your Personal Information Will Be Handled.** We collect this data to continually offer you the products and services you need to help meet your investment objectives and to effect, administer or enforce transactions you authorize. We do not sell your information to anyone. You have been introduced to us through your Advisor, who, in most cases, is an independent contractor. We assist your Advisor in implementing recommendations you have agreed upon. We store some or all of the public and nonpublic personal information you provide to your Advisor. The Advisor may also have duplicate

information and/or additional public and nonpublic personal information that is not provided to us and he/she may store this information in paper and/or electronically on proprietary or third party software/sites. This may include, but is not limited to, financial planning and/or portfolio analysis software, and customer relationship management systems, etc. Your Advisor and any of our other associated persons are required to follow our Field Identity Theft Prevention Program policies and procedures in order to safeguard your information which is in their possession while they are associated with us.

To better serve you, we may disclose your information to:

- Our independent contractor Advisors, their affiliated businesses, clearing firms, insurance companies, mutual fund companies, third-party administrators, other broker/dealers, investment advisers and other such entities that provide services to you on our behalf.
- Affiliates that have been organized to assist in the conduct of our business, and as otherwise permitted by law.
- Companies that perform administrative or marketing services on our behalf, such as transfer agents or printers. These companies will use this data only for the services for which we hired them and are not permitted to share or use this information for any other purpose.
- Your employer with respect to employer-retirement plan assets only, as applicable.
- Your Advisor upon leaving The Lincoln Investment Companies to join another firm, as described below:

We recognize that you have opened an account with us based on the recommendation of your Advisor. If your Advisor leaves us, we allow your Advisor to take with him/her your personal financial information that is in their possession. In doing so, your Advisor may share your personal financial information with another broker dealer or investment adviser (“New Firm”) and/or maintain your information in paper and/or electronically on proprietary or third party software and/or sites. We have no oversight over your Advisor’s protection of your information once they have left us. You may request that your Advisor return to you or destroy your information in their possession upon leaving us.

**Opting out.** If you do not want your Advisor to maintain your personal financial information should he/she leave us and/or allow him/her to share it with anyone else after he/she leaves us, you have the right to opt out. If you have a joint account, we will treat an opt-out direction by a joint customer as applying to all associated joint owners. If you wish to opt out now or any time in the future, please contact us at 800-242-1421, extension 4770, or by mail at Lincoln Investment, Attn: Privacy Compliance, 601 Office Center Drive, Suite 300, Fort Washington, PA 19034.

**Opting in.** Should your Advisor leave us, and if your primary address is in a state that requires your affirmative consent (e.g. Alaska, California, Illinois, Maine, Massachusetts, Missouri, New Hampshire, North Dakota, Vermont), then you must give your prior written consent to us and your Advisor to allow your Advisor to maintain your information in his/her possession, and/or to allow him/her to share it with anyone else after he/she leaves us. You may withdraw your consent at any time by contacting us at 800-242-1421, extension 4770, or by mail at Lincoln Investment, Attn: Privacy Compliance, 601 Office Center Drive, Suite 300, Fort Washington, PA 19034.

**Customers of Financial Institutions:** If you are a customer of a bank, credit union, or other financial institution program with which we have a joint marketing agreement (such as under a bank or credit union investment services program) and your Advisor with whom you work pursuant to that program terminates his/her relationship with us and/or the financial institution decides to enter into a relationship with a new financial services provider, we and/or your Advisor will share your information with the New Firm so that your account can continue to be serviced, unless your bank, credit union or other financial institution does not approve of such transfer.

Personal financial information about you will be maintained by us during the time you are our customer and for any additional time thereafter as required by federal and state laws. We reserve the right to disclose your nonpublic personal financial information to other third parties not exempt by law and not described above provided we give you 30 days prior written notice, giving you the ability to “opt out/opt in” at that time.

#### **Important Information for California and Vermont Residents:**

**California residents:** For accounts with a California mailing address, we will not share your personal information with a financial company for joint marketing purposes except as required or permitted by law.

**Vermont residents:** For accounts with a Vermont mailing address, we will not share your creditworthiness information with our affiliates except as required or permitted by law. For joint marketing with other financial companies, we will disclose only your name, contact information, and information about your transactions, unless otherwise required or permitted by law.

**How We Safeguard Your Information.** With regard to our internal security procedures, we restrict access to your personal and account information to those employees and Advisors who need to know. We maintain physical, electronic and procedural safeguards designed to protect your nonpublic personal financial information – including training and confidentiality agreements with companies that help provide our services to you.

**How We Protect You Online.** Our concern for the privacy of our investors also extends to those who utilize our websites. We will not sell, share or rent this information to others in ways not disclosed in this statement.

**What You Can Do.** For your protection, we recommend that you do not provide your account information to anyone. If you believe the confidentiality of your account information may have been compromised or you become aware of any suspicious activity relating to your account, please contact our Compliance Department immediately at 800-242-1421, extension 4300. **If you have questions about our policy or require additional copies of this notice, please call your Advisor. You can also print a text-only version of this privacy notice at [www.lincolninvestment.com](http://www.lincolninvestment.com).**

## **II. BUSINESS CONTINUITY PLANNING**

The Lincoln Investment Companies have established emergency preparedness plans and procedures that address the possibility of a significant business disruption that could result from power outages, natural disasters and other events. This business continuity plan is reviewed, updated and tested on a regular basis and provides for continuation of investor services in the event of a disruption. A few examples of what might occur if we were to experience a business disruption of varying magnitudes includes, but is not limited to: (1) If telephone service became unavailable, we would re-route calls to an alternate company office for the duration of the outage; (2) If utility electric power were to be lost to our home office, a backup power generator is in place to support all critical investor services, and would be operational within seconds of the power loss; (3) In the event our home office facilities became unavailable, we would continue to provide critical investor services by relocating personnel and resources to another company office.

While no contingency plan can eliminate all risk of service interruption or temporary impediments to account access, we will assess and update the firm's plans to mitigate all reasonable risk. Our business continuity plan is subject to modification. Any modifications to this disclosure will be promptly posted to our websites ([www.lincolninvestment.com](http://www.lincolninvestment.com); [www.legendadvisory.com](http://www.legendadvisory.com) and [www.capitalanalysts.com](http://www.capitalanalysts.com)). Investors may at any time request an updated written copy by mail.

## **III. FINRA BROKERCHECK PROGRAM & SEC INVESTMENT ADVISER PUBLIC DISCLOSURE**

FINRA BrokerCheck provides investors with an easy, free way to learn about the professional background, registration/license statuses and conduct of FINRA registered firms and their registered representatives. To request information about your FINRA registered representative under this program, visit the FINRA website at [www.finra.org](http://www.finra.org) or call (800) 289-9999. A brochure that includes information describing the BrokerCheck Program may be obtained. Additional information about SEC Registered Investment Advisers and Investment Adviser Representatives is available through the U.S. Securities and Exchange Commission website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **IV. SIPC INFORMATION**

The primary role of the Securities Investor Protection Corporation (SIPC) is to return funds and securities to investors if the broker/dealer holding these assets becomes insolvent. SIPC provides \$500,000 of net equity protection, including a maximum of \$250,000 for cash positions. This account protection applies when a SIPC member firm fails financially and is unable to meet obligations of securities customers, but does not protect against the losses from the rise and fall in market values of investments. An explanatory brochure is available upon request by calling SIPC at (202) 371-8300 or at [www.sipc.org](http://www.sipc.org).

## **V. MSRB INFORMATION**

Lincoln Investment is a registered Dealer with the Municipal Securities Rulemaking Board (MSRB) to facilitate customer's orders for municipal securities and/or municipal fund securities. An Investor Brochure describing the protections available under MSRB rules and how to file a complaint with an appropriate regulatory authority is available by visiting their website at [www.msrb.org](http://www.msrb.org)

## **VI. ADDITIONAL COMPENSATION & CONFLICTS OF INTEREST**

The Lincoln Investment Companies strive to provide to you objective investment advice to assist you in retiring well. Inherent in any recommendation, however, is the potential for conflicts. This conflict can come from the compensation we or our Advisors receive from you on specific investments or advisory services, or it may come from the compensation we or our Advisor receive from product sponsors and third party providers as a result of your purchase of specific investments or advisory services. It is important for you to understand these conflicts of interest so that you may make an informed decision to allow us to serve your investment needs. Below are some of the compensation factors that may affect your Advisor's recommendations or our decision as to the products and services that we offer. Should you have any questions about this information, please contact us or your Advisor. You could purchase products or services similar to those offered by Lincoln Investment from our affiliated investment advisers, Capital Analysts, LLC and Legend Advisory, LLC or from any financial services provider.

When determining the reasonableness of any fees and expenses you agree to pay to The Lincoln Investment Companies, you should consider both the fees and expenses that The Lincoln Investment Companies 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, including those that bear expenses greater than other share classes for which you 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. Additional information about the share class selection processes and associated conflicts of interest if you maintain an investment advisory account is available in the Investment Advisory Disclosure Brochure (ADV 2A) of each of our affiliated Registered Investment Advisers. You should read these prospectuses and ADV 2As carefully. Please contact your Advisor or The Lincoln Investment Companies for additional information on share class selection practices and related fees and expenses.

**Financial Conflicts of Interest associated with Maintaining a Commission-based or Brokerage Account with Lincoln Investment**

Below we will describe the financial conflicts of interest to Lincoln Investment and/or your Advisor when you open a brokerage (commission based) account with Lincoln Investment or Lincoln Investment acts as introducing broker-dealer and opens your account at Pershing, LLC. When you purchase investments or insurance direct from a product sponsor or through a brokerage account, Lincoln Investment and your Advisor will typically receive a sales commission or concession, and in some instances, other additional third party compensation which is described in greater detail below. After your dollars are invested, these concessions or commissions are paid typically by the product sponsor to Lincoln in a lump sum, or over a number of years that the investment is held (a “Trailing” commission), or subject to the client not liquidating out of an investment within a specified time period (“Back-end” Sales Charges). These forms of compensation create a financial conflict of interest to both Lincoln Investment and your Advisor.

**Product Offerings - Reasonable Compensation.** Our product sponsors have been chosen based on their ability to offer securities and/or insurance products that meet the financial needs of our investors. With the ever-expanding array of products and services and the complexity associated with many of today’s security and insurance choices, we believe it is important for investors to work with a qualified financial professional. When making recommendations to you, our Advisors consider the suitability of the investment product. We evaluate product offerings to assess whether a product would generally be considered suitable for at least some of our investors. It is important to caution all investors that not all of our products or product offerings are suitable for all investors. In addition, depending on the product, the compensation to Lincoln and your Advisor will vary. Typically, an investment with an expected long term holding period would have a higher commission associated with it than an investment that has no benefits or risks in trading out of the investment in the short term. The liquidity of an investment plays a part in establishing the commission of the product. Products with limited liquidity or penalties for surrendering early will have higher commissions than products that are fully liquid. For certain product types, Lincoln Investment has established commission caps. Below are the commission caps established in June 2017 for certain products sold through Lincoln Investment. Should a commission in excess of this cap be received by Lincoln Investment, the firm will retain the excess and not share it with the Advisor to reduce any financial incentive the Advisor could have to offer one product over another based on the commission. As more product manufacturers develop new products with different compensation structures, we expect compensation schedules to change which would cause the caps to change.

