

# Lincoln Investment

RETIREMENT **SOLUTIONS** and  
RETIREMENT **SOLUTIONS** PREMIER

## Investment Advisory Disclosure Statement

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**LINCOLN**  
**INVESTMENT**  
Embrace the Future<sup>SM</sup>

The date of this Lincoln Investment Planning, Inc. Investment Advisory Disclosure Statement ("Disclosure Statement") is January 1, 2008. This Disclosure Statement is delivered in accordance with The Code of Federal Regulations ("Regulations") under the Investment Advisers Act of 1940, as amended, and, in particular, Section 275.204.3 of the Regulations.

The following statement provides an overview of Lincoln Investment Planning, Inc.'s ("Lincoln") proprietary custodial and non-custodial Mutual Fund Platforms: *Retirement SOLUTIONS PREMIER*, *Investor SOLUTIONS PREMIER*, *Retirement SOLUTIONS* and *Investor SOLUTIONS*, Preferred Client Program and the advisory services offered thereon. When you participate in one or more of Lincoln's investment advisory services, we act as a fiduciary on your behalf. As a fiduciary, Lincoln accepts our responsibility to (i) put your interests first, (ii) act with the utmost good faith, (iii) provide full and fair disclosure of all material facts, (iv) not to mislead you, and (v) expose all conflicts of interest to you. This Disclosure Statement and our course of conduct with you are intended to fulfill our fiduciary duty.

Sections 1 through 4 describe the investment advisory services offered, the fees charged, the types of investors we advise, the types of investments generally recommended, the methods of analysis, the investment strategies employed, and the information sources used by Lincoln in formulating recommendations.

Sections 5 and 6 offer you information about us, the professionals behind the programs, and our educational and business standards as Principals associated with Lincoln. Sections 7 through 9 contain information about additional business activities of Lincoln, and other activities or affiliations of Lincoln in the securities industry. Sections 10 through 13 provide additional information about the management of your accounts, including conditions and minimum account sizes for managing investment advisory accounts, the extent of Lincoln's discretionary authority, if any, with respect to advisory accounts and the process of reviewing investment advisory accounts. Sections 12 & 13 also contain information about brokerage placement practices and compensation that Lincoln receives from sources other than investors, for instance, fund companies. The purpose of Section 13 is to make you aware of potential conflicts of interest that inherently exist in the investment relationship. You may ask your Financial Representative ("FR") for further information to supplement any of the materials provided here.

You should be aware that the financial markets are constantly changing. The terms and conditions of your agreement with Lincoln will not change without explicit notice to you; however, periodically information contained in this Disclosure Statement will change. That is why you are entitled to a copy of this Disclosure Statement upon request. In addition, you will have access to your asset management accounts at any time via Lincoln's website and you will receive, at minimum, quarterly consolidated statements. You have the right to terminate at any time, by submission of written notice to Lincoln, any of the individual asset management programs or the entire asset management agreement.

## SECTION I. ADVISORY SERVICES AND FEES

Lincoln's proprietary programs offer you five different platforms for your mutual fund investment advisory services - *Retirement SOLUTIONS PREMIER* ("RSP"), *Investor SOLUTIONS PREMIER*

("ISP"), *Retirement SOLUTIONS* ("RS") and *Investor SOLUTIONS* ("IS") and Preferred Client Portfolio, exclusively available to Lincoln's Boston Office investors only. Lincoln's PREMIER platforms (RSP and ISP) and Preferred Client Program are fee-only advisory platforms, while RS and IS are commission and fee-based platforms where you pay commissions for any transactions outside an Asset Management Program. All assets within an Asset Management Program are managed for a fee. The choice of platforms depends upon how you wish to compensate Lincoln and your FR.

### **Retirement SOLUTIONS PREMIER/Investor SOLUTIONS PREMIER PLATFORMS**

RSP is a fee-only custodial platform available for retirement plan accounts (such as IRA, 403(b)(7) and 457 Plans). ISP is a platform that provides advisory services for your "non-retirement" mutual fund assets that are custodied elsewhere. Since these PREMIER accounts are fee-based, all purchases are made without a sales charge. In the industry, this means purchases are made at net asset value ("NAV").

Within Lincoln's fee-based platforms, RSP and ISP platforms, Lincoln offers you two types of advisory services: a Custom Client Portfolio, provided on all accounts, and (an) optional Asset Management Program(s).

### **Custom Client Portfolio**

When choosing Custom Client Portfolio you are charged the Premier Fee. For the Premier Fee, you will receive personalized investment assistance from your FR in designing and monitoring your account(s) to meet your financial needs. Your Custom Client Portfolio is a non-discretionary account using open-ended mutual funds selected from a pool of over 1000 eligible mutual fund choices. You make the decisions in your account and you have the ability to transfer freely among eligible mutual funds (subject to any fund restrictions) without a sales charge. Your FR will offer the opportunity to review your account upon request. This review provides the ability for you to update your FR concerning your financial situation, investment objectives and investment restrictions. It is also a time to assure that the portfolio is aligned with your current objectives. The Premier Fee is based on assets under management in lieu of any commissions or concessions.

### **PREMIER FEE SCHEDULE**

<b><i>Retirement /Investor SOLUTIONS PREMIER</i> Fee Breakpoints</b>	<b>Quarterly Fee on Asset Value</b>	<b>Annualized Fee</b>
\$1 - \$100,000	0.225%	0.90%
Next \$400,000	0.200%	0.80%
Next \$500,000	0.175%	0.70%
\$1,000,001 and above	0.150%	0.60%

This Premier Fee will be based upon the value of your account assets as of the close of business on the last business day of each calendar quarter. The Premier Fee is billed in advance for the next calendar quarter and is deducted within 30 days after the quarter end. The first billing period shall not occur until after the end of the first calendar quarter in which there are assets in the Custom Client Portfolio. This means you will not be billed on a pro rata basis for any assets that are invested in the program prior to the end of the first calendar quarter. Correspondingly, in the event you wish to withdraw assets from the account or you elect

to terminate this Agreement within a calendar quarter, no pro rata refund will be issued for any current quarter fees.

**Asset Management Program**

In addition to the Custom Client Portfolio, you may elect to have some or all of your mutual fund assets managed in one or more of Lincoln's discretionary Asset Management Programs as listed below. By choosing an Asset Management Program, you grant Lincoln limited power of attorney to manage the assets on your behalf within a chosen asset allocation Model on a continuous and ongoing basis. This authority is limited to the execution of all transactions necessary to implement the management decisions of the applicable Asset Management Program. You may start or stop a Program at any time, or change a model. There is an additional cost for this Asset Management Program, called the Asset Management Fee, based on the particular Asset Management Program(s) selected. You will be charged this fee in addition to the Premier Fee.

The Asset Management Programs offered within RSP and ISP allocate assets using open-ended mutual funds at no sales charge. Based on your overall risk profile, you choose an Asset Management Program(s) and Model(s).

**Asset Management Fee (in addition to the Premier Fee)**

For those participants who select an Asset Management Program, the fees will be deducted from the participants' accounts based on the following fee schedule:

Individual Asset Management Program (Account Level) Assets	Fee Schedule A	Fee Schedule B	Fee Schedule C
\$0 - \$100,000	0.60%	1.10%	0.85%
Next \$100,001-\$500,000	0.45%	0.95%	0.70%
Next \$500,001 - \$1M	0.30%	0.30%	0.30%
Over \$1M	0.20%	0.20%	0.20%

**Asset Management Programs available on Retirement SOLUTIONS PREMIER and Investor SOLUTIONS PREMIER**

Asset Management Program across fund families, chosen by strategist	Model	Account Minimums	Fee Schedule	Expected Portfolio Management
AAA - Master offered exclusively by Lincoln's Houston, TX Office	Conservative Conservative Tax Managed Moderate Moderate Tax Managed Aggressive Aggressive Tax Managed	\$10,000	A	Market Driven
AAMA - Master	Balanced Allocation Equity Growth Aggressive Growth Global Balanced Allocation Global Equity Growth Global Aggressive Growth	\$50,000	B	Market Driven
CCMG Style Preferred - Master	Guardian Bond Multi-Strategy Equity	\$50,000	B	Market Driven
CLS Investment - Master	Moderate Conservative Moderate Moderate Aggressive Aggressive	\$25,000	A	Market Driven
Meeder – Master	Moderate Targeted Equity	\$50,000	B	Market Driven
Progressive Asset Management	Conservative Moderate Conservative Moderate Moderate Aggressive Aggressive	\$150 per investment or \$300 per month or \$5,000	A	Calendar Based

**Asset Management Programs available on  
Retirement SOLUTIONS PREMIER and Investor SOLUTIONS PREMIER**

(Assets in these Programs are managed solely within one eligible fund family, as specified by the Investor or the Strategist.  
A list of eligible fund families is available upon request.)

