

Edelman Financial Services, LLC

Investment Advisory Services

This brochure provides information about the qualifications and business practices of Edelman Financial Services, LLC. If you have any questions about the contents of this brochure, please contact us at 888-PLAN-RIC (888-752-6742) or you may email us at info@RicEdelman.com or write us at the address below. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or any state securities authority, nor does registration with the SEC imply a certain level of skill or training.

Additional information about Edelman Financial Services, LLC is also available on the SEC's website at www.adviserinfo.sec.gov.



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Item 2: Material Changes

We're required to tell you about any material changes in this updated brochure. Future brochures will contain similar summaries. Following are the material changes made to this brochure since our last annual amendment filed March 30, 2016:

MATERIAL CHANGES IN THIS BROCHURE

Edelman Financial Services, LLC ("EFS") is replacing Sanders Morris Harris LLC ("SMH") with EF Legacy Securities, LLC ("EFLS") as the affiliate broker-dealer which accommodates the brokerage business of EFS's advisory clients.

Effective April 22nd, three executive officers of EFS resigned their Manager and executive officer positions at SMH and SMH's parent, Summer Wealth Management LLC.

Under SEC rules, we'll give you a new brochure within 120 days of the end of our fiscal year. You may also receive updates at other times if material information changes. You may request a new brochure at any time and at no charge.

You can request a free brochure by calling us at 888-PLAN-RIC. You can also find out more about us and receive our current brochure from the SEC's website: www.adviserinfo.sec.gov. The site can also give you information about people who are registered, or about to be registered, as Investment Adviser Representatives of our firm.

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Item 4: Advisory Business

Background of Edelman Financial Services, LLC

Edelman Financial Services, LLC (sometimes referred to as “EFS” or “We”) is an investment advisory firm registered with the United States Securities and Exchange Commission under the Investment Advisers Act of 1940. EFS provides investment advisory services and financial education to consumers, institutions and other entities throughout the country. EFS was founded in the late 1980s by Ric and Jean Edelman. Today we are headquartered in Fairfax, Virginia and have branch offices located throughout the country.

H&F Corporate Investors VII, Ltd. is the ultimate controlling party for a series of limited partnerships that indirectly own approximately 75% of The Edelman Financial Center, LLC, the direct parent of EFS. Other investors, including, The Edelman Financial Center, Inc., whose sole shareholder is Ric Edelman, the Chairman and Chief Executive Officer of EFS, also have indirect ownership interests in EFS.

Advisory Services Offered

EFS provides financial planning, investment management, financial education, and insurance services to individuals; trusts; estates; charitable organizations; foundations; high net worth individuals; individual retirement accounts; pension, retirement and profit-sharing plans; institutions; and small businesses, including corporations. Our wrap fee program is available to our clients and unaffiliated registered investment advisors and their clients. Advisory personnel are also registered representatives of EF Legacy Securities, LLC (“EFLS”). This allows EFS investment advisory personnel to provide brokerage services to clients.

Wrap Fee Asset Allocation Program

The Edelman Managed Asset Program® (“EMAP”) is a wrap fee asset allocation program sponsored by EFS. Through EMAP, we create diversified asset allocation models for clients. The investments in these models include:

- mutual fund shares of no-load, open-end registered investment companies,
- exchange-traded funds (ETFs), and
- occasionally, variable annuities.

We are not affiliated with these investments.

EFS Investment Adviser Representatives (“Advisors”) meet with clients to discuss their needs. Alternatively, the client may choose to use Edelman Online, which is an Internet platform that guides the client through the process and helps him/her select an appropriate EMAP asset allocation model.

Investment objectives and risk tolerance are the main factors that help us recommend an asset allocation model to clients. We also consider the client's personal situation, including age, health, family circumstances, income, expenses, assets, debts, liquidity needs, goals, personal objectives, suitability, time horizon and other relevant factors. If a client's investment objectives or financial situation changes, the client should contact EFS.

Clients are allowed to place reasonable restrictions on the management of their accounts. This includes deciding to sell or not to buy particular securities or types of securities. However, a client cannot require us to buy particular securities or types of securities. We reserve the right, at our sole discretion, to close an account if unreasonable or overly restrictive conditions are requested.

Either a client or EFS can end the relationship with written notice to the other. We receive a wrap fee for our services and we bill clients quarterly in arrears. If the relationship ends before the quarter does, the client will not be billed for the remainder of the quarter.

Financial Planning

Advisors prepare a financial plan for clients based on their financial and personal circumstances and charge a one-time fee, when the plan is created, that can be waived in part or in whole at the Advisor's discretion. Each financial planning client has the choice of selecting EFS to invest on his/her behalf on a limited discretionary basis (meaning we can carry out some financial transactions without first consulting the client) by establishing an EMAP account, or the client can implement the financial plan elsewhere or on his/her own. Clients who choose to implement the financial plan elsewhere will not receive ongoing investment advice from EFS.

EFS Advisors provide ongoing financial planning services to clients who participate in EMAP. We do not provide individualized legal or tax advice. As discussed above, financial planning services are tailored to the needs of each client and based on their financial situation and personal circumstances.

The Advisor may also, at his/her sole discretion, decline to assist the client with the implementation of investment strategies or choices that have not been recommended or that the Advisor deems not to be in the client's best interest.

The Financial Wellness Program provides a combination of financial planning, advice and education to employees of those businesses which have purchased the program. The services offered by EFS as part of the Financial Wellness Program could include financial plans, access to EFS Advisors in one-on-one meetings, seminars tailored to meet employee needs, free admission to all EFS public seminars, books, Ric Edelman's *Inside Personal Finance* newsletter or his weekly E-Newsletter.

Edelman Retirement Program

EFS makes the Edelman Retirement Program ("ERP") available to plan sponsors of 401(k), profit-sharing and retirement plans ("Plans"), subject to the Employee Retirement Income Security Act of 1974 ("ERISA"), as amended, and other employee retirement plans that are not subject to ERISA ("Plans"). These Plans include both participant-directed and trustee-directed Plans. Through ERP,

EFS currently creates and maintains model asset allocation portfolios (“Models”) to be made available to Plans. ERP anticipates that in the future, it will make available the following additional services:

- Assistance with respect to the preparation of investment policy statements (“IPs”) for Plans;
- Discretionary or non-discretionary advice with respect to the selection, monitoring and replacement of a Plan’s designated investment alternatives (“DIAs”);
- Discretionary or non-discretionary advice with respect to the selection, monitoring and replacement of a Plan’s qualified default investment alternatives (“QDIAs”); and
- Retirement plan consulting services that include administrative aspects of plan investments, service provider, and investment monitoring support, as well as participant investment and financial education.

Generally, our Advisor holds an initial meeting with the Plan sponsor (or other Plan fiduciary or agent) to explain the services available through the ERP, and applicable fees, and to collect detailed financial data about the Plan. Emphasis is placed on identifying the Plan’s investment objectives and determining the financial situation of the Plan. If the Plan sponsor (or other Plan fiduciary or agent) determines that the ERP is appropriate for the Plan, then the Plan sponsor (or other Plan fiduciary or agent) may establish an ERP account on behalf of the Plan.

Asset Allocation Models

Through ERP, EFS creates and makes available a range of asset allocation models, each consisting of a diversified mix of asset classes (each a “Model”). Consistent with the Plan’s investment objectives and financial situation, EFS will recommend one or more Models to Plan sponsors (or other Plan fiduciaries or agents). EFS offers Plan sponsors the option of delegating discretionary authority to EFS with respect to the selection of particular Models on behalf of the Plans using the ERP. In addition, EFS will select the underlying asset classes for the Models and the underlying investment securities for each underlying asset class. Usually, the investment securities consist of funds including, but not limited to, shares of open-end registered investment companies, such as mutual funds and ETFs (collectively, the “Underlying Funds”). We are not affiliated with any of the Underlying Funds.