<b>Product Offering</b>	<b>Advisor Commission Cap*</b>
Fixed Rate Annuities and Fixed Annuities	6%
Variable Annuities, Equity Indexed Annuities, Fixed Indexed Annuities	7% on front-end compensation; trailing compensation can vary
Mutual Funds	5.75%
Illiquid Alternative Products – REIT and BDC Offerings	If a T share is offered, T share typically purchased; trailing compensation can vary
Illiquid Alternative Products - Private Placement Offerings, such as Oil & Gas Private Placement Offerings	7% on front-end compensation; trailing compensation can vary

**Mutual Fund Compensation**

**Concessions or Commissions.** Lincoln Investment shares in the mutual fund concession or sales charge assessed the investor on all new money invested into a fund, as described in the prospectus. Some mutual funds do not charge a concession to invest in their funds, in which case the investor may be assessed a transaction charge by Lincoln Investment, and, if applicable, Pershing LLC. This transaction charge is known as a commission. A portion of the concession or commission will be shared with Lincoln Investment and ultimately the Advisor.

**12b-1 Fees.** Lincoln Investment also directly -or -indirectly -receives -from mutual fund sponsors 12b-1 fees of 1% or less for as long as your money remains invested in the fund(s). 12b-1 fees are fees paid by the fund out of fund assets to



cover distribution expenses and sometimes shareholder service expenses. 12b-1 fees get their name from the SEC rule that authorizes a fund to pay them. The rule permits a fund to pay distribution fees out of fund assets if the fund has adopted a plan (a 12b-1 plan) authorizing their payment. “Distribution fees” include fees paid for marketing and selling fund shares, such as compensating brokers and others who sell fund shares, and paying for advertising, the printing and mailing of prospectuses to new investors, and the printing and mailing of sales literature. Your Advisor will share in the Distribution Fee compensation received by Lincoln Investment. Your Advisor can also share in shareholder service fees if received by Lincoln Investment as a 12b-1 fee or Distribution fee. These payments create a conflict of interest and financial incentive for The Lincoln Investment Companies and your Advisor to recommend a mutual fund share class that pays a 12b-1 fee.

**Shareholder Service Fees.** Some 12b-1 plans also authorize and include “shareholder service fees,” which are fees paid to persons to respond—to investor inquiries and provide investors with information about their investments. A fund may pay shareholder service fees without adopting a 12b-1 plan. If shareholder service fees are part of a fund’s 12b-1 plan, these fees will be included in this category of the fee table of a prospectus. If shareholder service fees are paid outside a 12b-1 plan, then they will be included in the “Other expenses” category in a fund prospectus.

For brokerage accounts held on Lincoln Investment’s SOLUTIONS platform, Lincoln Investment clears a material portion of client’s mutual fund transactions through Charles Schwab & Co. (“Schwab”) on an omnibus basis. Lincoln Investment has an agreement with Schwab that they will share with us Shareholder Services Fees paid to them by the funds, to assist us in covering the costs and expenses that Lincoln Investment incurs in connection with the clearing and sub-accounting involved in carrying your accounts on our SOLUTIONS platform. Lincoln Investment is not aware of the amount of fees paid by the funds to Schwab or what portion of the Shareholder Services Fee Schwab may retain prior to sharing a portion of the fee with Lincoln Investment. We use this compensation from Schwab to pay Schwab’s omnibus clearing costs and the sub-accounting services provided by DST Market Services, Inc. (“DST”). Any revenue remaining is retained by Lincoln Investment. Another source of Shareholder Service Fees associated with the SOLUTIONS brokerage accounts is Shareholder Service Fees received from those funds that are not cleared through Schwab, but are cleared directly with the fund. Lincoln Investment does not share these fees with your Advisor.

**Networking Fees.** Lincoln receives Networking Fees from fund companies that are not cleared through Schwab. Networking Fees are flat dollar amounts based on the number of accounts or clients for which the firm provides administrative services associated with establishing and servicing the accounts. Lincoln Investment retains this revenue and it is not shared with your Advisor.

As the broker/dealer who handles the execution, clearing and custody of your brokerage account assets, Lincoln Investment may share in other forms of compensation from third parties. Lincoln Investment believes that third party compensation is important to us, and you. It allows us to provide services to you, including internet access to your account information, the ongoing education and training of our Advisors, and the capability to maintain lower account administration fees for services provided to you. Lincoln Investment has chosen to address this conflict by disclosing the types of compensation and the parties who pay it to us so that when you are making your decision to do business with us, you can personally assess the importance of this compensation in your decision.

**Money Market Fund and Cash Deposit Fees.**

Lincoln Investment makes available the Federated Money Market Funds as the default money market funds for SOLUTIONS brokerage accounts. Federated pays Lincoln Investment a fee based on assets. This compensation is not shared with your Advisor. For brokerage accounts held on Pershing LLC’s platform, Lincoln Investment shares in revenues with Pershing associated with money market interest on certain money market sweep account options and Interlink bank deposit sweep option.

**Sales and Marketing Support.** Lincoln Investment receives Sales and Marketing Support as described below which includes Flat Fee Sponsors, sales and marketing support sponsors and sponsors who provide financial support based on the firms’ assets and sales. In order to minimize the potential conflicts associated with the receipt of these fees, we disclose them to you so that you can make an informed decision to allow us to serve your investment needs.

**Flat Fee Sponsors.** Lincoln Investment 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 Lincoln Investment’s Advisors, at Lincoln Investment sponsored events, on such topics as advisory products and services, practice management, financial tools and technology to assist in the monitoring and servicing of accounts, 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 adjusted annually and is not based on the assets or sales of their proprietary products or services. Sponsors can compensate us 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 Lincoln Investment sponsored events and other educational and outreach tools and services.

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 sponsor will be invited to attend. These 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 2018, the financial support of the Flat Fee Sponsors was less than one percent of total revenues to Lincoln Investment. We do not believe that this amount is material. In 2018, Flat Fee Sponsors who compensated Lincoln Investment with a flat fee payment, and offer a fund or insurance product that could be offered in our capacity as a broker dealer, in order from highest to lowest payment were Russell Investments, Meeder Financial, CLS Investments, LLC, ICON Advisers, Inc., American Funds, Clark Capital Management, Putnam Investments, MetLife (Brighthouse), Federated Investors, Global Atlantic, JP Morgan, Lord Abbett, Security Benefit Life, Franklin Templeton Investments, Lincoln National Life, Allianz Life Insurance Company of North America, DoubleLine Funds, Invesco Investment Services, Jackson National Life Insurance Company, Prudential Annuities Life, AXA Equitable Life Insurance Company and Oppenheimer Funds.

Some of the Flat Fee Sponsors' revenue may be used by Lincoln Investment to support the ongoing operational expenses of Lincoln Investment, and its affiliates, and not used solely for sales and marketing support.

**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 that is paid to the firm based on assets and/or sales with that sponsor ("Asset and Sales Based Sponsors"). The support provided by these sponsors is based on brokerage assets and brokerage transactions and not based on advisory account assets or transactions or any ERISA assets or transactions. We receive compensation from these sponsors in various forms including as a flat fee, a percentage of 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. The receipt of sales and marketing support from Asset and Sales Based Sponsors presents—a conflict of interest to Lincoln Investment since it provides a financial incentive to recommend those Asset and Sales Based Sponsors over others that do not provide such sales and marketing support.

In 2018, the Asset and Sales Based Sponsors who compensated Lincoln Investment as broker-dealer for non-fee based account assets or sales in order of highest to lowest were Oppenheimer Funds, Security Benefit Life, Franklin Templeton Group, Jackson National Life Insurance Company, Invesco Investment Services, MetLife (Brighthouse), Lincoln National Life, Voya Retirement Insurance and Annuity Company, Putnam Investments, AXA Equitable Life Insurance Company, Inland Group, Prudential Annuities Life, Mewbourne Development Corporation, Bluerock, Federated Investor Funds, Ohio National, Griffin Capital and Columbus Life. Asset and Sales Based Sponsors can change from time- to- time and new firms can be added.

In 2018, Sales and Marketing Support based on brokerage asset or sales (which would be as a result of only the brokerage assets you held with us) represented approximately less than .01 percent of total revenues to Lincoln Investment, and may be deemed material to you. 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.

### **Financial Conflicts of Interest Associated with Maintaining a Fee- Based Advisory Account through The Lincoln Investment Companies**

Below we will describe the financial conflicts of interest to Lincoln Investment and/ or your Advisor when you open an advisory (fee-based) account with Lincoln Investment or one of Lincoln Investment's affiliates, Capital Analysts, LLC or Legend Advisory, LLC (individually or collectively, The Lincoln Investment Companies). When you open an advisory account, your Financial Advisor will only share in the advisory/asset management fees that you pay. The Lincoln Investment Companies may receive other indirect compensation from third parties that presents a conflict of interest.

**Advisory Fee Offerings - Reasonable Compensation.** With the ever-expanding array of products and services and the complexity associated with many of today's security and insurance choices, we believe it is important for investors to work with a qualified financial professional. Our Advisors are dedicated to assisting you in assessing your investment needs and providing thoughtful advice. When evaluating third party money managers, we consider their investment discipline and experience and potential suitability for at least some of our investors. It is important to caution all investors that not all available money managers are suitable for all investors. In addition, depending on the platform on which that

money manager may manage assets, the advisory fee for those services may vary. When we or your Advisor provide the advice on the assets in your advisory accounts, we recognize a fiduciary responsibility to you under applicable securities laws and to make full and fair disclosure of all material conflicts of interest. Other compensation received by us that can present a material conflict of interest will be reasonable in light of the services we and our advisors make available to you. We recognize too that any compensation shared with the firm or your Advisor by a third party presents a conflict of interest and could be looked upon by you as an incentive for us and your Advisor to recommend investment products or money managers based on compensation rather than on your financial needs.

**12b-1 fees.** 12b-1 fees, as described above in the Financial Conflicts of Interest Associated with Maintaining a Brokerage (commission based) Account through Lincoln Investment, creates a potential conflict of interest to Lincoln Investment to use funds that pay 12b-1 fees over other funds that do not pay 12b-1 fees.

To avoid this financial conflict of interest in advisory accounts that are assessed an advisory fee, any 12b-1 fees received by us in an advisory account will be either refunded to your advisory account or applied as a credit and offset against your next advisory fee billing. On SOLUTIONS Premier, the amount of the 12b-1 fee received by Lincoln Investment related to your advisory assets will be applied as a credit against your next quarterly Premier Account advisory fee. For assets held on the Pershing LLC platform, the amount of the 12b-1 fee received by Lincoln Investment in connection with your advisory account assets will be refunded directly to your Pershing account. This fee-offset or crediting of 12b-1 fees will alleviate the conflict of interest associated with Lincoln Investment 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.