<b>Asset Management Program within one fund family, chosen by Investor (where applicable)</b>	<b>Model</b>	<b>Account Minimums</b>	<b>Fee Schedule</b>	<b>Expected Portfolio Management</b>
AAMA	Balanced Allocation Equity Growth	\$25,000 \$10,000	<b>B</b>	Market Driven
CCMG Director	Core Portfolio	\$25,000	<b>B</b>	Market Driven
CCMG Style Preferred	Equity Income and Growth	\$10,000	<b>B</b>	Market Driven
Goldman Sachs Global Allocation	Conservative Balanced Growth and Income Equity Growth Growth	\$25,000	<b>C</b>	Calendar Based
ICON	Income Frontier Conservative* Balanced Frontier Moderate Growth* Tactical International Frontier Growth*	\$25,000; For the Frontier Models, see note under table	<b>B</b>	Market Driven
Lincoln Strategic with Ibbotson	Conservative Moderate Conservative Moderate Aggressive Aggressive	\$10,000	<b>A</b>	Calendar Based
Lincoln Strategic with Ibbotson-Vanguard (available for RSP accounts only)	Conservative Moderate Conservative Moderate Moderate Aggressive Aggressive	\$60,000-\$100,000 or \$100,001+	<b>A</b>	Calendar Based
Lincoln Strategic with Ibbotson-Tax Managed (available for ISP accounts only)	Conservative Moderate Conservative Moderate Moderate Aggressive Aggressive	\$25,000	<b>A</b>	Calendar Based
Lincoln Strategic with Ibbotson Plus	Conservative Moderate Conservative Moderate Aggressive Aggressive	\$25,000	<b>A</b>	Calendar Based
Russell	Conservative Balanced Growth Equity Conservative Equity Growth I Equity Growth II Equity Domestic	\$35,000	<b>A</b>	Calendar Based
Russell Tax Managed	Conservative Moderate Balanced Growth Global Equity	\$35,000	<b>A</b>	Calendar Based

\*The ICON Frontier Models have lower minimums:  
Tier 1: up to \$10,000  
Tier 2: \$10,000 to \$25,000  
Tier 3: \$25,001 and up

**Retirement SOLUTIONS/Investor SOLUTIONS PLATFORMS**

RS and IS platforms provide you with a choice of either paying a commission or concession for fund transactions in your account or selecting an Asset Management Program for an ongoing asset based fee.

**Asset Management Program**

Within the RS/IS platforms, you may choose a professionally managed Asset Management Program using open-end mutual fund investments for some or all of your account assets. An Asset Management Fee for the selected program is based on the assets under management. Mutual fund purchases in your Asset Management Program are made without a sales charge. This means purchases are made at net asset value ("NAV"). Based on your overall risk profile, you choose an Asset Management Program and a Model(s) and in some instances, you must also choose the mutual fund family for the assets managed. Once you have selected a fund family, your assets will be managed solely within that fund family.

You have the choice of a host of Asset Management Programs and correspondingly, numerous fund families from which to choose. Once you select one or more of these Asset Management Programs and models, you may start, change or cancel a Program at any time. There is an additional cost for these Asset Management Program(s), called the Asset Management Fee, based on the particular Asset Management Program(s) selected.

This table provides a comprehensive review of the Asset Management fees:

Individual Account Level Assets	Fee Schedule A	Fee Schedule B	Fee Schedule C
\$0 - \$100,000	1.50%	2.00%	1.75%
Next \$100,001 - \$500,000	1.25%	1.75%	1.50%
Next \$500,001 - \$1M	1.00%	1.00%	1.00%
Over \$1M	0.80%	0.80%	0.80%

**Asset Management Programs available on Retirement SOLUTIONS and Investor SOLUTIONS**

(Assets in these Programs are managed solely within one eligible fund family, as specified by the Investor. A list of eligible fund families is available upon request.)

Asset Management Program within one fund family, chosen by Investor (where applicable)	Model	Account Minimums	Fee Schedule	Expected Portfolio Management
AAA - offered exclusively by Lincoln's Houston, TX Office	Conservative Conservative Tax Managed Moderate Moderate Tax Managed Aggressive Aggressive Tax Managed	\$10,000	A	Market Driven
AAMA	Balanced Allocation Equity Growth	\$25,000 \$10,000	B	Market Driven
CCMG Director	Core Portfolio	\$25,000	B	Market Driven
CCMG Style Preferred	Equity Income and Growth	\$10,000	B	Market Driven
Goldman Sachs Global Allocation	Conservative Balanced Growth and Income Equity Growth Growth	\$25,000	C	Calendar Based
ICON	Income Frontier Conservative Balanced Frontier Moderate Growth Tactical International Frontier Growth	\$25,000	B	Market Driven
Lincoln Strategic with Ibbotson	Conservative Moderate Conservative Moderate Aggressive Aggressive	\$10,000	A	Calendar Based
Lincoln Strategic with Ibbotson Plus	Conservative Moderate Conservative Moderate Aggressive Aggressive	\$25,000	A	Calendar Based
Russell	Conservative Balanced Growth	\$35,000	A	Calendar Based

	Equity Conservative Equity Growth I Equity Growth II Equity Domestic			
Russell Tax Managed	Conservative Moderate Balanced Growth Global Equity	\$35,000	A	Calendar Based

**OTHER PLAT FORMS**

Preferred Client Program is available only to Lincoln's Boston, Massachusetts Office investors, who are clients of Harvey Wartosky. Mr. Wartosky offers a buy and hold strategy as well as Lincoln's Risk Allocation Program (RAP). RAP is a discipline to select, monitor and periodically reallocate investments in selective stocks, mutual fund and variable insurance products. RAP seeks to minimize capital loss during declining financial market cycles, while attempting to capture gains of market growth cycles. RAP utilizes proprietary computer software building on data provided by Ibbotson Associates, Inc., Russell Advisors, Inc. and Morningstar, Inc., leaders in the global investment information industry.

Granting discretionary authority to Lincoln and Mr. Wartosky with respect to the portfolio transactions in the RAP accounts is at the investor's election; otherwise transactions and rebalances are carried out following a discussion with the investor and with the investor's prior consent.

Individuals who select RAP will have asset management fees deducted directly from their accounts. Fees are calculated and billed on assets in RAP only; there is no charge for assets in a buy and hold position. Fees are set at the discretion of the Boston office and are based on a number of factors; however, no fee shall be in excess of 1.50% of the assets under management.

**Asset Management Programs available on Preferred Client Program - available exclusively to Lincoln's Boston Office Investors**

<b>Asset Management Program</b>	<b>Model</b>	<b>Account Minimums</b>	<b>Expected Portfolio Management</b>
RAP Strategic and RAP Strategic-Russell	Target 4.5 Target 5.0 Target 5.5 Target 6.0 Target 6.5 Target 7.0 Target 7.5 Target 8.0 Target 8.5 Target 9.0 Target 9.5 Target 10.0 Target 10.5 Target 11.0	\$10,000	Market Driven
RAP Tactical	Investor Specific	\$10,000	Market Driven

**ADDITIONAL INFORMATION ABOUT YOUR ASSET MANAGEMENT FEE(S)**

In addition to the Asset Management Fees which you pay, Lincoln may receive a distribution or service fee (12(b)(1)fee) and receive other customary and normal fees direct from the product sponsors for services rendered by Lincoln on behalf of the product sponsor. This annualized additional compensation typically does not exceed 0.25% to 0.50% of your Platform assets annually. See Section 13 for further details.

Fees for the various programs are noted in the fee charts. However, fees for the same Asset Management Program may vary among investors. Lincoln offers employees and its FRs and their family members a discount or waiver of all advisory fees. Additionally, some qualified plan accounts may have separate pricing schedules that would enable participants, for certain eligible Groups, to qualify for reduced pricing schedules.

Asset Management Fees are in addition to these other fees an investor pays: (1) any transaction costs charged by the mutual fund company; (2) any internal management fees or other expenses charged by the mutual fund; (3) custodian fees; (4) any retirement plan recordkeeping, reporting or administrative fees, charged by the custodian, administrator or provider; and (5) any costs associated with owning a variable annuity, including M & E expenses, administration fees, sub-account management fees and potential surrender fees. Fees will impact the performance of your investment. Some mutual funds impose short-term trading redemption and/or low balance fees. Although Lincoln makes efforts to avoid a fund's short-term redemption fees, you may incur these fees as part of the management of your assets. In the event that you cancel any Program, Lincoln retains the right to retain refund amounts of less than \$25.

Lincoln also offers other similar advisory programs administered by third parties. Third party administered advisory programs may

have different (higher or lower) fee schedules compared to those quoted herein. It is possible that the same, similar, or significantly different services may be available from Lincoln or other investment advisors at lower fees.

#### **LINCOLN'S RESPONSIBILITY FOR ALL ASSET MANAGEMENT PROGRAMS**

Due to stated determinants for fund and investment company inclusion on Lincoln's advisory platforms, the fund selections for the Asset Management Programs are limited to those funds that are approved by Lincoln and meet certain parameters.

Lincoln has a responsibility to ensure that all Asset Management Programs offered by us are managed according to the stated Model, and Lincoln has the authority to reject or modify any instructions initiated by the Asset Manager within the Asset Management Programs. If an Asset Management Program or Model ceases to be available in the Program, Lincoln will notify you in writing, and will move your assets into an Asset Management Program or Model with a commensurate level of risk.

Lincoln may limit the number of recommended changes to the Model Portfolios to six (6) times per year. However, both Lincoln and the Asset Manager recognize there could be extenuating circumstances that would cause both parties to desire to exceed the limitations. Purchases, sales, exchanges, reallocations and/or rebalancing are done in response to the decisions of the Asset Manager managing the Asset Management Program. Lincoln may, at our discretion, terminate an Asset Manager and cancel or amend any instructions provided by an Asset Manager. In addition, Lincoln may cancel or replace a selected Asset Management Program or Model(s) if such original Asset Management Program or Model(s) is (are) no longer available.