The Plan sponsor (or other Plan fiduciary or agent) may then approve one or more Models to be used for the investment of the Plan’s assets. EFS will then use its discretion to invest the Plan’s assets in the Underlying Funds pursuant to the Models selected by the Plan sponsor (or other Plan fiduciary or agent), as documented in the Plan’s investment policy statement (or otherwise).

Using the authority granted by the Plan sponsor (or other Plan fiduciary or agent), EFS rebalances the asset classes and Underlying Funds used in each Model periodically, in order to maintain the desired asset allocation for each Model. In addition, EFS will occasionally modify the strategic asset allocations and reallocate the asset classes and Underlying Funds for each Model, based on revisions

to the Models recommended and implemented by the EFS Investment Committee. The Plan sponsor (or other Plan fiduciary or agent) will generally receive notice of changes to the strategic asset allocations after they are implemented.

In the case of a participant-directed Plan, after the Plan sponsor (or other Plan fiduciary or agent) reviews and approves our recommended Models, the Models are offered to Plan participants as investment options (the “Investment Options”). Participants will select an Investment Option for their Plan accounts. The Underlying Funds may also be available to Plan participants who do not select an Investment Option for direct investments, if the Plan sponsor (or other Plan fiduciary or agent) permits it. With the Plan sponsor’s (or other Plan fiduciary’s or agent’s) permission, we make general educational information regarding saving for retirement and asset allocation, and the Investment Options available to the Plan’s participants. We do not have discretion to choose particular Investment Options for participants, and are not responsible for reviewing or changing any participant’s decision to invest in a particular Investment Option. Moreover, if the Plan makes available investment alternatives other than the Investment Options and Underlying Funds, including, but not limited to, a self-directed brokerage window, we do not assume any responsibility with respect to a participant’s decision to invest in such options.

On an ongoing basis, we work with the Plan’s Third Party Administrator (“TPA”) and recordkeeper to ensure that the selected Investment Options are properly implemented. With the Plan sponsor’s (or other Plan fiduciary’s or agent’s) permission, we give instructions to the recordkeeper to do the following:

- Invest the Investment Options in the underlying asset classes and Underlying Funds pursuant to the applicable Model;
- Periodically rebalance each Investment Option in accordance with the applicable Model; and
- Strategically modify the allocations for the Investment Option so as to reallocate the mix of investments in accordance with changes to the asset allocations recommended and implemented by the EFS Investment Committee.

Plan sponsors (or other Plan fiduciaries or agents) are permitted to impose reasonable restrictions on the underlying assets used in the Investment Options recommended to the Plan. With respect to such restrictions, a Plan sponsor (or other Plan fiduciary or agent) may request that particular securities or types of securities not be purchased, or that such securities be sold. Plan sponsors (and other Plan fiduciaries or agents) should know that we are unable to influence or change the mix of securities held by any Underlying Fund in which the Plan may be invested. We reserve the right, at our sole discretion, to reject any Plan account where unreasonable or overly restrictive conditions are requested. Plan sponsors (and other Plan fiduciaries or agents) are reminded to inform their Advisor if the Plan’s investment objectives or financial situation changes. The professional relationship between the Plan sponsor (or other Plan fiduciary or agent) and EFS may be terminated at will by either party upon written notice.

Plans that make EFS Models and Underlying Funds available through the ERP may make other investment options available for the investment of Plan assets, including, but not limited to, funds

other than the Underlying Funds and self-directed brokerage windows. EFS does not currently have any discretionary or non-discretionary authority or responsibility with respect to such other investment options. EFS anticipates that it will in the future offer discretionary and non-discretionary investment advisory services with respect to other investment options available under Plans enrolled in the ERP.

Plan sponsors (and other Plan fiduciaries or agents) may be introduced to ERP through other unaffiliated registered investment advisers. The unaffiliated registered investment adviser initiates and maintains the relationship with the Plan sponsor. Specifically, the unaffiliated adviser does the following:

- Collects detailed financial data about the Plan;
- Provides educational guidance to Plan participants regarding saving for retirement and asset allocation models; and
- Meets with the Plan sponsor (or other Plan fiduciary or agent) on a periodic basis to discuss suitability and any reasonable restrictions.

The unaffiliated adviser assists the Plan sponsor (or other Plan fiduciary or agent) with the completion of the new account documentation, including the ERP Investment Management Agreement. After the ERP Models, asset classes, and Underlying Funds have been approved by the Plan sponsor (or other Plan fiduciary or agent), the unaffiliated adviser promptly communicates the information to EFS. The unaffiliated adviser remains responsible for assessing initial and ongoing suitability of ERP and for introducing the appropriate Models and Underlying Funds to the Plan sponsor (or other Plan fiduciary or agent). The Advisor may offer ERP or any other financial planning product(s) that meets the needs and goals of a prospective Plan.

The unaffiliated adviser may charge a separate fee for its services, and does not share in the advisory fee generated from any Plan assets that are invested in ERP. We receive no compensation or economic benefit from products or services offered by the unaffiliated adviser to Plans, other than ERP. None of the Underlying Funds recommended to the Plan sponsor (or other Plan fiduciary or agent) will be sponsored by or affiliated with either entity. In addition, neither will receive any additional compensation related to the Underlying Funds.

Additional ERP Services EFS May Provide in the Future

EFS anticipates that it will provide the following additional discretionary and non-discretionary services in the future:

- **Investment Policy Statements:** Based on the Plan's investment objectives, financial situation, and other relevant factors, the Advisor will provide recommendations to assist the Plan sponsor (or other Plan fiduciary or agent) with respect to establishing or revising an investment policy statement ("IPS") for the Plan. The Plan sponsor (or other Plan fiduciary or agent) will be responsible for approving and adopting the IPS (or any revisions thereto).

- **Designated Investment Alternatives:** Based on the Plan's IPS and the available investment options, our Advisor will select (in the case of discretionary services), or recommend the selection of (in the case of non-discretionary services), the DIAs to be made available under the Plan. Once selected, the Advisor will monitor the DIAs on a periodic basis, and replace or remove, or recommend the replacement or removal of, DIAs that no longer satisfy the criteria set forth in the IPS, or otherwise are not consistent with the Plan's investment objectives or financial situation.
- **Qualified Default Investment Alternatives:** Based on the Plan's IPS and the available Investment Options, our Advisor will select (in the case of discretionary services), or recommend the selection of (in the case of non-discretionary services), the QDIA(s) to be made available under the Plan. A participant's Plan account may be invested by default in the QDIA where the participant does not provide an investment direction for his or her Plan account. Once selected, the Advisor will monitor the QDIA(s) on a periodic basis, and replace or remove, or recommend the replacement or removal of, QDIA(s) that no longer satisfy the criteria set forth in the IPS, or otherwise are not consistent with the Plan's investment objectives or financial situation.

Retirement Plan Consulting Services: Consistent with the options selected by the Plan sponsor (or other Plan fiduciary or agent), EFS will make available a variety of retirement plan consulting services to Plans and Plan sponsors (or other Plan fiduciaries or agents). These services include assistance (1) with administrative aspects of plan investments, including, but not limited to, reviews of the Plan's investment objectives and available options, reviews of the plan's committee structure and policies and procedures, general fiduciary compliance, and coordination of participant communications; (2) selecting and monitoring Plan service providers, including performance and fee benchmarking; (3) monitoring and replacing Plan investment options, managers, and third-party investment advice providers; and (4) participant plan enrollment, investment education, financial wellness education, retirement planning, and gap analysis.