**Shareholder Service Fees.** For client assets held on Lincoln's SOLUTIONS Premier platform, Lincoln Investment clears a material portion of its client's mutual fund transactions through Charles Schwab & Co. ("Schwab") on an omnibus basis. Lincoln Investment has an agreement with Schwab that they will share with us shareholder services fees paid to them by the funds ("Shareholder Services Fees"), to assist us in covering the costs and expenses that Lincoln Investment incurs in connection with effecting and executing securities transactions on your behalf, providing to you shareholder services as well as the clearing, custody and sub-accounting involved in carrying your accounts on our SOLUTIONS platform ("Shareholder Services"). Shareholder Service Fees are an asset based portion of the cost built into the internal expense of a fund that is shared with broker dealers and other financial intermediaries who perform services on behalf of the fund and clients. The amount of Shareholder Services Fees that we receive from Schwab averages 0.15% of the SOLUTIONS Premier Assets that we clear through Schwab. A majority of the compensation from Schwab is used to pay direct third-party expenses associated with maintaining your account, specifically, Schwab's omnibus clearing costs and the sub-accounting services provided by DST Market Services, Inc. ("DST"). Through May 2019, the amount of Shareholder Service Fees received and that remain after Schwab and DST expenses are paid will be allocated on a prorata basis back to SOLUTIONS Premier clients whose assets are cleared through Schwab. Beginning June 2019, we anticipate retaining the remaining revenue after Schwab and DST expenses are paid, in order to compensate us for the Shareholder Services we perform for you. We believe that accepting and applying this revenue to our direct and indirect expenses in connection with providing Shareholder Services to you is reasonable and represents additional compensation to us associated with your advisory account. The receipt of Shareholder Services Fees by Lincoln Investment is material and creates a potential conflict of interest to Lincoln Investment to recommend or select funds that we clear through Schwab and that pay mutual fund Shareholder Service Fees over other funds that do not pay Shareholder Service Fees. The receipt of Shareholder Services Fees by Lincoln Investment also creates a conflict of interest to Lincoln Investment to use Schwab as our omnibus clearing firm over other omnibus clearing firms that do not share the Shareholder Services Fees or that share lower amounts of Shareholder Services Fees. Not all funds available on SOLUTIONS Premier are cleared through Schwab; some are cleared directly with the fund. This creates a potential conflict of interest to Lincoln Investment to choose the most advantageous clearing arrangement for each fund, based on the anticipated expenses and revenues to Lincoln Investment. Shareholder Services Fees are not paid by all funds and the amount of the Shareholder Services Fees can vary depending on the share class of the fund that is held. Additionally, neither Schwab nor the mutual funds have disclosed to Lincoln Investment which funds pay Shareholder Services Fees to Schwab or the amount of Shareholder Services Fee each fund pays to Schwab. For a list of funds available on the SOLUTIONS Premier platform and whether they are cleared through Schwab or cleared directly, go to <https://www.lincolninvestment.com/disclosure.cfm>. Lincoln Investment mitigates this conflict by disclosing it to you and by not sharing it with your Advisor. You may still incur a Shareholder Services Fee for any portion of the Shareholder Services Fee not received by Lincoln Investment.

**Networking Fees.** Networking Fees on advisory assets, as described above in the Financial Conflicts of Interest Associated with Maintaining a Brokerage (commission based) Account through Lincoln Investment, creates a potential conflict of interest to Lincoln Investment to use funds that pay Networking Fees over other funds that do not pay Networking Fees. Lincoln Investment receives Networking Fees only on those assets it carries on its SOLUTIONS platform. Networking Fees are flat dollar amounts based on the number of accounts or clients for which the firm provides administrative services associated with establishing and servicing your account(s). The revenue paid is not transaction or asset based. Lincoln Investment retains this revenue to offset the costs of servicing and maintaining your advisory accounts on our platform. This revenue is not shared with your Advisor.

**Money Market Fund Fees and Cash Deposit Interest.** Lincoln Investment offers the Federated Money Market Funds and/or the SOLUTIONS Federally Insured Cash Deposit as advisory account cash equivalent investment options for SOLUTIONS Premier and also allocates 2% of the assets in every Lincoln Investment Asset Management Program mutual fund model to Federated Money Market Funds, to provide sufficient liquidity for the deduction of advisory fees from the account. StoneCastle, as administrator of the SOLUTIONS Federally Insured Cash Deposit Program, and Federated pay Lincoln Investment an administrative fee of up to 0.02 % of these assets. Through May 2019, this revenue will be credited back to investors in these offerings on a prorata basis. Beginning June 2019, we anticipate retaining this revenue in order to compensate us for the administrative services we perform for you. We believe that this revenue is reasonable and represents additional compensation to us associated with your advisory account. The receipt of these administrative fees by Lincoln Investment is material and creates a potential conflict of interest to Lincoln Investment to recommend or select these cash equivalent investment options over other cash equivalent investment options that do not pay these fees to us. Lincoln Investment mitigates this conflict by disclosing it to you and by not sharing it with your Advisor.

As part of Pershing LLC's Cash Sweep options, a number of money market funds and cash deposit accounts are offered on the Pershing LLC platform. For advisory accounts of any three of its affiliated registered investment advisers held on Pershing LLC's platform, Lincoln Investment, as the introducing broker dealer for all three affiliated investment advisers, shares in revenues with Pershing associated with money market interest on the money market sweep account options and Interlink bank deposit assets associated with advisory accounts. We do not refund or offset this revenue sharing against advisory fees paid by clients whose advisory assets are on Pershing LLC, as the firm believes that this fee reimburses us for the expenses of administering the Cash Sweep option. The receipt of revenue sharing with Pershing creates a conflict of interest to your registered investment adviser, whether it be Lincoln Investment, Capital Analysts and/or Legend Advisory. Payments made to broker dealers out of fund assets can lower investor returns and performance over time. This sharing of revenues also creates a financial incentive for Lincoln Investment to use Pershing LLC 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. These fees are not shared with your Advisor. In 2018, the total amount of fees shared by Pershing LLC derived from the brokerage and advisory assets of Lincoln Investment and its two affiliated registered investment advisers (Capital Analysts, LLC, Legend Advisory, LLC) did not represent more than 1.5% of total revenue for any one of these entities, and in aggregate was less than one half of one percent of combined revenue for all of these entities.

**Asset and Per Account Fee.** For advisory accounts held on Pershing LLC's platform, Pershing shares revenue with Lincoln Investment, as introducing broker-dealer, based on the total asset value of all accounts maintained on the Pershing platform and based on the total number of investor accounts on Pershing, pursuant to a written agreement with Pershing, LLC. This revenue does not vary with respect to the investment choices/recommendations made in your Pershing account. Lincoln does 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 Lincoln Investment to use Pershing as custodian over other custodians that do not share these fees. This revenue is not shared with your Advisors and represented less than one-half of 1% of the revenues of Lincoln Investment

**Sales and Marketing Support.** Lincoln Investment receives Sales and Marketing Support as described below and includes Flat Fee Sponsors, Other Advisor Sales Support and Asset and Sales Based Sponsors (collectively, "Sales and Marketing Support"). In order to minimize the potential conflicts associated with the receipt of these fees, Lincoln Investment does not receive Flat Fee Sponsor and Other Advisor Sales Support payments that are based on the amount of advisory account assets or advisory account transactions with a particular sponsor, or that are based on ERISA account assets. However, Flat Fee and Other Advisor Sales Support Sponsors can compensate us from assets of the mutual fund, the fund's investment manager, distributor or other fund affiliate's assets. While payments out of the fund's investment adviser, distributor or other fund affiliate's revenues or profits are not directly paid from the fund's assets, fund affiliate revenues or profits can, in part, be derived from fees earned for services provided to and paid for by the fund. Payments out of fund assets can lower investor returns and performance over time. Lincoln Investment can also receive Shareholder Services Fees from the same fund families and investment advisers that provides Sales and Marketing Support, and Shareholder Services Fees are in addition to the payment of Sales and Marketing Support fees. These sources of payments are a conflict of interest to Lincoln Investment to recommend and promote those fund families over other fund families that do not provide Sales and Marketing Support or that provide lower amounts of Sales and Marketing Support.

**Flat Fee Sponsors.** Lincoln Investment 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 Lincoln Investment's Advisors, at Lincoln Investment sponsored events, on such topics as advisory products and services offered through its own investment adviser or one or more of its affiliated investment advisers, practice management, financial tools and technology to assist in the monitoring and servicing of accounts, 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 adjusted annually and is not based on the assets or sales of their proprietary products or services. Sponsors can compensate us 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 Lincoln Investment sponsored events and other educational and outreach tools and services.

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 associated with one or all three registered investment advisers. The higher the annual flat fee payment, the more events the sponsor will be invited to attend. These 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 2018, the financial support of the Flat Fee Sponsors paid to Lincoln Investment as allocated by assets across the three Lincoln Investment affiliated registered investment advisers (Lincoln Investment Planning, LLC, Capital Analysts, LLC and Legend Advisory, LLC) did not exceed 2% of total revenue for any of the affiliated registered investment advisers and in aggregate was approximately one percent of the combined revenue for all these affiliated registered investment advisers. We do not believe that these revenues are material. In 2018, Flat Fee Sponsors who compensated Lincoln Investment with a flat fee payment, and offer a fund or advisory program that could be used in our advisory programs, in order from highest to lowest payment were Russell Investments, Meeder Financial, CLS Investments, LLC, ICON Advisers, Inc., American Funds, Clark Capital Management, Putnam Investments, StoneCastle, Federated Investors, JP Morgan, Lord Abbett, Franklin Templeton Investments, DoubleLine, Invesco and Oppenheimer Funds.

Some of the Flat Fee Sponsors' revenue may be used by Lincoln Investment to support the ongoing operational expenses of Lincoln Investment, Capital Analysts and Legend Advisory, and not used solely for sales and marketing support.

**Conflicts to both Commission and Fee-Based Business Other Advisor Sales Support.** From time-to-time, product sponsors and third party 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 Investment, 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 financial support is not based on client assets or transactional sales.

**Advisory Account Fiduciary Conflicts.** Your Advisor, Lincoln Investment, Capital Analysts and Legend Advisory have a supervisory duty to periodically monitor clients' portfolios in investment advisory accounts to monitor 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 such activities on a periodic basis, including, but not limited to, 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 your needs.

**Lincoln Investment's Other Businesses.** The principal business of Lincoln Investment, Capital Analysts and Legend Advisory is as an investment adviser. The majority of The Lincoln Investment Companies' revenues come from the advisory fees we collect from you. As a 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, reallowances, trailing commissions from annuity sales, and persistency bonuses on insurance and other sources. Lincoln Investment, acting as both a broker-dealer and registered investment adviser, could be deemed a conflict of interest. Advisors are also conflicted when making recommendations as they can offer both commissionable as well as fee-based business. The decision of fee-based or commission-based is dependent on the client and the client's needs.