You will be provided the opportunity to choose a different Asset Management Program or model or to terminate the Program in accordance with the terms of the Agreement. Lincoln selects Asset Managers on the basis of their mutual fund asset allocation management experience and dedication to their respective disciplines. You may execute written or verbal instructions to change Asset Management Programs and/or models. In doing so, you accept that these program changes fall within your overall risk tolerance and accept any new fee schedule(s), if applicable, for the chosen program(s). You acknowledge that requests to execute these instructions, received in conjunction with a scheduled program exchange, rebalance or reallocation will be executed at Lincoln's discretion.

#### **Description of Asset Managers and Methodologies**

Lincoln selects Asset Managers on the basis of their mutual fund asset allocation management experience and dedication to their respective disciplines. Descriptions of Lincoln's Asset Managers and the methodologies for the Asset Management Programs follow. You may have selected one or more Asset Managers. (Please consult your FR for greater detail regarding the Asset Managers, the Asset Management Programs and Models available to you.) Lincoln's Asset Management Programs manage to the risk level of the chosen portfolio and are not responsible to manage to the specific needs or objectives of an individual investor. For this reason, the selection or replacement of an appropriate Asset Management Program is your sole responsibility.

**Adaptive Asset Allocation (AAA)** - AAA is offered exclusively through Lincoln's Houston, Texas branch office. Mr. Ross McLaurin selects and manages asset allocation portfolios through

a tactical discipline utilizing mutual funds. This model is managed consistent with the investor's objectives. AAA seeks to develop recommendations based on asset allocation, protect capital during declining financial markets and capture reasonable gains during advancing financial markets. Recommendations are made principally through a process of economic analysis and market conditions.

**Advanced Asset Management Advisors (AAMA)** - AAMA develops tactical asset allocations by analyzing multiple market factors and indices. The goal of this program is to help investors seek favorable risk-adjusted returns. Decisions are momentum-based and valuation-based and developed using proprietary relative strength measures. Portfolios are analyzed based on targeted style and sector weightings, fund composition, fund relative strength and overall characteristics. AAMA management is offered on a select group of fund families and makes fund determinations using fundamental analysis.

**Clark Capital Management Group, Inc. (CCMG)** - CCMG seeks to take advantage of performance inequities that occur among different segments of the capital markets at various points in time. Tactical asset allocated portfolios are constructed of the segments expected to be the strongest performers in the near term and closely monitored and adjusted as the investment environment changes. Style and capitalization rotation is used among domestic equities (emphasizing large- or mid/small cap, growth or value) and a similar rotational strategy pursues strong performers among fixed income instruments. On December 30, 2005, Clark Capital Management Group, Inc. ("CCMG") acquired all of the outstanding capital stock of Righttime Econometrics, Inc. d/b/a/RTE Asset Management ("RTE").

**CLS Investment Firm, LLC (CLS)** - CLS uses a core and satellite methodology to capitalize on growing segments of the market during all market conditions - up, down or sideways. The core assets are tactically managed by CLS and are implemented through Advisor One Funds. The satellite assets are managed by other carefully screened third party money managers, utilizing mutual funds. This unique combination of core and satellite implementation provides portfolios with active asset allocation and risk management while enhancing the potential of outperforming the market with high-quality, specialized mutual funds.

**Goldman, Sachs & Co.** - Goldman Sachs develops and monitors model portfolios and provides analysis of the portfolios for the Goldman Sachs - Global Allocation Strategy on the Goldman Sachs Funds. The Goldman Sachs approach uses the proprietary Black-Litterman Model, which is designed to seek an optimum balance between risk and return in a portfolio on an ongoing basis. The model attempts to add value through four layers of global decision-making: asset class decisions, equity exposure within country selection, fixed income exposure by country selection and currency selection.

**ICON Advisers, Inc.** - ICON provides tactical asset allocation investment portfolio models that are implemented utilizing the ICON funds. Allocations are derived from a bottom-up approach based on valuation and relative strength measurements. The valuation models seek to identify those industries that are poised to become market leaders. These are usually under-priced relative to their real value because the marketplace has not yet recognized their true potential. Portfolio allocation focuses on these under-valued sectors.

The ICON Frontier models are progressive in nature, meaning the more dollars in an account, the larger the number of underlying mutual funds asset classes within the given portfolio.

**Meeder Financial** - Meeder develops tactical asset allocation investment portfolio models across a select group of fund families and investment providers. Allocation decisions are based on momentum and relative strength measures of multiple market indicators.

**Lincoln, utilizing research provided by Ibbotson Associates, Inc.** - Lincoln, utilizing the research and methodology provided by Ibbotson Associates, Inc. offers such programs as Progressive Asset Management, Lincoln Strategic with Ibbotson, Lincoln Strategic with Ibbotson Plus, Lincoln Strategic with Ibbotson Select, RAP Strategic, and RAP Strategic Russell. Lincoln pays a research fee to Ibbotson to develop risk and return forecasts and to create model portfolios with certain asset classes that attempt to maximize return for a given level of risk. Ibbotson also performs ongoing sensitivity analysis of the model portfolios. All Ibbotson-based advisory programs utilize a Strategic asset allocation discipline using a Modern Portfolio Theory approach to investing that mixes fundamental asset classes into target portfolios. These Asset Management Programs generally rebalance at a fixed point in time, be it quarterly or semi-annually.

The selection and monitoring of the specific mutual funds that match the asset classes recommended by Ibbotson, is conducted by members of Lincoln's Asset Management Department. All decisions of the Asset Management Department are overseen by Lincoln's Investment Committee.

Within the Lincoln Strategic with Ibbotson program, there four additional portfolios available:

- Texas, utilizes funds permitted and is approved for employees of the Teachers Retirement System of Texas. Minimum investment is \$50,000.
- Faith Based, which is a portfolio consisting of funds with specific social screens. Minimum investment is \$5,000.
- Tax Managed which is a portfolio that selects from tax managed mutual funds and municipal bond funds. Minimum investment is \$25,000; available for non-qualified accounts. (ISP only)
- Vanguard portfolio, which is a portfolio that invests predominantly in Vanguard funds. There are two portfolios and the minimum is \$60,000 - \$100,000 and \$100,001+ respectively. (Available for PREMIER only)

The Progressive Asset Management program (formerly Lincoln Strategic with Ibbotson - Master) invests assets into the appropriate model based on asset size. Allocations for the models are optimized by Ibbotson Associates using 12 asset classes and implemented using varying numbers of mutual funds based on the total amount invested, as well as the risk level of the portfolio. Accounts with less than \$10,000 are allocated across three 3 mutual funds; accounts between \$10,000-\$25,000 are allocated across up to 5 mutual funds; accounts with between \$25,000-\$50,000 are allocated up to 8 mutual funds; accounts over \$50,000 are invested in up to 12 mutual funds.

**Russell Investment Group** - Russell implements portfolio diversification by a multi-asset, a multi-style and a multi-manager approach and provides investment models for the Russell Strategic Allocation and Russell Tax Managed Strategic Services investing in the Russell Funds only. Russell uses a long-term approach to investing that mixes fundamental asset classes into a

targeted portfolio. Model allocations are established using Modern Portfolio Theory and mean variance optimization techniques. Russell is one of the largest global managers, with approximately \$200 billion managed by Russell and \$2 trillion guided by Russell worldwide.

Lincoln has contractual agreements with these independent Asset Managers to provide the investment advice for all Asset Management Programs. With respect to the day -to-day management of Lincoln's Asset Management Programs (other than the Ibbotson Advisory Programs, the AAA Programs and the RAP Programs, for which Lincoln provides that management) all rebalance, replacement or reallocation instructions are initiated by the Asset Manager based upon their discipline, market conditions and the risk levels of the models. The fund allocation decisions for the Ibbotson, AAA and RAP models are made by a principal at Lincoln or Lincoln's Investment Committee. Implementation of the instructions are either Market Driven or Calendar Based.

Certain Asset Managers do not charge Lincoln a separate fee for the recommendations and advice provided to Lincoln for these accounts. Instead, these Asset Managers are typically compensated directly or indirectly by their affiliated funds that are selected to be in the model. These affiliated/ proprietary funds may compose some or all of Lincoln's Asset Management Program Models.

For further information on the mutual funds implemented in each of these Asset Management Programs, you may obtain and read the fund prospectus by going to the website: [www.lincolninvestment.com/prospectus](http://www.lincolninvestment.com/prospectus) and click on the applicable fund company. You will be directed to the website of the fund company where you will find the prospectus for your particular investment. You may also request a copy from your FR.

In addition to our administered Asset Management Programs, Lincoln offers a number of other third party investment advisory services, including financial planning services which are not available on the Lincoln platform. Administered by third parties, a full description of all advisory services offered is available in Lincoln's Form ADV Part II, which shall be provided upon request.

#### **Asset Management Program Costs, Fees & Notes**

Fee schedules for Lincoln administered Asset Management Programs are reflected on the charts above. All fees and minimums are negotiable at the discretion of Lincoln. Fund family availability will change at the discretion of Lincoln. In each Asset Management Program, the Asset Management Fee(s) will typically be deducted first from a money market position or from the fund position with the highest balance. Fees are deducted quarterly in advance, based on the value of your assets under management as of the close of business on the last business day of the preceding quarter. The product sponsor does not verify that the amounts liquidated or withdrawn to pay the fee is exact or correct.