IRA Rollover Considerations

As part of our investment advisory services, EFS Advisors may make recommendations regarding the rollover of participant retirement plan assets. In the case where an EFS Advisor recommends a retirement plan rollover into EMAP, we will charge an advisory fee as described in Item 5. This presents a conflict of interest as EFS Advisors have an economic incentive to recommend a client rollover retirement plan assets into an EMAP account. Plan participants are under no obligation to rollover their retirement assets to an IRA with EFS and should carefully consider all relevant factors.

Financial Education

EFS is a strong advocate of consumer education and financial literacy. To support this mission, Ric Edelman and the EFS team of financial educators provide seminars to consumers, corporations, associations, nonprofit organizations and community and religious groups on a variety of personal finance topics. Presentations are created by and based on the teachings of Ric Edelman. They are

designed to explain complex financial concepts in plain English in a way that is educational, informational and entertaining. Groups may qualify to receive presentations free of charge, as part of our community service program.

In addition to the educational seminars, Ric Edelman speaks to financial industry groups on a variety of topics and writes financial articles and books on personal finance. See Item 5 for a discussion of fees.

Institutional Advisory Services

Utilizing EMAP, EFS provides investment management services to a variety of small and mid-sized companies, organizations, endowments and associations. The services offered include the following:

- Investment Policy Statement — EFS assists in creating, rewriting and/or reviewing the Investment Policy Statement that reflects the investment needs of the entity.
- Asset Allocation Model — EFS assists in developing a diversified asset allocation strategy in accordance with the investment objectives, goals, need for liquidity and risk tolerance of the entity.
- Financial Profile — EFS performs a review of the entity's investment objectives and financial situation in order to provide an accurate assessment of the appropriate level of acceptable risk in accordance with the stated time horizon and goals.
- Investment Management — EFS provides ongoing management of assets, including strategic rebalancing and daily account review.
- Record Keeping — EFS provides statements and online functions designed to ease the administrative needs and burdens associated with record keeping and reporting.

Assets Under Management

EFS had the following assets under management as of December 31, 2015.

| | Accounts | Assets |
|--------------------------|----------|-------------------|
| Discretionary | 69,807 | \$ 14,880,000,000 |
| Non-discretionary | 0 | 0 |
| Total | 69,807 | \$ 14,880,000,000 |

Item 5: Fees and Compensation

Annual Fee Schedule for Edelman Managed Asset Program®

| | |
|----------------------------|------------|
| First \$150,000 | 2.00% |
| Next \$250,000 | 1.65% |
| Next \$350,000 | 1.25% |
| Next \$250,000 | 1.00% |
| Next \$2 million | 0.75% |
| Next \$7 million | 0.60% |
| Next \$15 million | 0.50% |
| Amounts above \$25 million | negotiable |

The EMAP fee includes ongoing financial planning advice by an Advisor and limited discretionary investment management, including periodic review of all investments in the EMAP asset allocation model. The fee also includes all model transaction costs (with the exception of those discussed below), custody of assets, and a subscription to *Ric Edelman's Inside Personal Finance* newsletter.

Clients pay a wrap fee, which covers brokerage execution costs, without regard to the number of transactions executed during the billing period. EFS has negotiated fees with TD Ameritrade, Fidelity and Pershing Advisor Solutions ("PAS") for clearing and execution services. Transaction costs imposed by these brokerage firms are covered as part of the wrap fee. The wrap fee does not include certain account and securities-related costs, including the fees embedded in the mutual funds, ETFs or annuities in which wrap fee accounts invest. In addition, the fee does not include debit balances, related margin interest, IRA and retirement plan fees, transfer fees, SEC fees, 12b-1 fees for certain money market funds, wire transfer fees, overnight check fees, account closing fees, paper statement delivery fees, non-standard asset fees, insufficient fund fees, returned check fees, transaction charges for fund level asset allocation model trades, expenses charged by the mutual funds (including management fees, transaction charges incurred for fund-level asset allocation model trades, custody of fund assets and other fund expenses), expenses charged by the variable annuities and exchange-traded funds, or other fees or taxes that are required by law. EFS may from time to time, at its sole discretion reimburse clients for certain fees or charges which are not due to the client's error.

As noted above, we anticipate that transactions placed in your account will be executed through either TD Ameritrade, Fidelity or PAS, however, in the limited circumstances described below, EFS may choose to execute trades with another broker-dealer if we reasonably believe that another broker-dealer can obtain a more favorable execution under the circumstances. Specifically, occasionally, (typically less than 5% of the time), EFS will utilize broker-dealers other than TD Ameritrade, Fidelity or PAS to execute large transactions when we determine it is in our clients' best interest. This occurs when the size of the transaction in any one security is so large that it could

cause the price of the security to fluctuate, up or down, resulting in an unfavorable execution price for our clients. We will typically execute such trades with a broker-dealer other than TD Ameritrade, Fidelity or PAS if a different broker-dealer has the capability to handle such large transactions and to reduce or eliminate the potential negative price fluctuation. In these instances, the wrap fee does not include the compensation that is paid to the broker-dealer. This compensation is embedded into the price of the security which is paid by the client. These additional costs are in addition to the wrap fee paid by the client.

Transactions executed on behalf of EMAP clients are executed for a single wrap fee, which reduces the potential conflict of interest associated with executing a large number of orders for client accounts and earning transaction-based compensation following each order. In addition, EMAP invests client assets in no-load shares of unaffiliated open-end registered investment companies (such as mutual funds), ETFs and no-commission variable annuities. EFS and the Advisors who are authorized to recommend EMAP receive compensation based on the amount of money the client has invested in the program. Therefore, EFS and its Advisors have a financial incentive to recommend EMAP to clients and prospective clients. However, compensation paid to Advisors from the EMAP fee does not vary depending upon the number of trades made in EMAP client accounts. We do not earn more if fewer trades are placed. This arrangement gives us no economic incentive to place more or fewer trades through clearing broker-dealers for EMAP accounts.

When calculating advisory fees, we aggregate household accounts to determine the lowest percentage if all accounts are managed as one relationship. Fees are not negotiable, other than as disclosed in the fee schedule above. Accounts with less than \$5,000 may effectively pay a fee that is greater than 2.00% due to our minimum annual fee. Full fee details are discussed in the Client Services Agreement that is signed by the client. Lower fees for comparable services may be available from other sources.

Clients authorize the custodian, on behalf of EFS, to deduct the EMAP fee from their accounts. The fee is based on the average daily balance of the client assets, including money market funds, interest and reinvested dividends. The first payment is calculated based on the number of days assets are placed in the account during a calendar quarter. Subsequent fees are determined based on the average daily balance for the quarter ending on the last day of each calendar quarter. Generally, fees are deducted from the client's account no later than the fifteenth (15th) day after the end of each quarter, in arrears. For margined accounts, the fee may be added to the margin balance unless the client elects to deposit cash or liquidate securities. If an account is terminated prior to the end of a calendar quarter, the terminating client will pay fees due up to the termination date.

Clients will pay the same fee, regardless of whether the client selects an EMAP asset allocation model through an EFS Advisor or unaffiliated registered investment advisory firm that is authorized to offer EMAP. EFS pays a negotiated percentage, up to 60% of the annual account fee, to unaffiliated registered investment advisory firms on EMAP accounts initiated and serviced by their advisors. Also, at no additional cost to the client, EFS may occasionally pay additional basis points to the unaffiliated registered investment advisory firm.

