

# Everlake Distributors, LLC

(SEC I.D. No. 8-52029)

Financial Statements and  
Supplemental Schedules as of and  
for the Year Ended December 31, 2023 and Report of  
Independent Registered Public Accounting Firm

# EVERLAKE DISTRIBUTORS, LLC

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## **REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Managers and the Member of  
Everlake Distributors, LLC  
Northbrook, Illinois

### **Opinion on the Financial Statements**

We have audited the accompanying statement of financial condition of Everlake Distributors, LLC (the "Company") as of December 31, 2023, and the related statements of income, changes in member's equity, and cash flows for the year then ended, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud.

Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

### **Report on Supplemental Schedules**

The accompanying supplemental schedules H and J (collectively "the supplemental schedules") have been subjected to audit procedures performed in conjunction with the audit of the Company's financial statements. The supplemental schedules are the responsibility of the Company's management. Our audit procedures included determining whether the supplemental schedules reconcile to the financial statements or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information presented in the supplemental schedules. In forming our opinion on the supplemental schedules, we evaluated whether the supplemental schedules, including their form and content, are presented in compliance with Rule 17a-5 under the Securities Exchange Act of 1934. In our opinion, such schedules are fairly stated, in all material respects, in relation to the financial statements as a whole.

/s/ DELOITTE & TOUCHE LLP

Chicago, Illinois

February 23, 2024

We have served as the Company's auditor since 2000.

# EVERLAKE DISTRIBUTORS, LLC

## STATEMENT OF FINANCIAL CONDITION AS OF DECEMBER 31, 2023

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### ASSETS:

Cash and cash equivalents	\$	1,100,396
Receivable from affiliates		105,847
Other assets		44,285
<b>TOTAL ASSETS</b>	<b>\$</b>	<b>1,250,528</b>

### LIABILITIES AND MEMBER'S EQUITY

#### LIABILITIES:

Payable to affiliates	\$	94,626
Accounts payable and accrued expenses		88,242
Income taxes payable		7,444
<b>TOTAL LIABILITIES</b>		<b>190,312</b>

<b>MEMBER'S EQUITY</b>		<b>1,060,216</b>
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<b>TOTAL LIABILITIES AND MEMBER'S EQUITY</b>	<b>\$</b>	<b>1,250,528</b>
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See notes to financial statements.

# EVERLAKE DISTRIBUTORS, LLC

## STATEMENT OF INCOME FOR THE YEAR ENDED DECEMBER 31, 2023

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### REVENUES:

Fee income	\$	347,605
Underwriting revenue		164,050
Interest income		35,449
<b>TOTAL REVENUES</b>		<hr/> 547,104

### EXPENSES:

Salaries and employee benefits expenses		196,670
General and administrative expenses		280,362
Regulatory fees		19,992
Wholesaling and marketing expenses		14,631
<b>TOTAL EXPENSES</b>		<hr/> 511,655

<b>INCOME FROM OPERATIONS BEFORE INCOME TAXES</b>		35,449
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<b>INCOME TAX EXPENSE</b>		<hr/> 7,444
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<b>NET INCOME</b>	\$	<hr/> <hr/> 28,005
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See notes to financial statements.

**EVERLAKE DISTRIBUTORS, LLC**

**STATEMENT OF CHANGES IN MEMBER’S EQUITY  
FOR THE YEAR ENDED DECEMBER 31, 2023**

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MEMBER’S EQUITY — Beginning of year	\$ 1,032,211
NET INCOME	<u>28,005</u>
MEMBER’S EQUITY — End of year	<u><u>\$ 1,060,216</u></u>

See notes to financial statements.

# EVERLAKE DISTRIBUTORS, LLC

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2023

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### CASH FLOWS FROM OPERATING ACTIVITIES:

Net income	\$	28,005
Adjustments to reconcile net income to net cash provided by operating activities:		
Changes in:		
Receivable from affiliates		483
Other assets		(17,540)
Payable to affiliates		(18,316)
Accounts payable and accrued expenses		23,005
Income taxes payable		5,782
Net cash provided by operating activities		<u>21,419</u>

NET INCREASE IN CASH AND CASH EQUIVALENTS	21,419
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CASH AND CASH EQUIVALENTS — Beginning of year	<u>1,078,977</u>
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CASH AND CASH EQUIVALENTS — End of year	<u><u>\$ 1,100,396</u></u>
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See notes to financial statements.

# EVERLAKE DISTRIBUTORS, LLC

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023

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### 1. GENERAL

**Basis of presentation** - The accompanying financial statements include the accounts of Everlake Distributors, LLC (the “Company”), a limited liability company wholly owned by Everlake Life Insurance Company (“Everlake Life”). Everlake Life is a wholly owned subsidiary of Everlake US Holdings Company, a wholly owned subsidiary of Everlake US Parent Company, a wholly owned subsidiary of Everlake Holdings, LP. These financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”).