Investors with assets in more than one Asset Management Program may qualify for a lower Asset Management Fee. There are three ways that you are eligible to receive a lower Asset Management Fee:

(1) Breakpoint Discount - Lincoln offers a declining fee schedule based on the total assets within a selected Asset Management Program. (See tables for these breakpoints.)

(2) Related Group Discount - All related investors within the same Asset Management Program may be combined for assessing the applicable fee based on the table above. A related investor includes spouse and children, regardless of age or residence, and certain business accounts. Accounts must be linked in an Account Rate Group ("ARG").

(3) Multiple Service Discount - A discount designed for the investor who is using more than one Asset Management Program. (In PREMIER, such discount is applied to the Premier Fee for each Asset Management Program used.)

The following table shows the percentage discount that would be deducted from the highest breakpoint fee of each service.

Multiple Service Discount		
Eligible Assets in ARG with Asset Management		Discount to be applied to Base Rate
From	To	
\$200,000	\$299,999	7%
\$300,000	\$399,999	9%
\$400,000	\$499,999	10%
\$500,000	\$599,999	11%
\$600,000	\$699,999	16%
\$700,000	\$799,999	20%
\$800,000	\$899,999	22%
\$900,000	\$999,999	24%
\$1,000,000	\$1,249,999	26%
\$1,250,000	\$1,499,999	30%
\$1,500,000	\$1,749,999	32%
\$1,750,000	\$1,999,999	34%
\$2,000,000	\$2,499,999	35%
\$2,500,000	\$2,999,999	37%
\$3,000,000	and up	38%

Lincoln will automatically calculate all three discount methods, and you will be charged the lowest fee from among these three discounting methods. Any discount applied will be indicated on your quarterly Billing Notice.

**RS/IS Specific:** If assets are received at a time other than the last day of the billing period, an initial fee will be assessed on a daily pro rata basis covering the period from the deposit date until the last day of the billing period. Such initial fee shall be based upon the value of the Program assets as of the deposit date.

## SECTION II. TYPES OF INVESTORS

Lincoln's *Retirement SOLUTIONS* and *Retirement SOLUTIONS PREMIER* Platforms are available to investors in various retirement plan accounts (such as IRA, 403(b)(7), 457 Plans), who use UMB Bank, n.a. as Custodian. *Investor SOLUTIONS* and *Investor SOLUTIONS PREMIER* Mutual Fund Platforms are offered to individuals, corporations, partnerships, trusts, estates, charitable organizations and other retirement plans, whose assets are held by other than UMB Bank, n.a.

## SECTION III. TYPES OF INVESTMENTS

Lincoln's administered Asset Management Programs are devoted exclusively to the management of asset allocation programs utilizing open-ended mutual funds. Lincoln has other advisory programs that are administered by third parties that can manage other investments, such as stocks, bonds and variable annuities.

## SECTION IV. METHODS OF ANALYSIS, SOURCES OF INFORMATION, AND INVESTMENT STRATEGIES ANALYSIS

### Methods of Analysis

Lincoln engages Asset Managers to manage the asset allocation Models within their stated disciplines and Model objectives.

Lincoln has chosen Asset Managers with a diverse range of investment methodologies, which include principles of Modern Portfolio Theory, mean variance optimization, fundamental, charting, technical and cyclical analysis in formulating their Allocation Strategies and Models. Synopses of the professional Asset Managers methodologies are noted above in Section 1.

### Sources of Information

The buy, sell, hold, rebalance and/or reallocation decisions for your chosen model(s) are determined by the Asset Manager's analysis and recommendations. Lincoln and its third party Asset Managers utilize various sources of information, including professional financial software programs and trade periodicals, as well as other industry data and research prepared by third parties, to provide its managed services and to oversee the performance and consistency of management of all Asset Managers.

### Investment Strategies

Lincoln's Asset Management Programs are designed for long-term investing. With the exception of Lincoln's PREMIER Custom Client Portfolios, which are managed to the investor's specificity, most of Lincoln's Asset Management Programs manage assets striving to minimize risk, not maximize return. Each Model is managed to the stated risk level. Current allocation strategies include Strategic, Tactical or combined Strategic and Tactical disciplines. Strategic disciplines use a Modern Portfolio Theory asset allocation approach to investing that mixes fundamental asset classes into a target portfolio. The models utilizing a Strategic asset allocation discipline generally rebalance at a fixed point in time, be it quarterly or semi-annually. These Asset Management Programs are not designed to protect against immediate or severe market fluctuations, and trading adjustments may only occur on a quarterly or semi-annual basis. Lincoln and/or the Asset Manager may replace certain mutual fund selections periodically, but has no responsibility to move a Strategic Model out of the market in times of market decline.

Lincoln's Asset Management Programs utilizing a Tactical discipline attempt to take advantage of short- and intermediate-term market inefficiencies/opportunities with the goal of managing market volatility. Changes in Tactical Models are at the discretion of the Asset Manager and will occur in direct response to market conditions corresponding to the objectives of the Model. The overall objective of these Models is also striving to minimize risk, not maximize return.

It is important that you meet with your FR to insure that you have selected the appropriate Asset Management Program(s) and Model(s) consistent with your objectives and risk tolerance. The Programs may use various asset classes of mutual funds with various levels of market risk, including equity, fixed income, cash, international and real estate. Lincoln Principals, identified in Section 6, will monitor all investment recommendations by Asset Managers. If you have placed your assets in Lincoln's Custom Client Portfolio, your FR shall assist you in designing a customized portfolio to specifically address your individual needs and objectives and not that of any stated Model. Lincoln has the responsibility to oversee the suitability of the recommendations of your FR. As such, the names, business and education background of each Designated Supervisor responsible to oversee this advice is listed at the end of this Disclosure Statement.

## SECTION V. EDUCATION AND BUSINESS STANDARDS

Lincoln FRs offering asset management services under these platforms are qualified as investment advisory representatives and are FINRA-registered representatives. All investment advisory representatives must comply with the place of business and/or

state requirements regarding registration and licensing qualification(s).

## SECTION VI. EDUCATION AND BUSINESS BACKGROUND OF INVESTMENT ADVISOR PRINCIPALS

The following are executive officers of Lincoln with management control over the investment adviser and its Asset Management Programs described herein:

Edward Forst, Jr., CFP®	Born 1953
Lincoln Investment Planning, Inc.	1983-Present
President	1992-Present
College for Financial Planning, Denver, CO	1983
Embry-Riddle University, Daytona, FL	1972

Thomas Forst, CFP®	Born 1958
Lincoln Investment Planning, Inc.	1983-Present
Vice President, Asset Management	1992-Present
The Righttime Fund, Inc., Assistant Secretary	1985-2001
College for Financial Planning, Denver, CO	1983
BS, MBA, Penna. State University, State College, PA	1980

Paul S. Mendelson	Born 1946
Lincoln Investment Planning, Inc.	1994-Present
Executive Vice President, Chief Investment Ofcr.	1994-Present
MBA, University of Pennsylvania, Phila., PA	1970
BS, Lehigh University, Bethlehem, PA	1968

Deirdre B. Koerick	Born 1955
Lincoln Investment Planning, Inc.	1998-Present
Vice President, Chief Compliance Officer	1998-Present
MBA, Finance, Temple University, Phila., PA	1980
BS, Business Administration, Penna. State University, State College, PA	1977

*The following individuals currently serve on Lincoln's Investment Committee.*

Tom Forst, Vice President, Asset Management  
(Education and Business Background provided above)

Deirdre Koerick, Vice President, Chief Compliance Officer  
(Education and Business Background provided above)

Gerald E. Burhop, CFA	Born 1964
Lincoln Investment Planning, Inc.	1999-Present
Director, Asset Management	2001-Present
Chartered by The Association for Investment Management and Research (now known as The CFA Institute)	1999
MBA, Temple University, Philadelphia, PA	1998
BS, University of Wisconsin-Madison, WI	1988

Independent Member of Investment Committee	
Dr. Ginette M. McManus	Born 1955
Erivan K. Haub School of Business, Saint Joseph's University	
Assistant Professor	1990-Present
Ph.D., Finance with a minor in Quantitative Methods, Laval University	1981
MBA, Finance, Laval University	1981
MBA, Finance, University of Quebec at Trois-Rivieres	1977
A.A., Psychology, College of General and Professional Studies of Shawinigan	1974

The following Financial Representatives are responsible for specific investment management advice given to investors enrolled in the:

### Adaptive Asset Allocation (AAA) Portfolios only:

Ross A. McLaurin	Born 1955
Lincoln Investment Planning, Inc.	1987-Present
MS, Stanford University, Stanford, CA	1979
BS, University of Texas, Austin, TX	1977

### Ibbotson RAP Tactical only:

Harvey A. Wartosky	Born 1942
Lincoln Investment Planning, Inc.	1989-Present
Vice President	
BS, University of Michigan, Ann Arbor, MI	1964

### Ibbotson Select Portfolios only:

Judy L. Esau, ChFC, AAMS	Born 1958
Lincoln Investment Planning, Inc.	1988-Present
Branch Manager, Charlottesville, VA	
The American College	1997, 2003

Thomas R. Lanton, ChFC	Born 1955
Lincoln Investment Planning, Inc.	1988-Present
Branch Manager, Dalton, PA	
The American College	1989

### Levy Custom Asset Management Program only:

Solomon Levy, CFP®	Born 1934
Lincoln Investment Planning, Inc.	1983-Present
College for Financial Planning Denver, CO	1986
Ph.D., Temple University, Philadelphia, PA	1977
M.S.S.A, Case Western Reserve University	
Cleveland, OH	1958
BS, Temple University, Philadelphia, PA	1956

## SECTION VII. OTHER BUSINESS ACTIVITIES

Lincoln is a registered broker-dealer and member of FINRA. We offer products, programs and services to help meet the wide range of investment and retirement needs of investors. Lincoln's primary goal is serving the retirement planning needs of educators and employees of non-profit organizations. Lincoln also serves individuals, employers, corporations, endowments, and foundations and other retirement plans.