Institutional

| EMAP Institutional Fee Schedule | Fee |
|--|------------|
| Up to \$999,999 | 1.40% |
| \$1 million to \$1,999,999 | 1.00% |
| \$2 million to \$4,999,999 | 0.75% |
| \$5 million to \$9,999,999 | 0.60% |
| \$10 million to \$24,999,999 | 0.50% |
| \$25 million + | negotiable |

The fee includes periodic access to an Advisor and the Institutional Advisory Services described in Item 4.

Clients pay a wrap fee, which covers brokerage execution costs, without regard to the number of transactions executed during the billing period. EFS has negotiated fees with TD Ameritrade, Fidelity and Pershing Advisor Solutions ("PAS") for clearing and execution services. Transaction costs imposed by these brokerage firms are covered as part of the wrap fee. The wrap fee does not include certain account and securities-related costs, including the fees embedded in the mutual funds, ETFs or annuities in which wrap fee accounts invest. In addition, the fee does not include debit balances, related margin interest, IRA and retirement plan fees, transfer fees, SEC fees, 12b-1 fees for certain money market funds, wire transfer fees, overnight check fees, account closing fees, paper statement delivery fees, non-standard asset fees, insufficient fund fees, returned check fees, transaction charges for fund level asset allocation model trades, expenses charged by the mutual funds (including management fees, transaction charges incurred for fund-level asset allocation model trades, custody of fund assets and other fund expenses), expenses charged by the variable annuities and exchange-traded funds, or other fees or taxes that are required by law. EFS may from time to time, at its sole discretion reimburse clients for certain fees or charges which are not due to the client's error.

As noted above, we anticipate that transactions placed in your account will be executed through either TD Ameritrade, Fidelity or PAS, however, in the limited circumstances described below, EFS may choose to execute trades with another broker-dealer if we reasonably believe that another broker-dealer can obtain a more favorable execution under the circumstances. Specifically, occasionally, (typically less than 5% of the time), EFS will utilize broker-dealers other than TD Ameritrade, Fidelity or PAS to execute large transactions when we determine it is in our clients' best interest. This occurs when the size of the transaction in any one security is so large that it could cause the price of the security to fluctuate, up or down, resulting in an unfavorable execution price for our clients. We will typically execute such trades with a broker-dealer other than TD Ameritrade, Fidelity or PAS if a different broker-dealer has the capability to handle such large transactions and to reduce or eliminate the potential negative price fluctuation. In these instances, the wrap fee does not include the compensation that is paid to the broker-dealer. This compensation is embedded into

the price of the security which is paid by the client. These additional costs are in addition to the wrap fee paid by the client.

Transactions executed on behalf of EMAP clients are executed for a single wrap fee, which reduces the potential conflict of interest associated with executing a large number of orders for client accounts and earning transaction-based compensation following each order. In addition, EMAP invests client assets in no-load shares of unaffiliated open-end registered investment companies (mutual funds), ETFs and no-commission variable annuities. Thus, neither EFS nor the Advisors earn any additional revenue from EMAP accounts beyond the wrap fee. However, EFS and its Advisors have a financial incentive to recommend EMAP to clients and prospective clients.

Institutional clients authorize the custodian, on behalf of EFS, to deduct the EMAP fee from their accounts. The fee is based on the average daily balance of the asset allocation model. The first payment is calculated based on the number of days assets are placed in the account during a calendar quarter. Subsequent fees are determined based on the average daily balance for the quarter ending on the last day of each calendar quarter. Fees are deducted from the account no later than the fifteenth (15th) day after the end of each quarter, in arrears. If an account is terminated prior to the end of a calendar quarter, the terminating client will pay fees due up to the termination date.

Edelman Retirement Program

| ERP Plan Assets | Fee |
|------------------------------|------------|
| \$0 to \$2 million | 1.00% |
| \$2 million to \$5 million | 0.85% |
| \$5 million to \$10 million | 0.70% |
| \$10 million to \$15 million | 0.60% |
| \$15 million to \$20 million | 0.50% |
| \$20 million + | negotiable |

The fee includes periodic access to an EFS Advisor and the services provided to the Plan on behalf of the Plan sponsor (or other Plan fiduciary or agent) as described above in Section 4. The ERP fee is payable quarterly, in arrears, no later than the thirtieth (30th) day after the end of the quarter. Except as may be otherwise agreed to by the Plan sponsor (or other Plan fiduciary or agent) and EFS, the Plan sponsor (or other Plan fiduciary or agent) agrees that the Plan's record keeper, custodian or other service provider will deduct the ERP fee from Plan accounts and remit such amounts to EFS prior to the due date as provided under the ERP Investment Management Agreement, which is the standard ERP client contract. The fee is based on the balance of the total assets of the Plan accounts invested in the Models and Underlying Funds as of the end of each calendar quarter, and does not include Plan assets that are invested in other options (such as those available through self-directed brokerage windows or funds or securities other than the Underlying Funds). The first payment is prorated for assets that are placed in Plan accounts during a calendar quarter. Subsequent fees will be determined based on the last day of each quarter. The fee schedule above shows the annual percentages.

If a Plan sponsor (or other Plan fiduciary or agent) is introduced to ERP through an unaffiliated registered investment adviser, EFS's services will be limited to discretionary management of the Models. In such cases, EFS charges an annual fee of 0.35% of Plan assets invested in the Models and Underlying Funds. The unaffiliated adviser is not paid any portion of the ERP fee and may charge a separate fee for its services that is in addition to the EFS fee.

The ERP fee does not cover any fees or expenses charged by any of the Underlying Funds, including but not limited to any brokerage commissions, other transaction costs, redemption fees, or any other charges or expenses imposed by the Underlying Funds. The Plan's record keeper, custodian or other service provider may charge a separate fee to cover the administrative and other record-keeping costs associated with Plan accounts invested in the Investment Options.

Other Fees Earned by EFS

Financial Plans

EFS may charge a one-time initial fee of \$800 for financial plan development and presentation. Clients who pay for a plan are under no obligation to implement the plan with our firm. The financial planning fee is waived in part for employees of EFS and may also be waived in part or in whole for clients at the discretion of the Advisor.

EFS Advisors are also EFLS registered representatives and may receive commissions and other transaction-related fees on products sold outside of EMAP as part of an implemented financial plan. Lower fees for financial planning and securities transactions may be available from other sources. EFS Advisors have a financial incentive to recommend products that result in commission revenue. However, financial planning clients are under no obligation to implement their financial plans through us.

The Financial Wellness Program provides a combination of financial planning, advice and educational services to employees of those businesses which have purchased the program, as described in Item 4. Bundled services are offered at a negotiated flat fee. Nominal costs for additional educational materials may be charged at the discretion of EFS. Businesses also have an opportunity to subsidize additional individual financial plans for their employees. Normally \$800, the fee may be subsidized in whole or in part. The EFS Advisor may further waive that subsidized fee, in whole or in part at their discretion. Individuals who receive a financial plan are under no obligation to implement the plan with EFS.

Seminars

Seminars are offered to the public on a variety of financial topics. Attendance fees range from \$5 to \$25, with satisfaction guaranteed or 100% of the registration fee is refunded. EFS clients receive free seminar admission and in some instances, non-clients are provided with special event codes that allow for either discounted or free seminar admission.

Speaking Engagements

Ric Edelman is a public speaker, radio show host (live or pre-recorded) and television and webinar host covering topics related to investing and financial education. Generally, fees for his speaking engagements range from free to \$30,000 plus first-class travel expenses, depending on sponsor, date, location and program requested. For all speeches, 50% of the fee is required prior to the event, with the balance due at the conclusion of the event. Speaker fees are nonrefundable.