Your Advisor may also be associated with one or more of Lincoln Investment's affiliated investment advisers, Lincoln Investment, Capital Analysts or Legend Advisory. These affiliated relationships present a conflict of interest. Through his



or her affiliation with one more registered investment adviser, 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 registered investment adviser. You always have the option to purchase advisory services, securities products or insurance through non-affiliated investment advisers, brokers or agents.

Advisors who have significant advisory assets within our advisory programs receive higher percentages of the Advisory Fee than those who have lower advisory assets in our advisory programs. This creates a conflict of interest for Advisors to recommend Lincoln Investment and its affiliated registered investment advisers' offerings over other third party advisory offerings. Most of Lincoln Investment'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.** Lincoln Investment offers sales contests that may provide additional incentives to your Advisor to offer advisory services managed by the IM&R Team over third party advisory services. Lincoln Investment 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 and The Lincoln Investment Companies with a conflict of interest and an incentive to offer you fee-based advisory services over commission-based brokerage services and advisory services managed by the IM&R Team over third party advisory services. Top achievers in these contests may receive Lincoln-sponsored trips, cash prizes, bonus commissions, points to achieve recognition club status, 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, Lincoln Investment, Capital Analysts and Legend Advisory and their investment advisory representatives recognize they have a fiduciary duty to investment advisory clients under federal and state securities laws. Although Lincoln Investment does not offer specific product sales incentives for securities products, issuers of non-securities insurance products, such as fixed annuity issuers, may offer sales incentives to Advisors, such as in the form of cash bonuses and trips if certain sales thresholds are met. 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 Investment'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) obtaining their explicit endorsement; or (4) covering their administrative costs for the processing of payroll contributions.

**Loans and Advances.** On occasion, The Lincoln Investment Companies 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 total compensation, assets under management threshold or other financial contingency exists, this conflict of interest will be disclosed in the Advisor's Form ADV Part 2B, which is required to be delivered by the Advisor to every client. We supervise 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.

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

#### **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 Pershing retirement plan platform offerings. As an authorized agent, Lincoln Investment performs the retirement plan administrative and custodial duties, such as, recordkeeping, client communications, trade confirmations, account statements and tax reporting, and monitors all deposits and withdrawals for compliance with IRS regulations associated with the specific retirement plan. Lincoln Investment also collects on behalf of UMB Bank, n.a. the custodial fee for these retirement plan accounts, and, retains a significant portion of the custodial fee collected. This creates a financial inducement to encourage Advisors to recommend to you these retirement plan platforms over other retirement plan custodial platforms.

## **VII. ACCOUNT INVESTMENT OBJECTIVE**

The investment objective, along with other factors, will help determine a suitable investment strategy. If your account



is a retirement account [such as an IRA, 403(b), 457, 401(k)], we may assume your primary investment objective is Retirement Accumulation (RA). If your account is a 529 Education Savings Plan or Coverdell Education Savings Account, we may assume your primary investment objective is Educational Savings (ES). For all other accounts, the primary investment objective may be assumed as Asset Accumulation/Growth (AA), unless otherwise specified by you. If at any time you would like to revise your account's investment objective, please contact your Advisor. The objectives are defined as follows:

- **Retirement Accumulation (RA):** Seeking account appreciation to satisfy your retirement needs.
- **Educational Savings (ES):** Seeking account appreciation to satisfy educational needs for your children or other family members.
- **Current Income (CI):** Seeking a stream of current income for immediate financial needs.
- **Growth & Income/Balanced (GI):** Seeking current income generation and account appreciation for both immediate and long-term financial needs.
- **Asset Accumulation/Growth (AA):** Seeking account appreciation to add wealth.
- **Speculation (SP):** Seeking to maximize account appreciation and are willing to accept above-average market volatility and losses.

## **VIII. ACCOUNT RISK TOLERANCE**

Investing involves risk. Different investment products and strategies involve different degrees of risk. The higher the expected return of a product or strategy, the greater the risk that you could lose a significant part of your investment. When choosing the Account Risk Tolerance Level, first consider your personal tolerance for market fluctuation. Then, consider your investment objective, time horizon and liquidity needs for the assets in the account.

- **Conservative (Low):** A conservative investment account seeks to minimize volatility rather than to seek appreciation. Generally this investment account seeks to minimize market risk and loss, which may result in performance that is less than the rate of inflation.
- **Moderately Conservative:** A moderately conservative investment account would experience a small degree of market risk or volatility to achieve some degree of appreciation. This investment account may experience some loss.
- **Moderate (Medium):** A moderate investment account seeks to balance market risk and volatility with expected returns. This investment account may experience some losses in exchange for the potential of long-term gains.
- **Moderately Aggressive:** A moderately aggressive investment account primarily seeks higher long-term returns and has the likelihood for significant volatility. This investment account may experience large losses in exchange for the potential of higher long-term gains.
- **Aggressive (High):** An aggressive investment account seeks to maximize returns and may experience a very high degree of volatility. This investment account has the potential to deliver significant losses as well as significant long-term gains.

## **IX. TAX AND LEGAL ADVICE**

The Lincoln Investment Companies do not provide tax or legal advisory services and no one associated with The Lincoln Investment Companies is authorized to render such advice as a service provided through The Lincoln Investment Companies. Investors are encouraged to consult their tax and/or legal advisor to determine the appropriate tax/legal treatment of their transactions.

## **X. CHECK HANDLING**

For your safety and protection and to ensure prompt processing of your investments, make your investment checks payable to the applicable product sponsor or custodian entity (Lincoln Investment, Pershing LLC or the applicable custodian and/or fund/insurance company) and never to your Advisor and/or his/her business entity. Furthermore, your check may be held by us for up to seven (7) business days after receipt of a complete and correct application by an Office of Supervisory Jurisdiction in order to complete the firm's account opening processes in compliance with applicable FINRA, SEC and Anti-Money Laundering rules.

## **XI. SALES OF SECURITIES ON MILITARY INSTALLATIONS TO MEMBERS OF THE U.S. ARMED FORCES**

The securities offered are not being offered or provided by Lincoln Investment on behalf of the federal government, nor are they sanctioned, recommended, or encouraged by the federal government. Securities are offered through Lincoln Investment, Broker/Dealer, Member FINRA/SIPC.

## **XII. TRUSTED CONTACT PERSON**

By choosing to provide information about a Trusted Contact Person (TCP), you authorize The Lincoln Investment Companies and your Advisor, although not obligated, to contact the TCP(s) provided and disclose information about your

account to that person(s) in the following circumstances: to address possible financial exploitation or fraud, to confirm the specifics of your current contact information, health status, or the identity of any legal guardian, executor, trustee or holder of a power of attorney, or in cases where the firm has been asked to conduct activity in your account and the firm has reasonable belief that you may be the subject of financial exploitation. The TCP must be age 18 or older and not someone authorized to transact business on your account. Naming someone a TCP does not allow that person to transact business on your behalf, nor to receive your confidential information regarding account holdings, such as account numbers, values, balances, etc. We also advise that you name two (2) TCPs in the event one of the TCPs is unavailable. You may change your TCP at any time by notifying Lincoln Investment or your Advisor. The TCPs provided will apply to all accounts held at the firm.

## EDUCATION

### I. DOLLAR COST AVERAGING

Dollar cost averaging is an investment strategy designed to help reduce volatility in which securities are purchased in fixed-dollar amounts at regular intervals, regardless of the direction in which the market is moving. Thus, as prices of securities rise, fewer shares/units are bought, and as prices fall, more share/units are bought. A plan of regular investing does not assure a profit or protect against loss in a declining market. You should consider your financial ability to continue your purchase through periods of fluctuating price levels.

### II. DIVERSIFICATION

Diversification is a portfolio strategy designed to help reduce exposure to market risk by combining a variety of investments which are unlikely to all move in the same direction. Diversification helps reduce both the upside and downside swings within the portfolio and allows for more consistent performance under a wide range of economic conditions. In an effort to meet diversification needs and goals, you may not qualify for breakpoint-sales-charge reductions that may otherwise be available. Furthermore, you should understand that there is no assurance that a diversified portfolio will produce better returns than an undiversified portfolio, nor does diversification assure against market loss.

### III. MUTUAL FUND CHARGES, DISCOUNTS & EXPENSES

Before investing in mutual funds, it is important that you understand the sales charges, expenses, and management fees that you will be charged, as well as the breakpoint discounts to which you may be entitled. Understanding these charges and breakpoint discounts will assist you in identifying the best investment for your particular needs and may help you reduce the cost of your investment. The information herein is intended to give you general background information about these charges and discounts. However, sales charges, expenses, management fees, and breakpoint discounts vary from mutual fund to mutual fund. Therefore, you should discuss these issues with your Advisor and review each mutual fund's prospectus and statement of additional information, which are available from your Advisor, to get the specific information regarding the charges and breakpoint discounts associated with a particular mutual fund.

#### Sales Charges

Purchasing mutual funds involves making certain choices, including which funds to purchase and which share class is most advantageous. Each mutual fund has a specified investment strategy. You need to consider whether the mutual fund's investment strategy is compatible with your investment objectives. Additionally, most mutual funds offer different share classes. Although each share class represents a similar interest in the mutual fund's portfolio, the mutual fund will charge you different fees and expenses depending upon your choice of share class.

#### Class "A" Shares

Class A shares are sold with an up-front sales charge. When anticipating a long-term holding period (6+ years) and/or a lump sum investment, Class A shares may be considered most appropriate for investments of \$100,000 or more. Volume discounts (breakpoints) are available on the sales charge as the size of your account and any related account holdings increase. Class A shares have a lower internal expense relative to Class B and Class C shares; therefore, when investing \$50,000 or more, Class A shares will generally start to outperform the "B" and "C" share alternatives between the 5th and 10th year. The standard Class A share maximum sales charge is 5.75%.

**Discounts:** If choosing Class A shares, you must also complete Lincoln Investment's Request for Reduced Sales Charges on Class A Shares Form or the applicable fund family's application form to receive eligible sales charge discounts.

#### Class "B" Shares

Class B shares are available for investments up to a maximum of \$99,999.99 in the aggregate, both in any one fund family and across families. Each Class B share purchase has no up-front sales charge but instead will charge a contingent deferred sales charge (CDSC) that declines over time if the investment is redeemed within a stated time period. Class B share purchases do not have the benefit of breakpoint/volume discounts; therefore, they are generally not appropriate for investments over \$100,000. **The industry average expense ratio for Class B shares exceeds that of Class A shares by approximately 0.52%. Typically, the higher internal cost and the CDSC will affect the performance of the fund relative to the Class A share alternative until the Class B shares convert to Class A shares.** Class B shares will convert

to Class A shares typically 6-8 years after purchase without an additional sales charge.