Prior to November 1, 2021, Everlake Life was a wholly owned subsidiary of Allstate Insurance Company (“Allstate”), a wholly owned subsidiary of Allstate Insurance Holdings LLC, a wholly owned subsidiary of The Allstate Corporation.

On November 1, 2021, Everlake Life, the Company and certain affiliates were acquired by Everlake US Holdings Company, an affiliate of an investment fund associated with Blackstone Inc. Subsequently, the Company was renamed to Everlake Distributors, LLC. The Company did not elect the option to apply pushdown accounting in these financial statements upon change in control.

**Use of estimates** - The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

**Nature of operations** - The Company, a Delaware limited liability company, is a broker-dealer registered with the Securities and Exchange Commission (“SEC”) and is a member of the Financial Industry Regulatory Authority, Inc. (“FINRA”).

The Company is a non-clearing broker-dealer and serves as principal underwriter for individual and group flexible premium deferred annuity contracts and SEC-registered variable annuity, variable life, and variable universal life contracts that were issued by Everlake Life and certain of its subsidiaries and affiliates (the “issuers”). Effective January 1, 2014, the issuers ceased selling new annuity contracts, and effective November 1, 2021, the issuers ceased selling new life insurance contracts. Additional deposits are accepted on existing contracts.

In 2014, Everlake Life sold one of its subsidiaries, Lincoln Benefit Life Company (“LBL”), which included LBL’s life insurance business generated through independent master brokerage agencies, LBL’s deferred fixed annuities and its long-term care insurance business. The Company entered into a principal underwriting agreement with LBL for the variable universal life contracts sold through LBL independent master brokerage agencies.

On October 1, 2021, Everlake Life’s subsidiary Allstate Life Insurance Company of New York (“ALNY”) and affiliate Intramerica Life Insurance Company (“Intramerica”) were sold to Wilton Reassurance Company. The Company entered into a principal underwriting agreement with ALNY and Intramerica for their variable annuity and variable universal life contracts. On November 1, 2021, ALNY and Intramerica were merged with and into Wilton Reassurance Life Company of New York (“WRNY”). WRNY is not an affiliate of the Company.

**Subsequent events** - Subsequent events were evaluated through February 23, 2024, the date the financial statements were issued.



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Fee income** - Fee income reflects amounts charged to Everlake Life in connection with the sales and wholesaling services provided by the Company. Fee income is earned in the period that the corresponding reimbursable expenses are incurred, which is when the performance obligation is satisfied. A receivable is established for fees charged but not yet collected.

**Underwriting revenues** - Underwriting revenues reflect distribution fees due from Everlake Life for contracts underwritten by the Company. Underwriting revenues also include underwriting compensation from LBL and WRNY. Underwriting revenues are earned when due in accordance with the underwriting agreements, which is the same period the performance obligation is satisfied. A receivable is established for fees that have been earned but are not yet collected.

**Expenses** - Expenses consist of salaries and employee benefits and general and administrative expenses. Expenses are recognized as incurred. Expenses incurred in carrying out the Company's duties and responsibilities in its role as principal underwriter and wholesaler for contracts issued by Everlake Life and its subsidiaries and by non-affiliates, in excess of underwriting revenue, are reimbursed through fee income.

**Regulatory fees** - Regulatory fees reflect FINRA licensing fees, state filing fees and other costs incurred in the normal course of business.

**Wholesaling and marketing expenses** - Wholesaling and marketing expenses reflect amounts paid or due to an unaffiliated third party for wholesaling and marketing support provided to Everlake Life for variable annuity contracts underwritten by the Company.

**Income taxes** - The income tax provision is calculated under the liability method. Deferred tax assets and liabilities are recorded based upon the difference between the financial statement and tax bases of assets and liabilities at the enacted tax rates. The Company had no differences between the financial statement and tax bases of assets and liabilities as of December 31, 2023. The Financial Accounting Standards Board has issued an Accounting Standards Update on Income Taxes (ASU Topic 740) which will be effective for the year ended December 31, 2025. This update is not expected to have a material impact on the Company's financial statement disclosures.

**Cash and cash equivalents** - Cash equivalents include highly liquid investments in money market funds with original maturities of less than ninety days. Money market funds are carried at fair value, which is equal to the net asset value of the funds.

**Segment Disclosure** - The Company operates as a single segment entity based on the manner in which the Company uses financial information to evaluate business performance and to determine the allocation of resources. The Financial Accounting Standards Board has issued an Accounting Standards Update on Segment Reporting (ASU Topic 280) which will be effective for the year ended December 31, 2024. The Company operates under one segment and this update is not expected to have a material impact on the financial statement disclosures.