Educational Products

EFS publishes and sells the newsletter *Ric Edelman's Inside Personal Finance* on a subscription basis for \$39.95 annually. Subscribers may cancel at any time and receive a full refund of the unused subscription. Ric Edelman's books include *The Truth About Money* (4th ed.); *The New Rules of Money*; *Ordinary People, Extraordinary Wealth*; *Discover the Wealth Within You*; *What You Need to Do Now*; *The Lies About Money*; *Rescue Your Money*; and *The Truth About Retirement Plans and IRAs*. Books are available for sale through booksellers, with prices ranging from \$9.95 to \$22.00. EFS may provide books at a discount or for no cost to organizations, individual clients or prospective clients. EFS receives 50% of any book royalties or other revenue from the sale of any books written by Ric.

RIC-E Trust®

The Retirement InCome for Everyone Trust® (RIC-E Trust®) is an individual grantor trust enabling the grantor to set aside assets for another's retirement. It is a brokerage product offered by EFS Advisors, acting in their capacity as registered representatives of EFLS. Assets in the trust are invested in a variable annuity and grow tax-deferred. The trustee is named by the grantor. The issuer of the underlying annuity is American General Life Insurance Company, a subsidiary of American International Group, Inc. ("AIG"). Edelman Business Services, LLC ("EBS"), a wholly owned subsidiary of The Edelman Financial Center, LLC receives an administrative fee of \$200 for each RIC-E Trust® established, to offset in part the administrative costs of establishing the trust. This administrative fee may be waived at the sole discretion of EFS. This fee is not associated with investment advisory services offered by EFS. Commissions from the underlying variable annuity are received by EFLS. RIC-E Trust® is also marketed by unaffiliated broker-dealers and EFLS receives a share of the commissions received by them on the variable annuity.

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

EFS does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client). We do not engage in side-by-side management.

See Item 5: Fees and Compensation for further details on advisory services offered.

Item 7: Types of Clients

EFS provides financial planning, investment management, financial advice, educational services and insurance services to individuals, individual retirement accounts, trusts, estates, charitable organizations, foundations, associations, pensions, high net worth individuals, retirement and profit-sharing plans, institutions, and small to mid-sized businesses including corporations.

Minimum Account Size

EMAP

- Client household minimum account size is \$5,000. We may waive the minimum account size at our sole discretion.
- Minimum annual fee is \$100. We may waive the minimum annual fee at our sole discretion.
- EFS Employee and Advisor minimum account size is \$3,000.
- Institutional minimum account size is \$500,000. We may waive the minimum account size at our sole discretion.

ERP

We may require a minimum dollar value of Plan assets of \$500,000, at our sole discretion, as a condition of providing our services to Plans on behalf of Plan sponsors (or other Plan fiduciaries or agents). Minimum account size depends on the number of total assets in the Plan's trust, the current number of participants, the expected number of participants in future periods and other factors EFS deems relevant, including the Plan's financial requirements, economic circumstances and investment objectives.

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

Investment Strategy

EMAP relies on an investment philosophy that is based on established academic research, such as Modern Portfolio Theory and the Fama-French Three-Factor Model, and established discoveries in behavioral finance. The Modern Portfolio Theory advocates that it is not enough to look at the expected risk and return of one particular asset class. By investing in more than one asset class, an investor may be able to reap the benefits of diversification — chief among them, a reduction in the risk level of the portfolio. The Fama-French Three-Factor Model, through research, found that over long periods of time, value stocks outperform growth stocks and, similarly, small cap stocks tend to outperform large cap stocks.

The EFS investment philosophy is based on the following basic principles:

- Develop highly diversified portfolios that feature a broad range of asset classes and market sectors.
- Use market-based investments, not manager-based investments.
- Hold the investments for long periods of time.
- Periodically reallocate investments as conditions warrant.
- Strategically rebalance as needed.

EMAP is diversified, invests in no-load mutual funds and ETFs, and features as many as nineteen (19) asset classes and market sectors. This approach cannot ensure investment success or prevent loss in a declining market. Past performance is no guarantee of future results.

Methods of Analysis and Investment Selection

Based on the EMAP client agreement that clients execute, EFS is granted limited discretionary authority to implement client-approved investment strategies. Investments are selected based on past performance (as applicable), portfolio turnover, fees and a variety of academic statistics including beta, standard deviation, R-Squared and Sharpe Ratio. These statistics are provided by third-party vendors and the investment sponsors, and are evaluated by the Portfolio Manager as well as the EFS Investment Committee, on both an absolute and a relative basis, relying on standards set by EFS.

We may obtain and utilize information and data from a wide variety of public and private sources. Neither EFS nor our Advisors independently verify or guarantee such information and data. In categorizing the asset classes of investments, we rely on prospectuses and information obtained from the issuer or its agents, or through publicly available sources. Neither EFS nor our Advisors are liable for any misstatement or omission contained in the information from these sources, or for any loss, liability, claim, damage or expense incurred, arising out of, or attributable to, such misstatement or omission.

Transactions for different accounts or for other clients' accounts might not be made at the same time, may be made on different days, and may be made over multiple days. In handling purchases and liquidations, we will execute transactions without regard to pending dividend or capital gains distributions, stock splits, mergers, or other corporate or financial events.

A client may impose reasonable restrictions on the management of their account. When imposing restrictions, a client may request that particular securities or types of securities not be purchased, or that such securities be sold if held in the account. However, the client cannot request that particular securities be purchased for the account. Moreover, the client should note that it is impossible for EFS to influence or change the mix of securities held by any mutual fund or ETF included in the client's account. We reserve the right, at our sole discretion, to reject any account should the client request unreasonable or overly restrictive conditions.

Risk of Loss

EMAP consists of a combination of no-load mutual funds, exchange-traded funds (ETFs) and, occasionally, variable annuities, all of which are subject to some or all of the risk factors noted below. The Investment Committee provides ongoing monitoring of these risks and takes action to mitigate them, as appropriate.

- **Market Risk** — Even a long-term investment approach cannot guarantee a profit. Economic, political and issuer-specific events will cause the value of securities to rise or fall. Because the value of investment portfolios will fluctuate, there is the risk that a client will lose money and their investment may be worth more or less upon liquidation.
- **Foreign Securities and Currency Risk** — Investments in international and emerging-market securities include exposure to risks such as currency fluctuations, foreign taxes and regulations, and the potential for illiquid markets and political instability.
- **Capitalization Risk** — Small-cap and mid-cap companies may be hindered as a result of limited resources or less diverse products or services, and their stocks have historically been more volatile than the stocks of larger, more established companies.
- **Interest Rate Risk** — In a rising rate environment, the value of fixed-income securities generally declines and the value of equity securities may be adversely affected.
- **Credit Risk** — Credit risk is the risk that the issuer of a security may be unable to make interest payments and/or repay principal when due. A downgrade to an issuer's credit rating or a perceived change in an issuer's financial strength may affect a security's value and, thus, impact the fund's performance.
- **Concentration Risk** — Holdings may be subject to any number of concentrations, e.g. in a mutual fund or ETF, industry sector or geographical region. Concentration risk may be further compounded by factors such as asset correlation or performance.
- **Securities Lending Risk** — Securities lending involves the risk that the fund loses money because the borrower fails to return the securities in a timely manner or at all. The fund could also lose money if the value of the collateral provided for loaned securities, or the value of the investments made with the cash collateral, falls. These events could also trigger adverse tax consequences for the fund.
- **Derivatives** — Derivatives are securities, such as futures contracts, whose value is derived from that of other securities or indices. Derivatives can be used for hedging (attempting to reduce risk by offsetting one investment position with another) or non-hedging purposes. Hedging with derivatives may increase expenses, and there is no guarantee that a hedging strategy will achieve the desired results.
- **Hedging** — While hedging can reduce or eliminate losses, it can also reduce or eliminate gains. Derivative securities are subject to a number of risks, including the following:

- Liquidity risk
- Interest rate risk
- Market risk
- Credit and management risks
- Risk of improper valuation

Changes in the value of the derivative may not correlate perfectly with the underlying asset, rate or index, and the fund could lose more than the principal amount.