### Class “C” Shares

Class C shares are available for investments up to \$500,000 to \$1M, depending upon the fund family in which you are investing and at what investment level the fund provides Class A shares with a sales charge waiver. **With a few exceptions, Class C shares typically do not convert to Class A shares and the industry average expense ratio is typically higher than that of Class A shares by approximately 0.72%; therefore, for account sizes of \$100,000 or more, Class C shares will typically under-perform relative to Class A shares starting in the 5th year. Some Class C shares will automatically convert to the lower expense Class A share 10 years after their original purchase date.** Class C shares are most appropriate for small investment amounts and may be considered appropriate for short holding periods and/or if you are seeking the flexibility of transferring assets across mutual fund families. The broker/dealer receives from the mutual fund company a maximum 1% fee based on asset value on Class C share assets each year after the first 13 months. This fee is typically shared with the Advisor. No sales charge discounts are available, and Class C shares may charge a CDSC if the investment is redeemed within a certain time period.

### Replacing Investments

It is not the policy of Lincoln Investment to recommend replacing investments unless, having considered all fees involved, you believe that your investment or personal objectives will be better served. Be sure your Advisor has informed you of the costs and conditions that may be involved with replacing investments. Be sure to review the investment options of both the current and the proposed investment and understand that an exchange within the existing fund family into a different fund may be completed without incurring the costs involved in a replacement.

### SUMMARY OF TYPICAL SHARE CLASS DIFFERENCES

(as of November 2016)

Share Class	A	B	C
Initial Up-Front Sales Charge paid by Investor (maximum 5.75%)	Yes	No	Some
Contingent Deferred Sales Charge	No	Yes (typically charged first 6 years after purchase)	Yes (typically charged 12-18 mos after purchase)
Industry Average Mutual Fund Internal Expense Ratio	1.20%	1.72% (0.52% higher expense than Class A)	1.92% (0.72% higher expense than Class A)
Shares Convert to Class A Shares After a Stated Time Period	N/A	Yes (typically 8 years after purchase date)	Generally do not, but some funds do
Sales Charge Volume Discounts Available	Yes	No	No
Average Sales Charge Paid to Broker/Dealer	4.00%	4.00%	1.00%
Annual Asset-Based Service Fee Paid to Broker/Dealer on Assets	Average 0.24%	Average 0.25%	Average 0.94%

### Breakpoint Discounts

In general, most mutual funds provide breakpoint discounts to investors who make large purchases at one time. The extent of the discount depends upon the size of the purchase. Generally, as the amount of the purchase increases, the percentage used to determine the sales charge decreases. In fact, the entire sales charge may be waived for investors that make very large purchases of Class A shares (typically \$1 million or more). Mutual fund prospectuses contain tables that illustrate the available breakpoint discounts and the investment levels at which breakpoint discounts apply. Additionally, most mutual funds allow investors to qualify for breakpoint discounts based upon current holdings from prior purchases through “rights of accumulation,” and future purchases, based upon “letters of intent.” However, mutual funds have different rules regarding the availability of rights of accumulation and letters of intent. Therefore, you should discuss these issues with your Advisor and review the mutual fund prospectus to determine the specific terms upon which a mutual fund offers rights of accumulation or letters of intent.

- **Rights of Accumulation:** Many mutual funds allow investors to count the value of previous purchases of the same fund, or another fund within the same fund family, with the value of the current purchase, to qualify for breakpoint discounts. Moreover, mutual funds allow investors to count existing holdings in multiple accounts, such as IRAs or fund assets at other broker/dealers, to qualify for breakpoint discounts. Therefore, if you have accounts at other broker/dealers and wish to take advantage of those balances to qualify for a breakpoint discount, you must advise your Advisor and provide documentation of these mutual fund holdings.

In addition, many mutual funds allow investors to count the value of holdings in accounts of certain related parties, such as spouses or children, to qualify for breakpoint discounts. Each mutual fund has different rules that govern when relatives may rely upon each other's holdings to qualify for breakpoint discounts. You should consult with your Advisor or review the mutual fund's prospectus or statement of additional information to determine what these rules are for the fund family in which you are investing. If you wish to rely upon the holdings of related parties to qualify for a breakpoint discount, you should advise your Advisor and provide the necessary documentation.

Mutual funds also follow different rules to determine the value of existing holdings. Some funds use the current net asset value (NAV) of existing investments and some use public offering price (POP) in determining whether an investor qualifies for a breakpoint discount. However, a small number of funds use the historical cost, which is the cost of the initial purchase, to determine eligibility for future breakpoint discounts. If the mutual fund uses historical costs, you may need to provide account records, such as confirmation statements or monthly statements, to qualify for a breakpoint discount based upon previous purchases. You should consult with your Advisor and review the mutual fund's prospectus to determine whether the mutual fund uses either NAV, POP or historical costs to determine breakpoint eligibility.

- **Letters of Intent:** Most mutual funds allow investors to qualify for breakpoint discounts by signing a letter of intent, which commits the investor to purchasing a specified amount of Class A shares within a defined period of time, usually 13 months. For example, if an investor plans to purchase \$50,000 worth of Class A shares over a period of 13 months, but each individual purchase would not qualify for a breakpoint discount, the investor could sign a letter of intent at the time of the first purchase and receive the breakpoint discount associated with the \$50,000 investment on the first and all subsequent purchases. Additionally, some funds offer retroactive letters of intent that allow investors to include purchases in the past 90 days to qualify for a breakpoint discount; however, if an investor fails to invest the amount required by the letter of intent, the fund is entitled to retroactively deduct the correct sales charge based upon the amount that the investor actually invested. If you intend to make several purchases within a 13-month period, you should consult your Advisor and the mutual fund prospectus to determine if it would be beneficial for you to sign a letter of intent.
- **Other Sales Charge Waivers:** Most fund families also offer a right to exchange holdings of a fund within that fund family for another fund within the fund family, without an additional sales charge. Various conditions and restrictions may apply, depending on the fund family and are outlined within the prospectus. Some of those conditions and restrictions relate to:
  - Time frame (e.g., shares must be held for a specific time period prior to the exchange)
  - Exchanges may be limited to the same share class
  - Exchanges may be limited to a maximum number per year
  - Fees may be charged for certain exchanges

In addition, some families of funds offer a reinstatement feature. This permits an investor that previously owned shares in a mutual fund to repurchase shares in the same fund (or in another fund within the same fund family) without paying an additional sales charge. Some restrictions may apply; for instance, there may be a time limit (e.g., six months or a year from the date of the initial sale) within which the reinstatement feature must be exercised or it is lost. Funds may also limit the use of their reinstatement feature by an investor to one time for any given group of shares. Contingent deferred sales charges, paid by an investor at the time of sale, may be reimbursed upon reinstatement, depending upon the terms stated in the prospectus. Additionally, some fund families permit reinstatement at net asset value if the monies being reinstated are coming from the sale of shares from a different fund family where the investor previously paid a sales charge.

Some fund families offer Sales Load Waivers to 403(b) retirement plan participants and certain non-profit organizations. Because our Advisors are compensated for the advice they provide, those funds that offer Sales Load Waivers may not be recommended to you for your brokerage accounts. The firm may continue to offer these Sales Load Waiver funds in advisory fee-based accounts.

As you can see, understanding the availability of breakpoint discounts is important because it may allow you to purchase Class A shares at a lower sales charge. The availability of breakpoint discounts and sales load waivers may save you money and affect your decision regarding the appropriate share class in which to invest. Therefore, you should discuss the availability of breakpoint discounts with your Advisor and carefully review the mutual fund prospectus and its statement of additional information. If you would like to learn more about mutual fund share classes or mutual fund breakpoints, you may wish to review the investor alerts available on the FINRA web site. See [www.finra.org](http://www.finra.org) or visit the many mutual fund web sites available to the public.

### **Expense Ratio of the Fund**

Another factor that should be considered before investing in a mutual fund is the underlying costs associated with your anticipated investment, or the fund's Expense Ratio. The fund's Expense Ratio, the length of time you expect to hold the investment and how much you intend to invest, will all directly affect the performance of the fund relative to the share class



decision. Overall, equity funds have a higher Expense Ratio relative to bond funds. The share class chosen also affects the Expense Ratio. Class A shares of a fund have a lower Expense Ratio relative to Class B and Class C shares. A higher underlying management cost of the fund can affect the performance of the fund. Typically, when a large investment is held for six or more years, Class A shares will outperform the Class B and Class C shares of the same fund due to the lower internal expense. Let's look at an example.

### How the Hypothetical Results Compare

The tables below show the values of hypothetical investments with a hypothetical 5% annual rate of growth using different share classes. Actual results will vary. As you will note, the share class decision, the length of time you expect to hold the investment and how much you intend to invest, will all directly affect the performance of your investment.

Values of hypothetical \$10,000 investment: Shading indicates best performing share class for time period.			
Hold Period	1 Year	5 Years	10 Years
Class A shares (with 5.75% up-front sales charge)	\$9,896	\$12,029	\$15,352
Class B shares	\$10,448/\$9,629*	\$12,450/\$12,325*	\$15,655
Class C shares	\$10,428	\$12,331	\$15,206

Values of hypothetical \$50,000 investment: Shading indicates best performing share class for time period.			
Hold Period	1 Year	5 Years	10 Years
Class A shares (with 5.75% up-front sales charge)	\$50,138	\$60,942	\$77,780
Class B shares	\$52,240/\$48,144*	\$62,249/\$61,627*	\$78,273
Class C shares	\$52,140	\$61,656	\$76,029

Values of hypothetical \$100,000 investment: Shading indicates best performing share class for time period.			
Hold Period	1 Year	5 Years	10 Years
Class A shares (with 5.75% up-front sales charge)	\$101,325	\$123,161	\$157,188
Class B shares	\$104,480/\$96,289*	\$124,499/\$123,254*	\$156,547
Class C shares	\$104,280	\$123,312	\$152,058

As of December 2016

*\*Where appropriate, these hypothetical tables show both account value and redemption value of Class B shares (contingent deferred sales charge is subtracted for years 1 and 5). Investors should review carefully the investment objectives, risks, charges, expenses and other important information that is contained in the prospectus and/or Statement of Additional Information, which can be obtained from your Advisor and should be read carefully before investing.*

*These tables compare hypothetical investments in an equity fund with all distributions reinvested and are not meant to illustrate actual results. Class A share results were calculated using a net return of 5% (after all fees and expenses deducted) and reflect payment of appropriate front-end sales charges. Class B share results were calculated using a 4.48% return over the first eight years, which represents a 5% A share return (after expenses) adjusted for typical additional expenses of 0.52%. In years 9 and 10, a 5% return was used since B shares convert to A shares typically after eight years. Class C share results were calculated using a 4.28% return which represents a 5% A share return (after expenses) adjusted for typical additional expenses of 0.72%.*

### Share Values Fluctuate

Shares, when redeemed, may be worth more or less than the total invested, depending on the market value of the securities in the investment at that time. While redemptions may be made at any time, because of the costs and charges, mutual funds may not be considered appropriate for short-term needs. Yields and returns change and are not guaranteed. These securities are not FDIC insured.