## 3. FAIR VALUE OF ASSETS AND LIABILITIES

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The hierarchy for inputs used in determining fair value maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that observable inputs be used when available. Assets recorded on the Statement of Financial Condition at fair value as of December 31, 2023 consist of money market funds included as a component of cash and cash equivalents. There are no liabilities carried at fair value. Money market funds are categorized in the fair value hierarchy based on the observability of inputs to the valuation techniques as follows:

*Level 1:* Assets whose values are based on unadjusted quoted prices for identical assets in an active market that the Company can access.

*Level 2:* Assets whose values are based on the following:

- a. Quoted prices for similar assets in active markets;
- b. Quoted prices for identical or similar assets in markets that are not active; or
- c. Valuation models whose inputs are observable, directly or indirectly, for substantially the full term of the asset.

*Level 3:* Assets whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. Unobservable inputs reflect the Company's estimates of the assumptions that market participants would use in valuing the assets.

During the reporting period, all money market funds consist of shares of mutual funds totaling \$779,225 that have daily quoted net asset values for identical assets that the Company can access and are categorized as Level 1. The net asset values are received monthly from the third party custodial financial institution.

The fair value of all other financial assets and liabilities approximates their carrying value as they are short-term in nature.

#### **4. NET CAPITAL REQUIREMENTS**

As a registered broker-dealer, the Company is subject to the SEC Uniform Net Capital Rule 15c3-1 (the "Rule"), which requires the maintenance of minimum net capital, as defined under the Rule, equivalent to the greater of \$5,000 or 6-2/3% of aggregate indebtedness, as defined under the Rule.

As of December 31, 2023, the Company had net capital, as defined under the Rule, of \$894,499 which was \$881,812 in excess of required net capital of \$12,687.

The Company's aggregate indebtedness, as defined under the Rule, was 21.28% of its net capital.

#### **5. INCOME TAXES**

As a limited liability company, and a disregarded entity for tax purposes, the Company's income will be reported on the income tax returns of Everlake Life as the Company's sole member.

For periods prior to November 1, 2021, the Company joined The Allstate Corporation and its other eligible domestic subsidiaries (the "Allstate Group") in the filing of consolidated federal income tax returns. Any adjustments that may result from Internal Revenue Service examinations of the Allstate Group's tax returns are not expected to have a material effect on the Company's financial statements and remain with The Allstate Corporation. The Company has no further obligation related to the pre-transaction period.

Subsequent to November 1, 2021, Everlake Life and the Company are included in the Everlake Life Group federal income tax return. The Everlake Life Group's federal taxable income for the year ended December 31, 2023 is consolidated with the entities listed below:

Everlake Life Insurance Company	Everlake Distributors, LLC
Everlake Assurance Company	Everlake Private Fund I Holdings, LLC
ELIC Reinsurance Company	Everlake Private Fund I, LLC

The Everlake Life Group elected under IRC Section 1552(a)(2) to allocate the consolidated federal income tax liability based on each member's federal income tax liability computed on a separate return basis; however, all tax

benefits resulting from losses and tax credits are allocated to the individual company to the extent they can be utilized in the consolidated return. The Company would settle its share of the tax liability or benefit, if any, with Everlake Life.

The Company had no liability for unrecognized tax benefits as of December 31, 2023 and believes that the unrecognized tax benefits balance will not materially change within the next 12 months.

The Company paid income taxes of \$1,662 in 2023. The 21% effective tax rate on income from operations in 2023 is the same as the statutory federal income tax rate of 21%.

## 6. RELATED-PARTY TRANSACTIONS

**Fee income** - The Company receives fee income from the contract issuers for which the Company served as a wholesaler. The fee income is based on the expenses incurred in conducting the wholesaling activities. During 2023, the Company earned fee income of \$347,605, all of which was from Everlake Life, a related party.

**Underwriting revenue** - The Company earned underwriting revenue of \$16,834 for underwriting services provided to Everlake Life in 2023.

**Expenses** - Everlake Services Company, an affiliate of the Company, provides services and administrative activities to the Company. The Company also utilizes business facilities leased and operated by Everlake Services Company in conducting its business activities. The Company reimburses Everlake Services Company for costs incurred in providing these services. The cost to the Company is determined by various allocation methods and is primarily related to the level of services provided. In 2023, the total costs allocated to the Company for these services were \$196,420 for salaries and employee benefits and \$96,248 for general and administrative expenses totaling \$292,668.