- **Exchange-Traded Funds** — ETFs face market-trading risks, including the potential lack of an active market for shares, losses from trading in the secondary markets and disruption in the creation/redemption process of the ETF. Any of these factors may lead to liquidity risk and/or the fund's shares trading at either a premium or a discount to its "net asset value."
- **Performance of Underlying Managers** — We select the mutual funds and ETFs in the asset allocation models. However, we depend on the manager of such funds to select individual investments in accordance with their stated investment strategy.

Item 9: Disciplinary Information

Registered investment advisers are required to disclose all legal or disciplinary events that are material in a client's evaluation of the advisor or the integrity of the advisor's management. The following is the disciplinary item we have to report since inception.

Administrative Proceeding

On July 17, 2006, EFS entered into an administrative proceeding with the State of Illinois for a registration matter. EFS paid a \$4,200 fine to the State of Illinois for exceeding its *de minimis* registration standard. Basically, EFS had six clients who resided in Illinois and the limit where no registration was required was five. EFS also agreed to pay the state \$1,500 for the cost of its investigation.

Item 10: Other Financial Industry Activities and Affiliations

Related Persons

Broker-Dealer and Investment Adviser

EF Legacy Securities, LLC ("EFLS") is replacing Sanders Morris Harris LLC ("SMH") as the broker-dealer which accommodates the brokerage business of EFS's advisory clients. Like EFS, EFLS is member managed by The Edelman Financial Center, LLC and therefore shares the same ownership structure. Effective April 22nd the EFS Advisors who held their securities licenses with SMH have moved to EFLS. For a short period of time, a small number of employees will remain at SMH to handle residual business, which would also include variable or fixed insurance products booked with HWG Insurance Agency, LLC ("HWG").

The following resignations were effective April 22nd; Rene Chaze, an executive officer of EFS resigned as Manager of SMH and as Manager of SMH's parent, Summer Wealth Management LLC ("Summer Wealth"); William Hayes, an executive officer of EFS resigned as Manager and executive officer of SMH; and Edward Moore, the President of EFS resigned as Manager of Summer Wealth.

Certain of the executive officers of EFS are also Managers of EFLS, a registered broker-dealer which is member managed by The Edelman Financial Center, LLC. EFS Advisors, acting solely in their capacity as registered representatives of EFLS and not as Advisors of EFS, accept orders for EFLS accounts from brokerage clients who may or may not be clients of EFS. When acting as registered representatives for clients, EFS Advisors execute transactions for clients through EFLS and receive brokerage commissions from EFLS on any products sold in this capacity. Thus, a conflict of interest exists between the interests of EFS Advisors, EFLS and its brokerage clients due to the fact that commissions are earned on transactions. EFS clients are advised that they are under no obligation to effect securities transactions with EFLS or through their Advisor and that similar services may be less expensive elsewhere.

Other Affiliated Investment Advisers and Broker-Dealer

Although, EFS is under common indirect ownership and control with other investment advisers and broker-dealers (this excludes EFLS), there is no material relationship between EFS and any one of these other investment advisor or broker-dealer entities.

EFS is also under common indirect control with another group of investment advisers through an affiliated company and a shared indirect Manager. However, these other investment advisers have no material relationships with EFS and its advisory business.

Insurance Agencies

EFS is a licensed insurance agency and is licensed in most states. EFS Advisors generally refer clients who wish to buy insurance products, such as life, long-term disability and long-term care insurance

to Crump, an unaffiliated insurance agency that specializes in insurance brokerage and provides insurance to clients. EFS and its Advisors who are licensed insurance agents are compensated with a percentage of the revenues generated on the sale of such insurance products. As such, EFS and its Advisors who are licensed insurance agents have a conflict of interest because of the economic incentive to sell policies that result in commissions or other sales revenue. Clients are advised that they are under no obligation to purchase any insurance products through EFS or the Crump agency and that those products may be less expensive elsewhere.

EFLS is also a licensed insurance agency and EFS Advisors may be licensed insurance agents of EFLS. They are therefore able to sell variable and fixed insurance products and receive insurance commissions from client transactions through EFLS. As such, EFS Advisors have a conflict of interest because of the economic incentive to recommend products that result in commissions or other sales revenue. Clients are advised that they are under no obligation to purchase any insurance products through EFS or EFLS and that those products may be less expensive elsewhere. For a short period of time, a small number of EFS employees who are licensed insurance agents will remain at HWG to handle residual business.

Other - Equity Investors

H&F Corporate Investors VII, Ltd. is the ultimate controlling party for a series of limited partnerships that indirectly own approximately 75% of The Edelman Financial Center, LLC, the direct parent of EFS. Other investors, including The Edelman Financial Center, Inc., whose sole shareholder is Ric Edelman, the Chairman and Chief Executive Officer of EFS, also have indirect ownership interests in EFS.

Other – Affiliate

The Retirement InCome for Everyone Trust® (RIC-E Trust®) is an individual grantor trust enabling the grantor to set aside assets for another's retirement. It is a brokerage product offered by EFS Advisors, acting in their capacity as registered representatives of EFLS. Assets in the trust are invested in a variable annuity and grow tax-deferred. The trustee is named by the grantor. The issuer of the annuity is American General Life Insurance Company, a subsidiary of American International Group, Inc. ("AIG"). Edelman Business Services, LLC ("EBS"), a wholly owned subsidiary of The Edelman Financial Center, LLC may receive an administrative fee of \$200 for each RIC-E Trust® established, to offset in part the administrative costs of establishing the trust. This administrative fee may be waived at the sole discretion of EFS. This fee is not associated with investment advisory services offered by EFS. Commissions from the underlying variable annuity are received by EFLS. RIC-E Trust® is also marketed by unaffiliated broker-dealers and EFLS receives a share of the commissions received by them on the variable annuity.

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

Code of Ethics

EFS has an established process to manage potential or actual conflicts of interest. As such, EFS has adopted a Code of Ethics (the “Code”) that is designed to ensure that all employees adhere to high standards of ethical conduct. The Code states that all of our employees must act in the best interest of the client at all times. It also states that employees should avoid any practice that creates or appears to create a material conflict of interest that could potentially harm a client.

In addition, the Code requires, among other things, that employees do the following:

- Submit their personal and related trading accounts to the Compliance Department for review.
- Refrain from purchasing Initial Public Offerings (IPOs).
- Refrain from trading on insider information.
- Get approval prior to purchasing a private placement.
- Comply with ethical restraints, including restrictions on giving and receiving gifts.
- Report any conduct that could potentially harm a client.

EFS has also adopted supervisory procedures that are designed to detect the following abusive behavior:

- Front-running, or trading ahead or opposite clients
- Trading in securities on the EFLS and EFS Restricted or Watch Lists
- Trading that appears to be based on insider information
- Short-term or day trading
- Trading during designated EFLS blackout periods

Any officer or employee of the firm who fails to observe the Code risks serious sanctions, including personal liability and/or termination of employment.