The principle business of Lincoln and its executive officers is solely related to the giving of investment advice to investors through broker-dealer and/or investment advisory services.

## SECTION VIII. OTHER FINANCIAL INDUSTRY ACTIVITIES OR AFFILIATIONS

Lincoln has agreements with many mutual fund and insurance companies to offer and sell investment services and products to its investment advisory and broker/dealer investors.

See the descriptions of the Asset Managers utilized by Lincoln in Section 1 for more details on the Investment Advisory relationships.

Lincoln has a contractual agreement with UMB Bank, n.a., to act as the custodian of all Lincoln administered retirement plans, which includes all accounts on the *Retirement SOLUTIONS* and *Retirement SOLUTIONS PREMIER* platforms. UMB Bank, n.a. has appointed Lincoln to act as agent for UMB Bank, n.a. As such, Lincoln performs administrative and custodial duties such as recordkeeping, consolidated reporting, client communications, trade confirmations, account statements and tax reporting

pertinent to your UMB Bank n.a. retirement account. Lincoln, as agent/administrator, retains the majority of the custodial fee billed and collected from your account.

## **SECTION IX. PARTICIPATION OR INTEREST IN INVESTOR TRANSACTIONS**

Lincoln's goal is to provide you with the fund share class identified by the fund company as appropriate for asset managed accounts. This share class is typically Class A shares with a waiver of all front-end sales charges, but it also may be another share class, such as, Class F, E, S or other advisory share class.

### **Lincoln's Code of Ethics**

You should also be aware that the investment advisor, and either its employees and FRs may, from time to time, hold directly or indirectly the same mutual fund positions, annuities, stocks, bonds or asset management models that are recommended to investors.

When completing any personal investment activities, all FRs and employees must adhere to the standards of business conduct. This means a FR or employee must place the interests of investors first at all times; conduct all personal securities transactions consistent with the Code of Ethics and in such manner as to disclose any actual or potential conflicts of interest, avoid any abuse of an individual's position of trust and responsibility, not take inappropriate advantage of their positions, comply with applicable securities laws and regulations, and maintain confidentiality of investor's financial circumstances.

For any account for which your FR has discretionary authority, investor priority must be given to all purchases and sales of exchange traded securities (i.e. stocks and bonds), prior to execution of FR (and any other account in which the FR has access or control) or employee personal transactions. No person with discretionary authority and any of his/her employees may knowingly trade in a recommended stock or bond to his/her advantage over that of an investor. Therefore, any FR or employee of the FR transaction must be placed either simultaneously with investors (i.e. through a block trade) or after all investor trades are placed, on the same trading day. While the latter will not guarantee that investors will receive the best price, it does establish that the investor trades will happen before that of the FR or his/her employee. Personal trading accounts of FRs are reviewed by Lincoln to ensure compliance. Lincoln shall not be obligated to offer any Accounting, Legal or Tax advice with respect to the management of your Account.

You may request a full copy of Lincoln's Code of Ethics from your FR or from Lincoln's Compliance Department.

### **Short-term Trading/Low Balance Fees**

Some mutual funds impose short-term trading redemption and/or low balance fees. Many investment companies have imposed trading account restrictions and redemption fees of up to 2% for active trading or exchanging in and out of the funds in a fund family. This could affect Lincoln's and its Asset Manager's ability to properly manage a participant's portfolio. Lincoln will attempt to minimize the number of managed accounts that incur these additional redemption fees; however, we cannot eliminate the possibility that a managed account may be charged this redemption fee if Lincoln or the Asset Manager believes that it is in your best interest to redeem within a restricted time period. Most funds do not restrict the number of redemptions or exchanges in their money market account. Since Lincoln charges its Premier and Asset Management fee(s) on a quarterly basis, Lincoln has established a 2% minimum money market position in most Models and shall deduct all quarterly management fees first

from available money market positions in order to alleviate the imposition of a potential redemption fee from any other account.

### **Disclosures**

Many mutual funds offer rights of accumulation or other sales charge discounts. The mutual fund company may or may not count your assets in the Asset Management Programs as eligible for a reduced sales charge on other non-advisory purchases. Please check with your product sponsor for their specific rules.

There is no assurance that a diversified portfolio will produce better returns than an undiversified portfolio, nor does diversification assure against market loss. Investment return and principal value will fluctuate so that accounts under management, when redeemed, may be worth more or less than original cost. Past performance cannot guarantee future results. Investing in international investments involves special risks, including the possibility of substantial volatility due to events such as currency fluctuation and political uncertainties.

Periodic Investments Plans (into any of the Programs described herein) such as salary deferral contributions, automatic purchases, loan repayments, cross-fund dividend investments and/or systematic exchange programs shall be directed to one of the funds in the managed portfolio at the discretion of Lincoln. When additions or withdrawals occur in your managed accounts, Lincoln may not exchange, rebalance or reallocate the model portfolio until the next scheduled Strategic change or Tactical move.

## **SECTION X. CONDITIONS FOR MANAGING ACCOUNTS**

The See Section 1 for account minimums for the various Asset Management Program(s). Lincoln may, from time to time, amend the minimum restrictions for the Asset Management Programs offered on the SOLUTIONS and PREMIER platforms.

## **SECTION XI. REVIEW OF ACCOUNTS**

The Investment Committee oversees Lincoln's Asset Management Programs. The President of Lincoln and the Vice President of Asset Management are ultimately responsible for all advisory policies and decisions and can accept or reject the recommendations of the Investment Committee. The Director of Asset Management, or in his absence, the President or Vice President of Asset Management will approve, reject or modify all rebalances, replacements or reallocations that occur in all asset managed models. The Investment Committee meets, at minimum, 4 times per year, and additionally as needed, to perform the following roles on Lincoln's behalf:

- The selection of Asset Management Programs/Asset Managers offered by Lincoln;
- The monitoring of Asset Management Programs/Asset Managers offered by Lincoln;
- The removal of Asset Management Programs/Asset Managers offered by Lincoln;
- The review of current allocations relative to the discipline and risk level of the Asset Managers;
- The comparison of advisory results to predetermined benchmarks to monitor whether the Asset Manager's discipline is providing value to investors;
- The ongoing due diligence of Asset Management Programs/Asset Managers;
- The fair and competitive pricing of all advisory services;
- The fund selection, fund replacements, or changes in allocation.

You will receive an account statement from Lincoln at least

quarterly. Periodic purchases, such as payroll contributions, if any, and fees liquidated from money market funds, will be confirmed quarterly. All other transactions or exchanges implemented in the Program pursuant to this Agreement will be confirmed as they occur.

Lincoln has contractual agreements with certain investment advisors, and/or consultants ("Asset Managers") to provide investment advice to Lincoln asset management investors. Although the ultimate responsibility as to the management of the account remains with Lincoln, Lincoln relies on the expertise and management disciplines of these Asset Managers to manage investor accounts on a day-to-day basis.

All asset management services, except Ibbotson, AAA and RAP have an outside Asset Manager that provides Lincoln with the stated discipline, models, monitoring and rebalancing and/or reallocation decisions for their respective fund allocation models. Ibbotson, AAA and RAP managed accounts require more internal analysis by Lincoln associates and/or Lincoln's Investment Committee.

Regardless of the asset management service, Lincoln has the ultimate responsibility to ensure that all advisory accounts are managed according to the stated discipline and within the risk tolerance levels chosen by the asset management Investors, and Lincoln has the authority to reject or modify any suggested Asset Manager transaction.

## **SECTION XII. INVESTMENT OR BROKERAGE DISCRETION**

With the exception of PREMIER's Custom Client Portfolio, Lincoln and the independent Asset Managers have authority to determine, without obtaining your consent, which mutual funds shall be bought and sold, and the total amount to be bought or sold. Lincoln and the Asset Managers select the individual mutual funds that comprise the Model(s) within the Program. Within PREMIER Custom Client Portfolio Program, neither Lincoln nor the FR has discretion or power of attorney. You are responsible for the investment decisions in your account.

See Sections 1 and 13 for information about Compensation to Lincoln over and above the Premier and Asset Management fees. Should you discover an error, omission, or exception, or fail to receive a confirmation following an anticipated or requested transaction, you must notify Lincoln or the FR immediately. Lincoln will assume that confirmations and statements are correct, unless you notify us within ninety (90) calendar days of the transaction date. Neither Lincoln nor your FR will assume financial liability if an error is not reported to us within 90 calendar days of the transaction date. After 90 days, Lincoln may correct the error, but neither Lincoln nor the FR can accept responsibility for market fluctuations or other related expenses incurred due to the error. You should direct all communications regarding the Program to your FR.