This information is intended to educate you as to the material differences between mutual fund share classes. You should consider this information whenever you make mutual fund purchases. Your Advisor can assist you in understanding this information and will answer any of your questions.

#### **IV. TREASURY BILLS/NOTES**

Treasury bills/notes are negotiable debt obligations issued by the U.S. government and backed by its full faith and credit. Treasury bills have a maturity of one year or less; treasury notes have a maturity between 1 and 10 years. If not held to maturity, principal will fluctuate and may be worth more or less. Guarantee applies only to the timely payment of principal and interest and does not pertain to the portfolio, mutual fund, or variable annuity holding such securities.

#### **V. MUNICIPAL BONDS**

A municipal bond is a bond issued by a city or other local government, or their agencies. Potential issuers of municipal bonds include cities, counties, redevelopment agencies, special-purpose districts, school districts, public utility districts, publicly owned airports and seaports, and any other governmental entity (or group of governments) below the state level. Municipal bonds may be general obligations of the issuer or secured by specified revenues. Interest income received by holders of municipal bonds is often exempt from federal income tax and from the income tax of the state in which they are issued, although municipal bonds issued for certain purposes may not be tax exempt. Key information about new issues of municipal bonds (including, among other things, the security pledged for repayment of the bonds, the terms of payment of interest and principal of the bonds, the tax-exempt status of the bonds, and material financial and operating information about the issuer of the bonds) typically is found in the issuer's official statement. Official statements generally are available, at no charge, from the Electronic Municipal Market Access system (EMMA) at [www.emma.msrb.org](http://www.emma.msrb.org) operated by the Municipal Securities Rulemaking Board (MSRB), the municipal bond market regulator. For most municipal bonds issued in recent years, the issuer is also obligated to provide continuing disclosure to the marketplace, including annual financial information and notices of the occurrence of certain material events (including notices of defaults, rating downgrades, events of taxability, etc.). Continuing disclosures also are available for free from the EMMA continuing disclosure service.

#### **VI. BOND FUNDS**

A bond fund is comprised of debt securities issued by governments and government agencies, corporations and municipalities. Bond fund underlying investments are essentially lending money (principal) to that entity (issuer) for a certain period of time (term). In exchange, the issuer promises to repay the principal on the maturity date and in exchange you receive interest on your investment. Bond funds market value may rise or fall depending on economic conditions. Although bond funds may pay higher yields than other fixed income investments (sometimes due to the fact that they may contain a high proportion of less-than-investment grade bonds [so-called junk bonds]), it does not negate the fact that the market value of all bonds fluctuates. Their net asset values are sensitive to interest rate movements (a rise in interest rates can result in a decline in value of the investment) and other factors. Therefore, upon redemption, your share value may be worth more or less than your original investment.

#### **VII. SMALL AND MID-CAP FUNDS**

Small and mid-cap funds are classified by the underlying company's market capitalization (the "cap" in small and mid-cap), but generally can be defined by a company's annual revenue. Small and mid-cap funds may be subject to a higher degree of risk than larger, more established companies, including higher risk of failure and higher volatility. The illiquidity of the small and mid-cap markets may adversely affect the value of these investments, so those shares, when redeemed, may be worth more or less than their original cost.

#### **VIII. SECTOR FUNDS**

A sector fund is a mutual fund which invests entirely or predominantly in the securities of a single sector, or broad industry group, to which it belongs (for example: communication services, energy, health care and technology). Investing in a particular sector means you are concentrating your investments in one specific area of the market. An investment concentrated in sectors and certain industries may involve greater risk and volatility than a more diversified investment.

#### **IX. EXCHANGE TRADED FUNDS**

Traditional exchange traded funds (ETFs) are typically registered as unit investment trusts (UITs) or open-end investment companies whose shares represent an interest in a portfolio of securities that track an underlying benchmark or index. Some ETFs that invest in commodities, currencies or commodity- or currency-based instruments are not registered as investment companies. Unlike traditional UITs or mutual funds, shares of ETFs typically trade throughout the day on an exchange at prices established by the market. These ETFs are not managed by the issuer.

Non-traditional "leveraged" ETFs seek to deliver multiples of the performance of the index or benchmark they track. Some leveraged ETFs are "inverse" or "short" funds, meaning that they seek to deliver the opposite of the performance of the index or benchmark they track. Some funds are both short and leveraged, meaning that they seek to achieve a return that is a multiple of the inverse performance of the underlying index. To accomplish their objectives, leveraged and inverse ETFs pursue a range of investment strategies through the use of swaps, futures contracts and other derivative investments, which

expose the ETF, and you, to additional risks.

Due to the effect of mathematical compounding in a leveraged or inverse ETF, holding this type of investment for more than a day can produce returns that differ significantly from the performance (or inverse of the performance) of their underlying index or benchmark during the same period of time. The effect can be magnified in volatile markets; therefore, they are not suitable for every investor. Investments in leveraged and/or inverse ETFs may be susceptible to higher degrees of risk exposure than other equity securities products. Accordingly, you may lose some or all of your initial principal investment in these securities. While there may be trading and hedging strategies that may justify holding these investments longer than a day, if you are a buy-and-hold investor with an intermediate or long-term time horizon, you should carefully consider whether leveraged and/or inverse ETFs are appropriate for your portfolio as they may not be appropriate for investors who do not actively monitor and manage their portfolio.

Leveraged and/or inverse ETFs may be more costly than traditional ETFs and may also be less tax-efficient, in part because daily resets can cause the ETF to realize significant short-term capital gains that may not be offset by a loss. Please consult with your qualified tax advisor about your particular situation and the consequences of investing in a leveraged and/or inverse ETF.

## **X. INTERNATIONAL INVESTING**

International investing includes stocks and bonds of companies outside the United States. International investing involves special risks including, but not limited to, the possibility of substantial volatility due to currency fluctuation and political uncertainties.

## **XI. MONEY MARKET FUNDS**

A money market fund is an open-end mutual fund. These funds invest in short-term (one day to one year) debt obligations such as treasury bills, certificates of deposit, and commercial paper. The main goal is preservation of principal, accompanied by modest dividends. The fund's net asset value strives to remain a constant \$1.00 per share to simplify accounting, but the interest rate does fluctuate. Money market funds are very liquid investments. An investment in a money market fund is not insured or guaranteed by the FDIC or any other government agency. Although a money market fund seeks to preserve the value of your investment at \$1.00 per share, it is possible to lose money by investing in the fund.

## **XII. 529 EDUCATION SAVINGS PLANS**

529 Education Savings Plans (529 Plans) allow you to contribute to an investment account set up specifically to pay your beneficiary's qualified higher education expenses, such as tuition, fees, books supplies, and room and board. In addition, The Tax Cuts and Jobs Act that was signed into law on December 22, 2017 allows for up to \$10,000 a year per beneficiary in tax free distributions from a 529 Plan if used for tuition incurred for enrollment or attendance at a public, private, or religious elementary or secondary school. Check with the sponsor of your 529 Plan prior to withdrawing funds, for elementary or secondary school expenses as states will first need to update their own tax codes in order to allow the 529 Plan sponsors to maintain all the existing tax benefits of saving in a 529 Plan account if using the money for elementary or secondary school education. Participation in a 529 Plan does not guarantee that contributions and investment return, if any, will be adequate to cover future tuition and other education expenses or that a beneficiary will be admitted to or permitted to continue to attend an educational institution. Contributors to the program assume all investment risk, including potential loss of principal and liability for penalties such as those levied for non-educational withdrawals. Depending upon the laws of the home state of the contributor or designated beneficiary, favorable state tax treatment or other benefits offered by such home state for investing in 529 Plans may be available only if the contributor invests in the home state 529 Plan. Any state-based benefit offered with respect to a particular 529 Plan should be one of many appropriately weighted factors to be considered in making an investment decision.

Assets in a 529 Plan can potentially reduce the beneficiary's ability to qualify for some forms of financial aid. You should consult with your financial, tax or other adviser to learn more about how state-based benefits (including any limitations) would apply to your specific circumstances, and you also may wish to contact your home state or any other 529 Plan to learn more about the features, benefits and limitations of your state's 529 Plan.

Information about the designated beneficiary selected for the 529 Plan, including (among other things) information regarding the age of the beneficiary and the number of years until funds will be needed to pay qualified education expenses of the beneficiary, are important to consider. In many cases, the same investment options in a 529 Plan are available with different commission structures. For example, a Class A share may have a front-end load, a Class B share may have a contingent deferred sales charge or back-end load that reduces in amount depending upon the number of years that the investment is held, and a Class C share may have an annual asset-based charge. Therefore, the account's investment objective—particularly, the size of the initial investments and the number of years until the first anticipated withdrawal for educational purposes is expected to be made—can be a significant factor in determining which share class would be suitable for this investment. In addition, breakpoint discounts on Class A share purchases are often available and should be an additional consideration when determining the appropriate share class. In general, Class A shares will result in the lowest total cost for beneficiaries under 12 years old if the account's intended purpose is to help fund college education

expenses and will not be used for primary or secondary education expenses. Other factors to take into consideration when selecting a share class are the differences in the internal expenses of each share class and whether the share class you are considering converts to a lower expense share class after a certain holding period. Choosing the right share class depends on a number of factors, such as whether you will be making a single lump sum deposit to the account, whether you will be making periodic or systematic deposits over years to the account, the amount of the deposits and when you anticipate first accessing the funds for the beneficiary's education expenses.

The Financial Industry Regulatory Authority (FINRA) has developed an expense calculator to help investors calculate and compare the fees and expenses for 529 plans ([www.finra.org/529analyzer](http://www.finra.org/529analyzer)).

Although, on the surface, it may appear that a transfer from a Uniform Gifts to Minors Act (UGMA) or Uniform Transfers to Minors Act (UTMA) account to a 529 Plan could only be a "win-win" situation (e.g., no longer need to pay current taxes on earnings; higher contribution limits, etc.), there are significant tax and legal considerations that you should review before making this type of transfer.

- Because the custodian of a UGMA/UTMA must first sell the assets in the UGMA/UTMA account, the sale of the UGMA/UTMA assets will be taxable.
- When the custodian invests the proceeds of a UGMA/UTMA, the beneficiary of the 529 Plan account must be the same as the beneficiary of the UGMA/UTMA account and cannot be changed.
- Upon receipt of notification that the beneficiary has reached the age of majority (18 or 21 in most states), the beneficiary of the 529 Plan will become the account owner. Be aware that financial aid may be impacted due to the fact that this becomes an asset of the beneficiary.

Complete information, including a description of fees, expenses and risks, is found in the issuer's official offering statement or program description. These official disclosure statements generally are available, at no charge, from the Electronic Municipal Market Access system (EMMA) at [www.emma.msrb.org](http://www.emma.msrb.org) operated by the Municipal Securities Rulemaking Board (MSRB), the municipal fund securities market regulator. Continuing disclosures also are available for free from the EMMA continuing disclosure service.