A copy of the Code is available upon request by contacting us using the information on the cover page of this brochure.

Related Person May Invest in the Same Securities

EFS Advisors may invest their personal funds and establish an EMAP account for themselves. They may also participate in the EFS Employee 401(k) Plan that includes EMAP asset allocation models. In that regard, employees buy and sell for themselves the same underlying securities as clients and will

have interests in securities owned by or recommended to our clients, including mutual funds, ETFs or insurance products. Although all employees get the benefit of a fee reduction on EMAP accounts, those accounts are not given preferential trading treatment. Employee accounts are monitored and rebalanced on the same basis as all other unrestricted client accounts invested in accordance with the same EMAP asset allocation model strategy. We have adopted procedures relating to personal securities transactions, insider trading and internal trading that are designed to prevent client harm resulting from this conflict of interest.

Agency Cross Procedures

In order to comply with the agency cross provisions of the Investment Advisers Act, EFS has policies and procedures in place to ensure that transactions introduced on behalf of EMAP clients are not crossed with transactions introduced to the clearing firm on behalf of EFLS brokerage customers. Cross transactions do not apply to mutual funds and to variable annuities since shares of mutual funds and variable annuities are purchased from their issuers and are not exchange-traded. Although ETFs are exchange-traded, EFS does not, acting as investment adviser, recommend that such shares be crossed from one advisory client account to another and does not act as a broker-dealer with respect to any such potential cross transaction.

Item 12: Brokerage Practices

Brokerage Selection

Clients who establish an EMAP account with EFS must consent to a clearing/custodian broker-dealer with whom we have a clearing arrangement. Currently, we have selected the following unaffiliated registered broker-dealers, which are members of FINRA and SIPC, to execute and clear transactions and to provide custody services for EMAP wrap fee clients:

- TD Ameritrade Institutional (as cleared through TD Ameritrade Clearing, Inc.), a division of TD Ameritrade, Inc. ("TD Ameritrade")
- Fidelity Institutional Wealth Services ("Fidelity") (as cleared through National Financial Services LLC)
- Pershing Advisor Solutions ("PAS") (as cleared through Pershing LLC)

EFS places all transactions associated with EMAP accounts for execution through these executing and custodian broker-dealers. Most client accounts are established with TD Ameritrade, although each clearing broker-dealer offers services that include custody of securities, trade execution and clearance and settlement of transactions. Each also provides services that are typically made available to institutional investment managers and generally are not offered to retail clients. These services include duplicate client statements and confirmations, access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts), the ability to have advisory fees deducted directly from client

accounts and access to mutual funds with no transaction fees. Custodians receive compensation for their services either through a fixed percentage fee based on all EMAP account assets that are maintained in the custody of their firm or on a transactional basis.

In selecting clearing/custodian broker-dealers, we evaluate the services offered, the quality of those services and any costs indirectly borne by clients to determine if the firm provides overall quality of services for the price. While we have attempted to negotiate favorable rates for transactions and believe that each clearing/custodian broker-dealer offers competitive rates, we do not otherwise seek to obtain the best combination of price and execution with respect to EMAP account asset allocation model transactions. We will periodically compare services and prices against other broker-dealers qualified to provide comparable services. While another broker-dealer may offer these services at a lower overall cost, EFS is not required to move accounts to that broker-dealer.

Non-EMAP clients may establish accounts to place brokerage transactions. Client brokerage transactions are introduced through EFLS and cleared through DST Market Services, LLC ("DST"), which performs the clearance, settlement, execution of transactions and custody functions on a fully-disclosed basis.

ERP

Plan sponsors (or other Plan fiduciaries or agents) select the clearing and custodian broker-dealer of their choice. Neither EFS nor any of our affiliates provide brokerage services in connection with the investment advisory services provided by us to Plan sponsors through ERP.

Soft Dollars

Custodians offer services to EFS, including custody of client securities; trade execution; clearance and settlement of transactions; access to platform systems; duplicate client statements; research-related products and tools; access to a trading desk; access to block trading, which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts; the ability to have advisory fees deducted directly from client accounts; access to an electronic communications network for client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services. See further discussion in Item 14.

Client Referrals

EFS participates in the TD Ameritrade Institutional program known as AdvisorDirect. TD Ameritrade Institutional is a division of TD Ameritrade, member FINRA/SIPC. TD Ameritrade is an independent and unaffiliated SEC registered broker-dealer and FINRA member. There is no employee or agency relationship between TD Ameritrade and EFS.

The AdvisorDirect program allows TD Ameritrade to refer its brokerage customers and other investors seeking fee-based personal investment management or financial planning services to other advisors such as EFS. TD Ameritrade has established the referral program as a means of retaining

brokerage customers. TD Ameritrade does not supervise EFS and has no responsibility for our management of client asset allocation models or other advice or services. To participate in AdvisorDirect, an advisor must meet certain minimum eligibility criteria; fee-based compensation, education and investment experience, AUM and licensing and registration. However, AdvisorDirect is not open to all advisors who meet these minimum criteria. TDA limits the number of advisors based on the services provided and investment style of the advisor.

We receive client referrals from TD Ameritrade through participation in the AdvisorDirect program that result in economic benefit to EFS. We pay TD Ameritrade an ongoing referral fee for each successful client referral. This fee is usually a percentage (not to exceed 25%) of the annual advisory fee that the client pays us. We will also pay TD Ameritrade the referral fee on any advisory fees we receive from any of a referred client's family members, including a spouse, child, or any other immediate family member who resides with the referred client and also becomes an EFS client. Clients who are referred through this program do not pay higher fees or costs than other EFS clients. For more information regarding additional or other fees paid directly or indirectly to TD Ameritrade, please refer to the TD Ameritrade AdvisorDirect Disclosure and Acknowledgment Form.

EFS participation in the AdvisorDirect program poses conflicts of interest. TD Ameritrade will most likely refer clients through AdvisorDirect to EFS to encourage clients to custody their assets at TD Ameritrade and maintain client accounts that are profitable to TD Ameritrade. Consequently, in order to obtain client referrals from TD Ameritrade, we have an incentive both to recommend to clients that assets under management be held in custody with TD Ameritrade and to place transactions for client accounts with TD Ameritrade. We have agreed not to solicit clients referred through AdvisorDirect to transfer their accounts from TD Ameritrade nor to establish brokerage or custody accounts at other custodians, except when our fiduciary duties require doing so. EFS participation in AdvisorDirect does not diminish our duty to seek best execution of trades for client accounts.

Trade Aggregation Policy

Whenever appropriate EFS aggregates transactions on behalf of all EMAP accounts, including accounts of Advisors and employees. It is the policy of EFS that such transactions will be allocated to all participating client accounts in a fair and equitable manner. There is no preferential treatment given to any account. Transactions may be aggregated together to achieve an average execution price. There is seldom, if ever, a problem finding sufficient mutual fund shares to purchase for EMAP accounts. These shares are purchased from the issuer and sold at the net asset value next determined after an order is received. Shares of mutual funds are sold back to the issuer, and since we buy open-end funds, each issuing mutual fund must stand ready to buy the shares back at the share's net asset value, as determined after the redemption order is received. Similarly, we buy and sell ETF interests or shares, and there is generally no difficulty finding a sufficient supply in the market. However, occasionally, additional units have to be created. Please refer to Item 5 for additional information. Variable annuities and 529 College Saving Plans are purchased directly from the issuer, and no aggregation of these transactions occurs.