The Company reported the following as receivable from affiliates as of December 31, 2023:

Everlake Life Insurance Company	\$105,847
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The Company reported the following as payable to affiliates as of December 31, 2023:

Everlake Services Company	\$94,626
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# EVERLAKE DISTRIBUTORS, LLC

## COMPUTATION OF NET CAPITAL FOR BROKERS AND DEALERS PURSUANT TO RULE 15c3-1 UNDER THE SECURITIES EXCHANGE ACT OF 1934 December 31, 2023

Schedule H

### NET CAPITAL

TOTAL MEMBER'S EQUITY	\$	1,060,216
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ADJUSTMENTS TO NET CAPITAL PURSUANT TO RULE 15C3-1:		
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Nonallowable assets:		
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Receivable from affiliates	105,847	
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Other assets	44,285	
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Total nonallowable assets		<u>150,132</u>
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HAIRCUTS ON SECURITIES POSITIONS:		
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2% Haircut on money market	\$	<u>15,585</u>
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NET CAPITAL	\$	<u><u>894,499</u></u>
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AGGREGATE INDEBTEDNESS	\$	<u><u>190,312</u></u>
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### COMPUTATION OF ALTERNATE NET CAPITAL REQUIREMENT:

MINIMUM NET CAPITAL REQUIRED		
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(6 2/3% of aggregate indebtedness)	\$	<u><u>12,687</u></u>
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MINIMUM DOLLAR NET CAPITAL REQUIREMENT OF REPORTING BROKER OR DEALER	\$	<u><u>5,000</u></u>
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NET CAPITAL REQUIREMENT (Greater of \$5,000 or 6 2/3% of aggregate indebtedness)	\$	<u><u>12,687</u></u>
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EXCESS NET CAPITAL	\$	<u><u>881,812</u></u>
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PERCENTAGE OF AGGREGATE INDEBTEDNESS TO NET CAPITAL		<u><u>21.28 %</u></u>
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**Note:** There are no material differences between the computations using the amounts reported in the accompanying audited financial statements and the computations as reported in the Company's unaudited FOCUS report, Part IIA, Form X17a-5, as of December 31, 2023, filed on January 25, 2024.

## **EVERLAKE DISTRIBUTORS, LLC**

### **COMPUTATION FOR DETERMINATION OF RESERVE REQUIREMENTS FOR BROKERS AND DEALERS PURSUANT TO RULE 15C3-3 UNDER THE SECURITIES EXCHANGE ACT OF 1934**

**December 31, 2023**

**Schedule J**

The Company is exempt from the provisions of Rule 15c3-3 under the Securities Exchange Act of 1934, in that the Company's activities are limited to those set forth in the conditions for exemption appearing in paragraph (k)(1) of Rule 15c3-3.

## **REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Managers and the Member of  
Everlake Distributors, LLC  
Northbrook, Illinois

We have reviewed management's statements, included in the accompanying Exemption Report, in which (1) Everlake Distributors, LLC (the "Company") identified the following provisions of 17 C.F.R. § 240.15c3-3(k) under which the Company claimed an exemption from 17 C.F.R. §240.15c3-3: paragraph (k)(1) (the "exemption provisions") and (2) the Company stated that the Company met the identified exemption provisions throughout the year ended December 31, 2023, without exception. The Company's management is responsible for compliance with the exemption provisions and its statements.

Our review was conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States) and, accordingly, included inquiries and other required procedures to obtain evidence about the Company's compliance with the exemption provisions. A review is substantially less in scope than an examination, the objective of which is the expression of an opinion on management's statements. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to management's statements referred to above for them to be fairly stated, in all material respects, based on the provisions set forth in paragraph (k)(1) of Rule 15c3-3 under the Securities Exchange Act of 1934.

/s/ DELOITTE & TOUCHE LLP

Chicago, Illinois

February 23, 2024

# EVERLAKE DISTRIBUTORS, LLC

## EXEMPTION REPORT

December 31, 2023

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Everlake Distributors, LLC (the “Company”) is a registered broker-dealer subject to Rule 17a-5 promulgated by the Securities and Exchange Commission (17 C.F.R. §240.17a-5, “Reports to be made by certain brokers and dealers”). This Exemption Report was prepared as required by 17 C.F.R. § 240.17a-5(d)(1) and (4). To the best of its knowledge and belief, the Company states the following:

The Company claimed an exemption from 17 C.F.R. § 240.15c3-3 under the following provisions of 17 C.F.R. § 240.15c3-3: paragraph (k)(1).

The Company met the identified exemption provisions in 17 C.F.R. § 240.15c3-3: paragraph (k)(1) throughout the year ended December 31, 2023 without exception.

Everlake Distributors, LLC

I, Rebecca Kennedy, swear (or affirm) that, to my best knowledge and belief, this Exemption Report is true and correct.

By: /s/ Rebecca Kennedy

Title: President

February 23, 2024