## **SECTION XIII. ADDITIONAL COMPENSATION**

At Lincoln, we strive to provide to you with objective investment advice to assist you in retiring well. There are inherent in any recommendations, however, the potential for conflicts of interest. This conflict can come from the compensation our Financial Representatives ("FRs") may receive on specific investments or advisory services, or it may come from the compensation that Lincoln may receive from third party providers as a result of your purchase of products, advisory or retirement plan services. It is important for you to understand these conflicts of interest so that you may make an informed decision to permit Lincoln to serve

your investment needs. Below are some of the compensation factors that may affect your FR's recommendations or Lincoln's decision as to the products and services that we offer. Should you have any questions about this information, please contact your FR.

**Product and Pricing Choice.** Lincoln's Product Sponsors have been chosen based on their ability to offer 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 product choices, it is important for investors to work with a FR. Lincoln FRs are dedicated to assisting you in finding the right investment product. Lincoln has limited the product choices and product sponsors available to you and our FRs so that we can better prepare our FRs with product knowledge and information to better serve you.

**Products and Services Compensation.** As a registered broker dealer, Lincoln receives compensation in the form of commissions or concessions as described in a prospectus for the sale of securities, such as mutual funds, variable annuities, stocks and bonds. As a registered investment adviser, Lincoln retains a portion of the fees paid by the advisory investor for Lincoln's advisory services, and may also share in the advisory fee (a solicitor fee) paid by the advisory investor to outside advisory services. As a general insurance agency, Lincoln receives compensation for the sale of insurance products, such as, life, health, disability, long term care, and fixed annuity products. Overall compensation to your Lincoln FR, as a result of your investments with Lincoln, may be in the form of commissions, concessions, advisory fees, distribution fees (also referred to as servicing or 12b-1 fees) and persistency fees.

**Compensating Sponsors.** Lincoln receives from certain Product Sponsors compensation over and above published commission schedules, advisory fees and concessions as described in a prospectus. This compensation may be paid for services we provide to the Product Sponsor or they may be paid to Lincoln in order to provide sales and marketing support. Lincoln agrees to permit Compensating Sponsors to provide marketing support services to its FRs. These include, but are not limited to, introduction and promotion of products approved for sale by Lincoln Investment Planning, Inc. to Lincoln's FRs; inclusion of such products or services on both Lincoln's SOLUTIONS and PREMIER platforms (if applicable); due diligence conferences and educational sessions (hosted by either Lincoln and/or the Compensating Sponsor for FRs, investors, or both) for which attending FRs are reimbursed for their out of pocket travel expenses; facilitation of product training and communication of policies and procedures of Compensating Sponsors through resources and materials which may include in-person training, webcasts, intranet, and hyperlinks from the Lincoln website to that of the Compensating Sponsor; newsletters; co-branding; speakers and sponsorship at Lincoln sponsored conferences; access to Lincoln's marketing staff, etc. Examples include investor appreciation events, educational or product seminars, Lincoln educational or social events for its FRs. Lincoln maintains control of the agenda and attendees; sponsorship by a Compensating Sponsor is at the discretion of the Product Sponsor and is not conditional on sales targets. This "Additional Compensation" may be received as a flat dollar amount or an amount based on sales or total dollar amount of investors' assets. Product Sponsors who pay Lincoln Additional Compensation are considered Lincoln's "Compensating Sponsors."

**Source of Compensation.** Most Additional Compensation payments are paid to Lincoln out of the revenues of the sponsoring investment company or insurance company and are

NOT paid out of fund assets. Certain insurance companies or entities through which Lincoln places insurance business pay compensation that is based in part on factors such as total deposits, assets or premium volume and persistency or profitability of the business sold by Lincoln's FRs. The cost of this compensation may be directly or indirectly reflected in the premium or fee for the product.

Because Additional Compensation received by Lincoln may benefit Lincoln or its FRs financially, it may be deemed a potential financial conflict of interest when working with our investors.

**Compensating Sponsors.** Lincoln received Additional Compensation from the following product sponsors, investment advisors, and insurance companies and insurance general agencies in 2006:

Advanced Asset Management Advisors, Inc.; Advanced Resources, AIM Management Group, Inc.; Alliance Bernstein; Allianz Life Insurance Company of North America (US Allianz); American Funds; AMVESCAP; Bank of America; B&M Insurance Agency; Calvert Asset Management Company; Clark Capital Management Group; Deutsche Bank (DWS Scudder); Evergreen Funds; Federated Investors; Franklin/Templeton Distributors; Fred Alger & Company, Inc.; Goldman Sachs & Company; Great American Financial Resources/Annuity Investor Life Insurance Co.; The Hartford; ICON Advisors, Inc.; Individual Commercial Brokerage; ING Security Life of Denver Insurance Company; Jackson National Life Insurance Company; Lincoln Financial Group; Lincoln National; Meeder Asset Management; MetLife Investors USA Insurance; MFS Investment Management & Subsidiaries; Nationwide; Oppenheimer Funds, Inc.; Pacific; Pacific Life; PIM Shareholder Services (Pioneer Investments); Prudential Financial (American Skandia); Putnam Investments; Russell Investment Group; Security Benefit Group (Security Benefit Life and Security Distributors); Seligman Group; T. Rowe Price; Van Kampen Investments, Inc.; WM Group of Funds.

**Types and Amounts of Additional Compensation.** The types and amounts of Additional Compensation received in the prior year varied by Compensating Sponsor. A total of Additional Compensation received in 2006, by type, is reflected in the table in this section:

- Administrative fees for such services as record-keeping or networking arrangements, which were paid by Product Sponsors on the value of assets or number of accounts totaled \$1,933,093;
- Sponsorship Fees paid by Product Sponsors and Investment Advisors for Lincoln sponsored sales events, paid in the form of cash or expense reimbursement, for sales meetings, seminars and conferences to which the Compensating Sponsor is invited totaled \$86,695;
- Additional Marketing and Sales Support Compensation received either in the form of a flat dollar amount, total sales transacted, or total assets held on behalf of Lincoln investors was \$1,154,503;
- Reimbursement of approved expenses incurred by FRs or Lincoln employees for attendance at educational meetings held by the Compensating Sponsor at pre-approved locations, or reimbursement of general mailings, investor or prospective investor appreciation

meetings or seminars where the Compensating Sponsor has agreed to contribute toward the expense totaled \$82,588;

- Lincoln sold the assets of the Righttime Family of Funds to Federated Investors in December 2001. The Agreement of Sale compensates Lincoln based on a formula that takes into consideration ongoing sales and investor assets maintained in the Federated Funds. Such compensation agreement ended December 2006. Compensation received from Federated Investors in 2006 totaled \$567,552;
- Lincoln Financial Group pays a quarterly bonus fee to Lincoln for annuity business outside of a surrender period that remains in force (Persistency Bonus). Lincoln can also be charged back from Lincoln Financial for annuity contracts that are cancelled. For 2006, the net bonus less charge backs received by Lincoln was \$29,582.

Additional Compensation may also include brokerage commissions received by Lincoln resulting from the execution of portfolio transactions on behalf of an investment company. There is no written or verbal agreement or arrangement whereby a sponsor is required to direct a certain amount of brokerage to Lincoln based upon the assets invested in a sponsor's products. Consequently, Lincoln cannot anticipate if sponsors will place trades through Lincoln in the future. During 2006, Lincoln executed no trades for Compensating Sponsors' portfolios. Additional Compensation is not shared with FRs, their Managers or Designated Supervisors. Only Lincoln benefits financially from this Additional Compensation which is utilized to offset the cost of the services performed on behalf of the Product Sponsor or the marketing and operational expenses of the company.

Overall, in 2006, Additional Compensation based on sales or assets received by Lincoln represented 0.0290% of the total average aggregate value of our investors' asset holdings or \$2.90 on an account value of \$10,000.

**2006 Compensating Product Sponsors who compensated Lincoln based on Sales or Assets or Sponsorship of Lincoln Events**

<b>Product Sponsor</b>	<b>Annual Compensation Arrangements for every \$10,000 in Investor Assets</b>	<b>Annual Compensation Arrangements for every \$10,000 of Investor Sales</b>	<b>Total Event Sponsorship and Compensation Arrangements Received</b>
Federated Investors, Inc. *(see note below)	\$10	-	\$567,522
ICON Advisors, Inc.	\$10	-	\$279,000
Security Benefit Group, Inc.	\$3	-	\$196,705
Franklin/Templeton Investments	-	\$15 <sup>a</sup>	\$166,792
AIM Investments	\$2.50	-	\$104,286
Oppenheimer Funds	-	-	\$103,000
Putnam Investments	-	-	\$87,500
US Allianz	-	\$25	\$84,057
Jackson National Life	-	\$25	\$59,104
Prudential/American Skandia	-	\$20	\$55,189
Van Kampen Investments, Inc.	-	\$15	\$55,117
MetLife Investors	-	\$25	\$21,754
Great American Financial Services	-	-	\$12,500
Meeder Asset Management	-	-	\$6,195
Advanced Asset Management Advisors, Inc.	-	-	\$5,000
Russell Investment Group	-	-	\$5,000

\*. Compensation from Federated Investors is from the sale of the Righttime Family of Funds in December 2001 by Lincoln to Federated Investors, Inc. The agreement between Lincoln and Federated Investors calls for compensation to Lincoln based on a combination of sales and assets through December 2006.

