

How LFN Addresses Debit Balances in Client Accounts

Depending on the type of account you have with Lincoln Financial Advisors Corporation (“LFA”) or Lincoln Financial Securities Corporation (“LFS” and, together with LFA, “LFN”) and your account’s holdings, LFN may charge you trading, execution, and other service fees and charges when LFN serves as the broker-dealer of record for your account. These fees and charges are described in the applicable LFN Fee and Commission Schedule, which was provided to you at account opening and may change over time, and include, but are not limited to, inactive account fees, annual account maintenance fees, and annual custody and valuation fees for certain asset types, as applicable. The current LFA and LFS Fee and Commission Schedules can be found at www.lfa-sagemark.com and www.lfsecurities.com, respectively, under My accounts—Cost.

If there is not enough cash in your account to pay for these fees as and when they are charged to your account, your account will go into a debit position. To resolve a debit in your account, you may work with your LFN financial professional to deposit additional cash into your account or sell securities held in your account to generate cash. If you do not take prompt action to resolve any debit in your account, LFN will take the actions described below to raise cash in your account to satisfy the total amount of your outstanding debit (and any fees and expenses associated with the resolution of your outstanding debit). These actions may result in tax implications for you and your account.

In order to clear the total debit balance in your account and any associated fees and expenses, LFN will generate cash in your account by placing liquidating trades in accordance with the following methodology:

- **Mutual Funds:** LFN will first liquidate mutual funds held in your account in the following order:
 - LFN will liquidate the first Class A mutual fund listed in your account on LFN’s internal trading system with a sufficient balance to cover your total debit balance and associated fees and expenses;
 - If no sufficient Class A mutual fund position is available in your account, LFN will liquidate the first Class F, I, T, or Z mutual fund or no-load mutual fund listed in your account on LFN’s internal trading system with a sufficient balance to cover your total debit balance and associated fees and expenses; and
 - If no sufficient Class A, F, I, T, or Z mutual fund or no-load mutual fund position is available in your account, LFN will liquidate the first Class C or B mutual fund listed in your account on LFN’s internal trading system with a sufficient balance to cover your total debit balance and associated fees and expenses.

For mutual fund liquidations, LFN will liquidate the amount of mutual fund shares necessary to cover your total debit balance, the related commissions, trading and execution fees, and service and handling charges that are applicable to mutual fund transactions in your account, and an additional \$10 fee per transaction that will be imposed by LFN in connection with this liquidation process.

- **Stocks:** If no mutual funds are available in your account, LFN will liquidate the first stock listed in your account on LFN’s internal trading system with a sufficient balance to cover your total debit balance and associated fees and expenses, including the related commissions, trading and execution fees, and service and handling charges that are applicable to stock transactions in your account.
- **Unit Investment Trusts (“UITs”):** If no mutual funds or stocks are available in your account, LFN will liquidate the first UIT listed in your account on LFN’s internal trading system with a

sufficient balance to cover your total debit balance and associated fees and expenses, including the related commissions, trading and execution fees, and service and handling charges that are applicable to UIT transactions in your account.

- **Other:** If no mutual funds, stocks, or UITs are available in your account, LFN will evaluate whether any actions, including, but not limited to, liquidation of other position types, are available to LFN to clear your total debit balance and any associated fees and expenses.

In certain limited circumstances, LFN may deviate from the above methodology when LFN determines that doing so would be in your best interest.

If LFN is required to liquidate mutual fund, stock, UIT, or other positions in your account to satisfy your total debit balance and associated fees and expenses, you will be charged applicable commissions, trading and execution fees, and service and handling charges for each liquidating transaction. Additionally, if the assets in your account are insufficient to cover your total debit balance and any associated fees and expenses, your entire account may be liquidated and you will be charged applicable commissions, trading and execution fees, and service and handling charges for each liquidating transaction, which may result in a further debit to your account.

Should you have any questions regarding the fees that are applicable to your accounts with LFN or LFN's process for addressing debit balances in your accounts, please contact your LFN financial professional.

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