We also encourage you to go to the College Savings Plan Network website at [www.collegesavings.org](http://www.collegesavings.org) to view information on all fifty states' college savings plans, including links to each state's 529 Plan issuer's website. Consider the place of various education planning vehicles in the context of the overall financial plan with the appropriate professional(s).

### **XIII. VARIABLE ANNUITIES**

Before you invest in a variable annuity, it is important that you understand the following material features: (1) the surrender period; (2) potential surrender charge; (3) potential tax penalty if you sell or redeem the variable annuity before you reach the age of 59 ½; (4) mortality and expense fees; (5) asset management fees; (6) charges for and features of enhanced riders, if any; (7) the insurance and investment components of the variable annuity; and (8) market risk. Understanding these issues will assist you in identifying whether or not a variable annuity and/or a particular type of variable annuity is right for your particular needs.

The information below is intended to give you general background information about various variable annuity features; however, these features will vary from variable annuity to variable annuity. Therefore, you should discuss these issues with your Advisor and review each variable annuity's prospectus and statement of additional information regarding the specific costs and conditions associated with a particular variable annuity.

#### **Variable Annuity Features**

A variable annuity is a contract that offers the following basic features not commonly found in mutual funds:

- Annuity payout options that can provide guaranteed income for life (annuitization).
- Guaranteed death benefit (may not be available on all contracts or after a certain age).
- Tax-deferred treatment of earnings. If your annuity is a tax-qualified retirement plan (e.g., 403(b), IRA, etc.), this tax-deferred accrual feature is already provided by the tax-qualified retirement plan; therefore, is not a benefit of the annuity.
- Many, but not all, insurance companies provide for limited withdrawals that are free of surrender penalties. Please be aware that these withdrawals will reduce the contract value and the value of any income and death benefit. Withdrawals may be included in taxable income and subject to a 10% federal tax penalty.
- Additional features, including living benefit guarantees, differ by product.
- Free-look period whereby you may terminate the contract without surrender charge. This free-look period begins the day you receive your contract; the period varies by insurance company and state, but generally the average is 10 days.

#### **Comparison to Mutual Fund Investing**

- Sub-accounts, found on all variable products, are a series of investment choices similar to, but not the same as, mutual funds.

- Costs of annuities are typically higher than those of mutual funds, and therefore will have an impact on the long-term performance of your investment.
- While a sub-account may have a name similar to a mutual fund, it is not the same pool of funds and may experience different performance than the mutual fund of the same or similar name.

#### **Non-Qualified Account Issues**

- Annuity withdrawals (earnings but not principal) are taxed at ordinary income rates, rather than the lower capital gain rates.
- Earnings withdrawn prior to age 59 ½ are subject to 10% tax penalty.
- Most variable annuities do not receive a “step-up” in cost basis when the owner dies.
- Residents of certain states are subject to state premium tax (e.g., CA, FL, ME, NV, SD, WV, WY).

#### **Insurance Company Financial Ratings**

- Insurance company guarantees are subject to the claims-paying ability of the issuing insurance company; therefore, the ongoing financial strength of the insurance company plays an important role in your investment. The financial ratings of the issuing insurance company do not apply to any non-guaranteed sub-accounts that will fluctuate in response to market conditions and other factors.

#### **Long Term Investment/Illiquidity**

- Variable annuities are considered illiquid and are generally designed to be a long-term investment. You should ensure that you have sufficient funds from other sources to meet your liquidity needs in excess of the unrestricted withdrawals offered by the contract.
- Withdrawals, in excess of any free withdrawals, may subject you to charges.
- Earnings withdrawn prior to age 59½ may be subject to a 10% tax penalty.
- Early withdrawals (including liquidations free of withdrawal charges) may affect your guaranteed benefits.

#### **Replacing Investments**

- It is not the policy of Lincoln Investment to recommend replacing investments unless, having considered all fees involved, you believe that your investment or personal objectives will be better served. Be sure your Advisor has informed you of the costs that may be involved with replacing investments. Be sure to review the investment options of both the current and the proposed investment, and understand that an exchange within the existing variable annuity into a different sub-account may be completed without incurring the costs involved in a replacement.

#### **Risk of Investing – Unit Value of Sub-Accounts Fluctuate**

- Investments in sub-accounts are subject to market risk. Please ensure that the sub-accounts you have selected are in alignment with your risk tolerance. When you redeem, you may receive more or less than the amount you invested, depending on the market value less any withdrawal charges at that time. Yields and returns fluctuate and are not guaranteed; therefore, sub-account values will also fluctuate accordingly and are not guaranteed.

#### **Special Benefits (Living Benefits, Enhanced Death Benefits, Bonus Benefits, etc.)**

- The availability and conditions of these benefits may be different with each variable annuity contract. With some contracts, the features are optional, while with others, the features are not available or are built into the basic costs. **All require that certain conditions are met prior to receiving the benefit (e.g., require annuitization, only payable as a death benefit, available after investment is held for a specified period, payout required over a specified period, etc.).** Please review the prospectus for the specific conditions and costs of each feature.
- Variable annuities with bonus credits generally carry higher expenses and surrender charges, and typically have longer surrender-charge periods, which may outweigh the benefit of the bonus credit offered. A bonus may only apply to the initial premium payment, or to premium payments you make within the first year of the annuity contract. Further, under certain circumstances, some annuity contracts may reduce or eliminate bonus payments made to you.
- The long-term advantage of the optional benefits will vary due to the investment performance and length of time the annuity is held.

#### **Fixed Account Option**

- Most insurance companies hold the assets deposited in the fixed-account option in a general account. The guaranteed return is backed by the financial strength of the insurance company. The ability for the insurance company to meet this guarantee depends on its continued financial strength.

#### **Short/No Surrender Charge Schedule**

- The average surrender charge schedule for variable annuities may be between 5-8 years. Some annuities may offer shorter surrender charge periods for an additional charge. They may range from having no surrender charge (may be called a “C-Share”) to a surrender charge schedule of between 1-4 years (may be called an “L-Share”). In return for the increased



liquidity, as compared with some longer surrender charge schedules, the internal fees of the contract may be higher and generally do not decrease with the passage of time. When purchasing an optional long-term income rider in a short/no surrender charge contract and you choose to hold the annuity longer than the surrender charge period, the cost you paid for the shorter surrender option does not decrease; therefore, you will pay higher fees for the life of the contract. Furthermore, if you surrender the contract early (which is the benefit of the short/no surrender contract), you forfeit the benefits and the additional cost paid for the optional riders purchased. The overall performance of your contract will be impacted by the fees you pay. You should consider the total costs and benefits when purchasing an annuity contract.

#### **XIV. EQUITY/FIXED INDEXED ANNUITIES**

An equity-indexed annuity (also known as a fixed-indexed annuity) is a fixed annuity, either immediate or deferred, that earns interest or provides benefits that are linked to an external equity reference or an equity index. The value of the index might be tied to a stock or other equity index. One of the most commonly used indices is Standard & Poor's 500 Composite Stock Price Index (the S&P 500), which is an equity index. The value of any index varies from day to day and is not predictable. When you buy an equity-indexed annuity you own an insurance contract. You are not buying shares of any stock of index.

An equity-indexed annuity is different from other fixed annuities because of the way it credits interest to your annuity's value. Some fixed annuities only credit interest calculated at a rate set in the contract. Other fixed annuities also credit interest at rates set from time to time by the insurance company. Equity-indexed annuities credit interest using a formula based on changes in the index to which the annuity is linked. The formula decides how the additional interest, if any, is calculated and credited. How much additional interest you get and when you get it depends on the features of your particular annuity.

Your equity-indexed annuity, like other fixed annuities, also promises to pay a minimum interest rate. The rate that will be applied will not be less than this minimum guaranteed rate even if the index-linked interest rate is lower. The value of your annuity also will not drop below a guaranteed minimum.

For example, many single premium annuity contracts guarantee the minimum value will never be less than 87.5 % of the premium paid, plus at least 1% in annual interest (less any partial withdrawals). The guaranteed value is the minimum amount available during a term for withdrawals, as well as for some annuitization and death benefits. The insurance company will adjust the value of the annuity at the end of each term to reflect any index increases.

##### **Contract Features of Equity Indexed Annuities:**

Two features that have the greatest effect on the amount of additional interest that may be credited to an equity-indexed annuity are the indexing method and the participation rate. It is important to understand the features and how they work together. The following describes some other equity-indexed annuity features that affect the index-linked formula.

Since new equity indexed annuity products are being developed, the contract you are interested in may contain a feature that is not discussed in this section. If this is the case, ask your Advisor for an explanation that you understand.

- **Indexing Method:** The indexing method means the approach used to measure the amount of change, if any, in the index. Some of the most common indexing methods, which are explained more fully later on, include annual reset (ratcheting), high-water mark and point-to-point.
- **Term:** The index term is the period over which index-linked interest is calculated. In most product designs, interest is credited to your annuity at the end of a term. Terms are generally from one to ten years, with six or seven years being most common. Some annuities offer single terms while others offer multiple, consecutive terms. If your annuity has multiple terms, there will usually be a window at the end of each term, typically 30 days, during which you may withdraw your money without penalty. For installment premium annuities, the payment of each premium may begin a new term for that premium.
- **Participation Rate:** The participation rate decides how much of the increase in the index will be used to calculate index-linked interest. For example, if the calculated change in the index is 9% and the participation rate is 70%, the index-linked interest rate for your annuity will be 6.3% ( $9\% \times 70\% = 6.3\%$ ). A company may set a different participation rate for newly issued annuities as often as each day. Therefore, the initial participation rate in your annuity will depend on when it is issued by the company. The company usually guarantees the participation rate for a specific period (from one year to the entire term). When that period is over, the company sets a new participation rate for the next period. Some annuities guarantee that the participation rate will never be set lower than a specified minimum or higher than a specified maximum.
- **Cap Rate or Cap:** Some annuities may put an upper limit, or cap, on the index-linked interest rate. This is the maximum rate of interest the annuity will earn. In the example given above, if the contract has a 6% cap rate, 6%, and not 6.3%, would be credited. Not all annuities have a cap rate.
- **Floor on Equity Index-Linked Interest:** The floor is the minimum index-linked interest rate you will earn. The most common floor is 0%. A 0% floor assures that even if the index decreases in value, the index-linked interest that you earn will be zero and not negative. As in the case of a cap, not all annuities have a stated floor on index-linked interest rates. But

in all cases, your fixed annuity will have a minimum guaranteed value.

- **Averaging:** In some annuities, the average of an index's value is used rather than the actual value of the index on a specified date. The index averaging may occur at the beginning, the end, or throughout the entire term of the annuity.
- **Interest Compounding:** Some annuities pay simple interest during an index term. That means index-linked interest is added to your original premium amount but does not compound during the term. Others pay compound interest during a term, which means that index-linked interest that has already been credited also earns interest in the future. In either case, however, the interest earned in one term is usually compounded in the next.
- **Margin/Spread/Administrative Fee:** In some annuities, the index-linked interest rate is computed by subtracting a specific percentage from any calculated change in the index. This percentage, sometimes referred to as the "margin," "spread," or "administrative fee," might be instead of, or in addition to, a participation rate.