<sup>a</sup>. Reflected is an average of the compensation arrangement with Franklin/Templeton which is \$10 on bond fund sales and \$20 on equity fund sales based on a \$10,000 investment.

**OTHER POTENTIAL CONFLICTS OF INTEREST**

**Differential Compensation.** Commissions received by Lincoln on transactions vary, generally ranging from 1.0% to 6.0% of amount invested, and advisory fees generally range from .60% – 2.0% of the assets under management. With respect to commissions and advisory fees received, Lincoln pays each FR an assigned payout rate that has been determined based upon the branch office that the FR is assigned, his/her total level of production, and the type of product being sold. Lincoln does not offer differential commission payouts based upon the specific product, or the Sponsor of the Product. Lincoln may, at its discretion, support its representatives by subsidizing the FR's marketing efforts. For advisory services offered by Lincoln on its

SOLUTIONS or PREMIER platforms, there is no financial incentive to the FR to offer one program over another. Regardless of the advisory service offered, the FR receives the same percentage of the advisory fee paid by the investor. This allows the FR to make objective recommendations to the investor. Lincoln retains the remainder of the advisory fee paid by the investor to pay for such services as the administration, and management fee to the Strategists, when applicable.

With respect to distribution and servicing fees paid by product sponsors, the fees received by Lincoln generally range from 0.10% to 1.00% annually of the net asset value of the investor's assets. This fee is typically an ongoing fee that is paid to Lincoln in addition to the commission and/or advisory fee received. Lincoln's policy as to which FR shares in the distribution and servicing fees varies based on such factors as: whether the FR is in a company agency or independent agency branch office; whether the FR qualifies for Lincoln's achievement clubs by meeting certain production criteria (Honor Club or President's Club); whether the product paying the distribution fees is a Compensating Sponsor and/or whether the product issuing the distribution or servicing fees maintains an electronic relationship with Lincoln for the sharing of investor information. This may create a financial incentive for the FR to offer to the investor only those products for which he/she does qualify to share in distribution and servicing fees paid to Lincoln. Only a small number of Lincoln's FRs do not share in certain products' distribution and servicing fees paid to Lincoln. Lincoln shares, with its FRs, more than 77% of the distribution and servicing fees it receives. As an investor, you should ask your FR if he/she receives or shares in the distribution or servicing fees associated with his/her product recommendation to you.

**Sales Contests.** Lincoln also offers sales contests to its FRs that provides additional incentives to FRs. Lincoln may offer contests throughout the year that will be limited to those accounts on Lincoln's custodial retirement plan platform, *Retirement SOLUTIONS/ Retirement SOLUTIONS PREMIER*, and Lincoln's mutual fund platform for non-retirement accounts, *Investor SOLUTIONS/Investor SOLUTIONS PREMIER*. In offering a contest only on sales on these platforms, Lincoln may offer sales contests that may provide the FR with an incentive to offer the products or services of only those product sponsors that are approved for sale on these platforms. As of December 31, 2006, there were over 400 approved product sponsors at Lincoln, 42 of which were on the *Retirement SOLUTIONS/Retirement SOLUTIONS PREMIER* and *Investor SOLUTIONS/Investor SOLUTIONS PREMIER* platforms and 21 of the 42 which are Compensating Sp onsors. Lincoln includes in the contest all approved products on the platform and does not restrict these contests to Compensating Sponsors only. Top achievers in these contests may receive Lincoln sponsored trips, cash prizes, bonus commissions, extra club points, monetary donations in their name to a charity of their choice or other nominal prizes. All contests are across the entire product line available on the platforms. No contest is offered which will award the FR based upon a specific investment product or on a specific product sponsor. Lincoln will not accept any business that is not deemed suitable for the investor.

**Endorsements.** From time to time, Lincoln 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, (hereinafter, "Associations"). In some cases, Lincoln voluntarily makes such payments to reimburse the Associations for certain marketing expenses (e.g. newsletter advertisements) in connection with

Lincoln's products and services. Certain Associations require Lincoln to reimburse them for marketing expenses, or the use of their facilities used to meet with their employees, or to obtain their explicit endorsement. Others request our assistance in covering their administrative cost of processing the payroll contributions. Through December 2006, payments ranged from \$50 to \$17,500 per Association.

**Retirement Plan Custodial Services.** Lincoln collects, on behalf of UMB Bank, n.a., the custodial fee for all *Retirement SOLUTIONS* and *Retirement SOLUTIONS PREMIER* accounts. As the authorized agent for the custodian, Lincoln performs most of the administrative and custodial duties for UMB Bank, n.a., and retains the majority of the custodial fee collected as payment for these services. Therefore, Lincoln may have an incentive to encourage its FRs to utilize *Retirement SOLUTIONS* and *Retirement SOLUTIONS PREMIER* accounts over other retirement plan custodial services.

Each FR may determine the general investment recommendations to be given to investors. Listed below are the designated supervisors ("DSs") for each Lincoln supervisory branch office, his/her educational and business background for the preceding five years. The DSs are responsible for overseeing the recommendations made by the FRs assigned to their branch office location:

Office: **Atlanta, GA**  
 Address: 1745 Phoenix Boulevard, Suite 200  
 Atlanta, GA 30349  
 D.S.: Pamela J. Middleton  
 Born: 1955  
 Background: 5/96-Present: Lincoln Investment Planning, Inc.  
 4/94-Present: Banks, Jackson, Middleton, Inc.  
 Designation(s): ChFC, CLU  
 Education: 1973-1977: University of Georgia, Degree: BS  
 1982-1986: Atlanta University, Degree: MBA  
 1981 - 2001: The American College

Office: **Austin, TX**  
 Address: 10817 River Plantation Drive, Austin, TX 78747  
 D.S.: Kenneth Gutshall  
 Born: 1949  
 Background: 6/06-Present: Lincoln Investment Planning, Inc.  
 2/05-6/06: Great American Advisors, Inc.  
 8/00-2/05: PMG Securities Corp.  
 Education: 1967-1973: Ohio University, Degree: BFA

Office: **Bethlehem, PA**  
 Address: 1 East Broad Street, Suite 440, Bethlehem, PA 18018  
 D.S.: Andrew Strum  
 Born: 1950  
 Background: 7/03 -Present: Lincoln Investment Planning, Inc.  
 8/02-4/03: Independence Planning Group  
 7/98 - 8/02: Sagemark Consulting  
 Designation(s): ChFC, CLU  
 Education: 1968 - 1973: Drexel University, Degree: BS  
 1980 - 1982: Drexel University, Degree: MBA  
 1987 - 2000: The American College

Office: **Bloomsburg, PA**  
 Address: 261 W. Main Street, Bloomsburg, PA 17815  
 D.S.: David S. Ruckle  
 Born: 1953  
 Background: 7/86-Present: Lincoln Investment Planning, Inc.  
 Education: No post high school

Office: **Charlottesville, VA**  
 Address: 200 Hansen Road, Suite 1, Charlottesville, VA 22911  
 D.S.: Judy Esau  
 Born: 1958  
 Background: 7/88-Present: Lincoln Investment Planning, Inc.  
 Designation(s): AAMS, ChFC  
 Education: 1997-2003: The American College  
 1979: Durham Technical Institute

Office: **Cobleskill, NY**  
 Address: 2668 State Route 7, Suite 31, Cobleskill, NY 12043  
 D.S.: Richard W. Pinder  
 Born: 1942  
 Background: 5/86-Present: Lincoln Investment Planning, Inc  
 Designation(s): CFP  
 Education: 1966: Rocker College, Degree: BA  
 1988-1990: College for Financial Planning

Office: **Colorado Springs, CO**  
 Address: Emerald Plaza, Suite 2500, 5350 Tomah Drive  
 Colorado Springs, CO 80918  
 D.S.: Bethany Palmer  
 Born: 1965  
 Background: 3/97-Present: Lincoln Investment Planning, Inc.  
 6/87-Present: Envoy Financial  
 Designation(s): CSA  
 Education: 1983 - 1987: Westmont College, Degree, MBA

Office: **Coxsackie, NY**  
 Address: 1 Mansion Street, Coxsackie, NY 12051  
 D.S.: Steve Simmons  
 Born: 1956  
 Background: 8/88-Present: Lincoln Investment Planning, Inc.  
 Designation(s): CPA  
 Education: 1977-1980: SUNY University, Degree: BPS

Office: **Cranford, NJ**  
 Address: 4 Commerce Drive, 3<sup>rd</sup> Floor, Cranford, NJ 07016  
 D.S.: John Natale  
 Born: 1954  
 Background: 9/97-Present  
 Designation(s): CLU, ChFC CLU, ChFC  
 Education: 1973-1977: St. Josephs College, Degree: BS  
 1982-1987: The American College

Office: **Evergreen, CO**  
 Address: 31207 Keats Way, Suite 205, Evergreen, CO 80439  
 D.S.: Gary Drury  
 Born: 1954 1954  
 Background: 6/99-Present: 6/99-Present:  
 CLTC CLTC  
 Education: 1982-1987: University of El Paso Texas  
 Degree: BS

Office: **Gaithersburg, MD**  
 Address: 203 Brookes Avenue, Gaithersburg, MD 20877  
 D.S.: Tom A. Hendershot  
 Born: 1952  
 Background: 7/87-Present: Lincoln Investment Planning, Inc.  
 1/75-Present: Hendershot Financial Group  
 (formerly L.A. Hendershot & Assoc.)  
 Education: 1970 - 1974: University of Maryland, Degree: BS

Office: **Hanover, PA**  
 Address: 4 Center Square, Hanover, PA 17331  
 D.S.: Patrick T. Logue  
 Born: 1954  
 Background: 6/90-Present: Lincoln Investment Planning, Inc.

**Education:** 1972-1976: Edinboro University, Degree: BS  
 1978-1980: University of Toledo  
 Masters in Guidance & Counseling

**Office:** **Hartford, CT**  
**Address:** 105 Prospect Avenue, Hartford, CT 06106  
**D.S.:** Michael J. Howard  
**Born:** 1956  
**Background:** 5/04-Present: Lincoln Investment Planning, Inc.  
 9/75- Present: Howard Financial Corp.  
 10/88- 05/04: Main Street Management Company  
**Designation(s):** CFP, CLU  
**Education:** 1975 – 1977: Central Connecticut State University  
 No degree attained  
 1985-1987: College for Financial Planning  
 1975-Present: The American College

**Office:** **Hoffman Estates, IL**  
**Address:** 2500 W. Higgins Road, Suite. 300  
 Hoffman Estates, IL 60195  
**D.S.:** Christopher Jackson  
**Born:** 1960  
**Background:** 1/06-Present: Lincoln Investment Planning, Inc.  
 2/86-12/05: Citistreet/Copeland  
**Education:** 1980-1982: College of DuPage, Degree: AA  
 1983-1985: Western Illinois University,  
 Degree: BS

**Office:** **Home Office**  
**Address:** 218 Glenside Avenue, Wyncote, PA 19095  
**D.S.:** Deirdre B. Koerick  
**Born:** 1955  
**Background:** 9/98-Present: Lincoln Investment Planning, Inc.  
**Education:** 1973-1977: Pennsylvania State University,  
 Degree: BS  
 1978-1980: Temple University, Degree: MBA

**Office:** **Houston, TX**  
**Address:** 7670 Woodway, Suite 275, Houston, TX 77063  
**D.S.:** Ross A. McLaurin  
**Born:** 1955  
**Background:** 10/87-Present: Lincoln Investment Planning, Inc.  
 7/93-Present: Lincoln Advisors of Texas  
**Education:** 1973-1977: University of Texas, Degree: BS  
 1977-1979: Stanford University, Degree: MS

**Office:** **Independent Producers/Company Agency Managers**  
**Address:** 218 Glenside Avenue, Wyncote, PA 19095  
**D.S.:** Louis Manon  
**Born:** 1971  
**Background:** 10/06-Present: Lincoln Investment Planning, Inc.  
 10/01-10/06: Louis Manon Consulting  
**Education:** 1994-1997: Villanova University, Degree: BA  
 1997-2001: St. Joseph's University,  
 Degree: MBA

**Office:** **Independent Producers/Company Agency Managers**  
**Address:** 218 Glenside Avenue, Wyncote, PA 19095  
**D.S.:** Erin Pommer  
**Born:** 1980  
**Background:** 6/05-Present: Lincoln Investment Planning, Inc.  
 8/04-6/05: Bisys Commercial Insurance  
 11/03-7/04: Lincoln Investment Planning, Inc.  
 8/02-11/03: IMS Partners  
 8/01-8/02: Summit Brokerage Services  
**Education:** 2000-2002: Florida Metropolitan University,  
 Degree: AS

**Office:** **Irving, TX**  
**Address:** 5201 North O'Connor Blvd., Ste. 200, Irving, TX 75039  
**D.S.:** Christina Gears  
**Born:** 1947  
**Background:** 1/97-Present: Lincoln Investment Planning, Inc  
 1/90-Present: CMW Financial Inc.  
**Education:** No post high school

**Office:** **Jenkintown, PA**  
**Address:** 101 West Avenue, Suite 200, Jenkintown, PA 19046  
**D.S.:** Leonard J. Rizzotti  
**Born:** 1961  
**Background:** 1/04 -Present: Lincoln Investment Planning, Inc.  
 4/01– 12/03: Citistreet: Retirement Services  
 11/99 – 3/01: Prudential Investments:  
 Retirement Services  
**Designation(s):** CFP, CEBS  
**Education:** 1982 - 1983: LeMoyn College, Degree: BA  
 1994 - 2000: College for Financial Planning

**Office:** **Joliet, IL**  
**Address:** 308 Woodworth Avenue, Joliet, IL 60435  
**D.S.:** Kathryn Cawley  
**Born:** 1948  
**Background:** 7/00-Present: Lincoln Investment Planning, Inc.  
 6/99-Present: Voyager Group  
**Designation(s):** CSA  
**Education:** 1966-1970: Wesleyan University, Degree: BA

**Office:** **Kansas City, MO**  
**Address:** 1600 Genessee Street, Ste. 900  
 Kansas City, MO 64102  
**D.S.:** Sanford Warmund  
**Born:** 1963  
**Background:** 2/95-Present: Lincoln Investment Planning, Inc.  
 2/95-Present: Reliant Financial Services  
**Education:** 1981-1985: Kansas State University  
 Degree: BS

**Office:** **Long Island, NY**  
**Address:** 150 Motor Parkway, Suite 105  
 Hauppauge, NY 11788  
**D.S.:** Mark D. Knox  
**Born:** 1953  
**Background:** 3/84-Present: Lincoln Investment Planning, Inc.  
**Designation(s):** CFP  
**Education:** 1971-1975: Farleigh Dickinson University,  
 Degree: BS  
 1987-1989: College for Financial Planning

**Office:** **Lutz, FL**  
**Address:** 136 Whitaker Road, Lutz, FL 33549  
**D.S.:** Bret D. Smith  
**Born:** 1959  
**Background:** 9/05-Present: Lincoln Investment Planning, Inc  
 1/86-Present: West Coast Financial Group, Inc.  
 Plan Member Securities Corp.  
**Designation(s):** CFP, CLU, ChFC  
**Education:** 1977-1981: University of South Florida  
 Degree: BA  
 1997-1999: Nova University  
 2001-2004: The American College

Office: **Pittsburgh, PA**  
Address: 300 Isabella Street, Suite 204, Pittsburgh, PA 15219  
D.S.: Eric P. Rosen  
Born: 1948  
Background: 1/07-Present: Lincoln Investment Planning, Inc.  
1/06-1/07: MetLife Resources  
8/00-12/05: Citistreet  
Education: 1965-1970: Northeastern University  
Degree: BA  
1971-1972: Boston University  
Degree: M.M.Ed.

Office: **Waltham, MA**  
Address: 51 Sawyer Road, Suite 210, Waltham, MA 02453  
D.S.: Tamara Indianer  
Born: 1967  
Background: 6/00-Present: Lincoln Investment Planning, Inc.  
Designation(s): CFP  
Education: 1985 - 1989: Emory University, Degree: BA  
1990 - 1992: Brandeis University  
Degree: Masters  
1997 - 2000: The American College

Office: **Rancho Mirage, CA**  
Address: 35900 Bob Hope Drive, Suite 200  
Rancho Mirage, CA 92270  
D.S.: Robert G. Torrie  
Born: 1944  
Background: 8/00-Present: Lincoln Investment Planning, Inc.  
09/90-Present: Rooney Financial Group  
10/92- Present: Teachers Tax Service  
Designation(s): CSA  
Education: 1963-1967: Wayne State University  
Degree: BS  
1969-1970: Eastern Michigan University,  
Degree: MA  
1971-1973: University of Michigan  
Degree: Doctoral Fellow

Office: **Sugar Land, TX**  
Address: 77 Sugar Creek Center Blvd., Suite 590  
Sugar Land, TX 77478  
D.S.: Stewart A. Jacobson  
Born: 1960  
Background: 2/05-Present: Lincoln Investment Planning, Inc.  
1/89-Present: Dearborn & Creggs Insurance  
Agency, Inc.  
4/85-5/05: PEB Financial Group, Inc.  
Designation(s): CFP  
Education: 1978-1982: University of Illinois, Degree: BS  
1982-1984: University of Texas Law School,  
Degree: JD  
1986-1988: College for Financial Planning

Office: **Tucson, AZ**  
Address: 145 E. University Blvd, Tucson, AZ 85705  
D.S.: J. Daniel Guare, Jr.  
Born: 1950  
Background: 4/92-Present: Lincoln Investment Planning, Inc.  
3/00-Present: Tucson Investment Planners, Inc.  
Education: 1968-1969: Alma White College  
No degree attained  
1970-1972: Kean State College, Degree: BA

Office: **Voorhees, NJ**  
Address: 6111 Main Street, Voorhees, NJ 08043  
D.S.: John M. Natale  
Born: 1954  
Background: 9/97-Present Lincoln Investment Planning, Inc.  
Designation(s): CLU, ChFC  
Education: 1973-1977: St. Josephs College, Degree: BS  
1982-1987: The American College