For example, if the calculated change in the index is 10%, your annuity might specify that 2.25% will be subtracted from the rate to determine the interest rate credited. In this example, the rate would be 7.75% ( $10\% - 2.25\% = 7.75\%$ ). The company subtracts the percentage only if the change in the index produces a positive interest rate.

- **Vesting:** Some annuities credit none of the index-linked interest or only part of it, if you take out all your money before the end of the term. The percentage that is vested, or credited, generally increases as the term comes closer to its end and is always 100% at the end of the term.

#### **Indexing Method Types:**

- **Annual Reset:** Index-linked interest, if any, is determined each year by comparing the index value at the end of the contract year with the index value at the start of the contract year. Interest is added to your annuity each year during the term.
- **High-Water Mark:** The index-linked interest, if any, is decided by looking at the index value at various points during the term, usually the annual anniversaries of the date you bought the annuity. The interest is based on the difference between the highest index value and the index value at the start of the term. Interest is added to your annuity at the end of the term.
- **Point-to-Point:** The index-linked interest, if any, is based on the difference between the index value at the end of the term and the index value at the start of the term. Interest is added to your annuity at the end of the term.

#### **Additional Benefits (Riders):**

Recently, this classification of products has become more enticing to investors by adding guarantees similar to investment programs offered from insurance companies. Utilization of such guarantees may increase cost, reduce performance, and limit liquidity.

Before investing in an EIA, you should ask your Advisor how the interest rate is calculated, and what indexing method is used. The issuing insurance company reserves the right to change the participation rates, interest rate caps, and margin/spread/administrative fee after the first contract year. Guarantees are subject to the claims-paying ability of the issuing insurance company. Therefore, financial ratings of the issuing insurance company are a critical factor when choosing an EIA. EIAs are not suitable for all individuals and are considered long-term illiquid investments. Withdrawals in excess of the free withdrawal privilege may incur surrender penalties and may negatively affect the way interest is credited to your contract. There may be a potential tax penalty if you redeem or withdraw from your annuity before you reach age 59 ½. Interest on many EIAs is credited retroactively depending on the index-calculation method. Death prior to an upcoming index-calculation date may result in a payout equal only to the value on the previous index-calculation date. Death benefits vary depending on the issuing insurance company; however, the insurance company will usually pay the full accumulation value to the beneficiary upon the death of the owner or annuitant. EIAs do not participate in dividends distributed from stocks of their respective index. You should discuss these issues with your Advisor and review each EIA to decide which meets your specific needs. Past performance of the index is no guarantee of future changes in the index or of future indexed earnings.

## **XV. FIXED ANNUITIES**

Fixed deferred annuities are not securities. Instead, a fixed deferred annuity is an insurance contract between you and an insurance company in which you pay a sum of money, either in a lump sum or through periodic contributions. Fixed deferred annuities pay a fixed rate of interest for a certain period, usually one to five years. Interest payments are contractual obligations of the insurance company. Refer to the policy for specifics regarding when interest is credited and how it is calculated. In reference to general account obligations and guarantees, the ability for the insurance company to meet these obligations to policyholders is subject to sufficient capital, liquidity, cash flow and other resources of the insurance company. Therefore, you will want to pay attention to the financial strength of the insurance company.

## **XVI. ILLIQUID ALTERNATIVE INVESTMENTS**

Illiquid Alternative Investments include Direct Participation Programs (DPPs), Non-traded Real Estate Investment Trusts

(REITs), Managed Futures, Business Development Companies, and Private Hedge Funds offerings. These Illiquid Alternative Investments are typically deemed highly speculative, illiquid and can only be offered by certain qualified Advisors to qualified or “accredited”\* investors with sufficient net worth and income to afford to purchase illiquid assets. To qualify for Illiquid Alternative Investment offerings, the investor must also possess a certain degree of financial sophistication, and the firm or the Advisor must have had a substantial pre-existing relationship with the investor prior to the offering. In many cases, the issuer or product sponsor will establish its own investor financial and sophistication qualifications, which may be more stringent than those stipulated by industry rules. Many of these investments are exempt from SEC registration requirements under Regulation D. Additionally, many of these investments have no established secondary market in which to trade. When such offerings are “private” offerings, advertising them to the public is prohibited.

- **Direct Participation Programs and REIT’s:** Direct Participation Programs (DPPs) are business ventures that are designed to let investors participate directly in the cash flow (and in some instances, tax benefits) of the underlying investment. These are generally passive investments that invest in such assets as real-estate or energy related ventures. DPPs are usually organized as a limited partnership or as a general partnership. Although, in the past, they have been used as tax shelters, tax legislation over the years has severely curtailed their tax benefits. These specialty investments may be registered with the SEC or may be exempt from SEC registration under Regulation D of the Securities Exchange Act of 1934. Unless registered with the SEC and publicly traded in an active secondary market, these investments are typically limited to accredited investors and 35 non-accredited investors, and deemed illiquid investments.
- **Managed Futures:** Managed Futures portfolio managers utilize futures contracts as an investment strategy. While Managed Futures can provide diversification and hedging techniques within an overall portfolio, many programs are offered as limited partnerships and are not actively traded in secondary markets. As such, many Managed Futures offered are only for accredited investors who can meet the minimum financial requirements and can cope with the illiquidity of the offering.
- **Business Development Companies (“BDC”):** A Business Development Company (“BDC”) is an investment program that offers investors direct access to investments in the private sector, mainly debt securities. BDCs are regulated under the Investment Company Act of 1940 and must generally invest at least 70% of assets in U.S. private companies or U.S. public companies valued under \$250 million. BDCs are required to distribute 90% of their earnings to shareholders in the form of a dividend.
- **Hedge Funds:** Hedge Funds typically employ very sophisticated investment techniques such as leverage and long/short positions using instruments such as options, futures and other derivatives in various world markets with a goal of generating extra-ordinary returns. Hedge Funds are often organized as private partnerships and are usually open to only a limited number of sophisticated accredited investors. Investments in Hedge Funds require a substantial initial investment, can be highly speculative and are typically illiquid.

\*Generally, an accredited investor includes an individual who has a net worth, or joint net worth with their spouse, that exceeds one million dollars (\$1 Million USD) at the time of purchase (excluding their primary residence) or whose annual income exceeds \$200,000 (\$300,000 joint income with a spouse) over the past two years and a reasonable expectation of the same income level in the current year. For more information about the definition of an accredited investor, go to [www.sec.gov/answers/accred.htm](http://www.sec.gov/answers/accred.htm).

## **XVII. OPTIONS**

A buyer of a stock option purchases the right to buy (Call Option) or sell (Put Option) a particular stock at a specified price (strike price) on or before a certain date (expiration date). The buyer is not obligated to exercise his or her right, but can lose ALL of his or her investment in the stock option if the price of the stock does not move in his or her favor prior to the option expiration date.

A seller of a stock option obligates himself or herself to buy (Call Option) or sell (Put Option) a particular stock at a specified price (strike price) on or before a certain date (expiration date). The seller is OBLIGATED to purchase (in the case of a call option) or sell (in the case of a put option) the specified security at the specified price if the purchaser of the option exercises his or her right.

Many options strategies can be considered to be VERY speculative, and investors who participate in the options market should possess substantial investment experience. In order to buy or sell options, you must have an executed Options Trading Authorization form on file.

To learn more about Options, you are encouraged to visit [www.cboe.com](http://www.cboe.com).

## **XVIII. UNIT INVESTMENT TRUSTS**

A Unit Investment Trust (UIT) is an investment company that offers an unmanaged portfolio, generally of stocks and/or bonds. Unlike mutual funds, UITs have a one-time public offering of a specific, fixed number of units. UITs have a termination date that is established when the UIT is created. Redemptions of units will be made at a price that may be more or less than the original price paid. It is possible for you to lose money investing in UITs. UITs may terminate early as

described in the prospectus. UITs offer three types of pricing discounts: volume/breakpoint discounts, rollover discounts and NAV pricing for Advisory/Wrap (fee) accounts. Each UIT offering may offer slightly different pricing discounts. When placing a UIT transaction, you will need to consider any liquidation of a UIT holding within the last 30 days as well as other trades placed on the same day by you, your spouse and/or your children under age 21.

## **XIX. THINGS TO CONSIDER BEFORE CONSENTING TO AN IRA ROLLOVER**

A decision to roll over plan assets, such as in a 401(k) or 403(b), should reflect consideration of various factors, the importance of which will depend on your individual needs, circumstances and options. Our Advisor, when providing advice regarding an IRA Rollover, does not represent the Plan, the employer or act as an ERISA fiduciary. You generally have four options when considering a rollover from a 401(k) plan to an IRA:

- **Option 1:** Leave the assets in your former employer's plan, if permitted;
- **Option 2:** Roll over the assets to your new employer's plan, if one is available and rollovers are permitted;
- **Option 3:** Roll over the assets to an IRA;
- **Option 4:** Cash out the account value.

Each choice above offers advantages and disadvantages, depending on desired investment options, tax treatment, your unique financial needs and retirement plans and your desire for access to a professional financial advisor.

- **Investment Options and Services:** By choosing option 3, you may have access to additional investment options as well as access to financial advice and other brokerage services which may not be offered by an employer plan.
- **Fees:** By choosing option 1 or 2, generally fees and expenses are lower than if you were to choose option 3. If you choose option 3, our Advisor will receive compensation and your costs may be higher than in your employer's plan.
- **Withdrawals:** If you choose option 3 or 4, withdrawals prior to age 59 ½ are subject to a 10% IRS penalty and taxed as ordinary income. Withdrawals from option 1 or 2 made between ages 55 and 59 ½ may be penalty-free. Once you reach age 70 ½, options 1, 2 and 3 require periodic withdrawal of certain minimum amounts, known as a required minimum distribution (RMD); however, if you continue to work past age 70 ½, you generally are not required to make RMDs from your current employer's plan.
- **Loans:** Option 1 or 2 may offer the ability to borrow your assets.
- **Protection from Creditors:** Generally speaking, assets in option 1 and 2 have unlimited protection from creditors under federal law, while assets in option 3 are protected from bankruptcy proceedings only. State laws vary in the protection in lawsuits for assets in option 3.
- **Employer Stock:** If you hold a significantly appreciated employer stock in option 1 or 2, this could have a negative tax consequence if rolling the stock into option 3. The tax advantages of retaining employer stock in option 1 or 2 should be balanced with the possibility that you may be excessively concentrated in employer stock. It can be risky if you have too much employer stock in your retirement account

These are examples of factors that may be relevant when analyzing available options, and the list is not exhaustive. Other considerations also might apply to your specific circumstances. Please consult with your legal or tax advisor for more information concerning your individual situation.



Advisory services offered through Capital Analysts, Legend Advisory or Lincoln Investment, Registered Investment Advisers. Securities offered through Lincoln Investment, Broker/Dealer, Member FINRA/SIPC.

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