Item 13: Review of Accounts

EFS client accounts are reviewed by advisory personnel of EFS. EMAP accounts are monitored on an ongoing basis. Accounts are rebalanced or assets reallocated based on market or other conditions as warranted. Securities we buy or sell for accounts are subject to our limited discretionary authority. Any changes in the asset allocation models, which includes adding, removing or replacing securities (i.e. mutual funds, ETFs or variable annuities) are made at the recommendation of the EFS Investment Committee. Those changes are based on a variety of factors, which include but are not limited to changes in the economic, financial or political climate; changes in the tax code; changes in the management of the securities used by the asset allocation models or changes in the degree of desired diversification/concentration in certain sectors or investment themes. Changes may also be made based on the client's personal circumstances, including health, employment and family status, time horizon or restrictions that the client may place on the investments in the account.

EFS Advisors generally meet periodically to review economic, tax, financial, political, social and other relevant issues and to determine whether any changes in strategy are warranted. Based on these meetings, client situations and circumstances are reviewed on a periodic basis and recommendations are made as needed.

On at least an annual basis, EMAP clients are contacted to update their personal and financial information, including health, employment, marital and family status, time horizon, goals and objectives, and risk tolerance. The information is used to determine if there are any changes that could impact the ongoing suitability of the account. Clients may request a review at any time as well.

ERP Plan assets invested in ERP Models are monitored on an ongoing basis. Plan assets invested in the Models are rebalanced or reallocated based on market or other conditions as warranted, consistent with changes recommended and implemented by the EFS Investment Committee. Changes in the Models, which include adding, removing or replacing securities at the recommendation of the EFS Investment Committee, are made infrequently based on a variety of factors, which include but are not limited to changes in the economic, financial or political climate; and the management of the securities used by the Model. Changes may also be made based on the Plan's circumstances or restrictions that the Plan sponsor (or other Plan fiduciary or agent) may place on the investments in the Plan's account.

Item 14: Client Referrals and Other Compensation

Other Advisers Offering EMAP

EFS sponsors EMAP as discussed above and makes the asset allocation models available to clients of other unaffiliated registered investment advisers (RIAs). We provide systems, services and back-office support to those RIAs. The RIA is responsible for the supervision of its advisors and the selection of the EMAP asset allocation model recommendations made to clients. The RIA initiates the

relationship with the client and is the ongoing client relationship manager. The RIA, through its advisors, compiles personal and financial information about the client, maintains the appropriate books and records, makes an asset allocation model recommendation that will meet the client's goals and objectives, maintains the ongoing client relationship, and meets with the client on a periodic basis to discuss suitability and any reasonable restrictions the client would like to impose on his/her account. The EMAP fee is shared between the two entities on a negotiated basis. The client does not pay an increased fee as a result of this arrangement.

Client Referrals

From time to time, EFS will enter into agreements to pay other investment advisers ("Solicitors") for client referrals in accordance with the requirements of the Cash Solicitation Rule of the Investment Advisers Act, the respective federal and state laws governing the same, and ERISA, if applicable. In such cases, the Solicitors will be paid a percentage of the wrap fees EFS receives relating to the client's account with EFS. EMAP and ERP fees are based on a percentage of client assets invested in the wrap fee program. Any such referral fee will be paid solely from the investment advisory fee. The client does not pay an increased fee as a result of these arrangements.

Compensation paid to a Solicitor is negotiated between the Solicitor and EFS. The client is provided with a copy of the EFS ADV and a copy of the EFS written disclosure document, which describes the arrangement between EFS and the Solicitor, including the terms, conditions and compensation.

TD Ameritrade Institutional Program

EFS participates in the TD Ameritrade Institutional Program. We receive services that include custody of client securities, trade execution and clearance and settlement of transactions. The Institutional Program provides additional economic benefits to EFS that are not typically available to TD Ameritrade retail investors. There is no direct link between EFS's participation in the program and the investment advice it gives to its clients.

The economic benefits include the following products and services, which are provided without cost or at a discount:

- Receipt of duplicate client statements and confirmations
- Research-related products and tools
- Consulting services
- Access to a trading desk serving EFS
- Access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts)
- The ability to have advisory fees deducted directly from client accounts
- Access to an electronic communications network for client order entry and account information

- Access to mutual funds with no transaction fees and to certain institutional money managers
- Discounts on compliance, marketing, research, technology and/or other services
- Practice management products or services provided to EFS by third-party vendors
- Business consulting and professional services received by EFS-related persons (may be paid for by TD Ameritrade)

Some of the products and services made available by TD Ameritrade through the Institutional Program may benefit EFS but may not benefit client accounts. These products or services may assist us in managing and administering client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help EFS manage and further develop our business enterprise. The benefits received by EFS or its personnel through participation in the program do not depend on the amount of brokerage transactions directed to TD Ameritrade. As disclosed above, EFS participates in TD Ameritrade's institutional program and EFS will recommend TD Ameritrade to clients for custody and brokerage services. Therefore, receiving these economic benefits creates a conflict of interest and could directly or indirectly influence EFS to recommend TD Ameritrade to clients for custody and brokerage services.

Compensation for Other Products and Services

EFS Advisors receive commissions on non-EMAP securities products and/or insurance products purchased by financial planning clients who may choose to implement their financial plan through us. Advisory personnel may also receive 12b-1 fees as a result of placing clients with retail mutual funds. EMAP clients do not incur sales charges, commissions, or 12b-1 fees when purchasing or owning variable annuities or mutual funds in their EMAP account.

As a financial planning firm, EFS makes the following statements:

- (1) Our Advisors are licensed to sell insurance products from several insurance companies and receive sales or referral compensation from any such transactions.
- (2) Clients are under no obligation to have us or our advisory personnel implement any suggestions made in the financial plan.
- (3) If asked to implement the suggestions of the financial plan, we intend to implement such financial planning, in whole or in part, through products selected by us and to clear securities transactions through DST, TD Ameritrade or Fidelity, as described in Item 12.
- (4) To the extent EFS Advisors implement recommendations through EFLS,
 - a. they are acting as registered representatives of EFLS;
 - b. they will use only products offered by EFLS; and
 - c. they will earn commissions.

Clients have total freedom to execute securities and/or insurance transactions with any company of their choice other than with respect to participation in EMAP or the receipt of ongoing, annual financial planning recommendations.

TD Ameritrade Operations Panel

EFS employees may serve on a TD Ameritrade Institutional Operations Panel from time to time. The panel is sponsored by TD Ameritrade and consists of independent advisors who advise TD Ameritrade on issues relevant to its service, technology and products provided. In-person meetings are held three to four times a year. Panel members are not compensated for their participation; however, TD Ameritrade pays or reimburses EFS for the travel, lodging and meal expenses incurred when EFS employees attend panel meetings. The benefits received by EFS and its employees by serving on the panel do not depend on the amount of brokerage transactions directed to TD Ameritrade. Clients should be aware, however, that the receipt of economic benefit by EFS and its employees in and of itself creates a conflict of interest and could indirectly influence EFS's recommendation of TD Ameritrade for custody of assets and brokerage services.

Panel members are selected by TD Ameritrade and appointed to serve for a three-year term. Longer service is permitted at the discretion of TD Ameritrade Institutional sales, service and senior management. At times, panel members are provided with confidential information about TD Ameritrade initiatives. Therefore, panel members are required to sign a confidentiality agreement.

Sponsorship of The Truth About Money Television Program

Ric Edelman is the host of a syndicated television program, *The Truth About Money with Ric Edelman*, airing on public television stations. The program covers many aspects of financial education. A portion of the television show is filmed before a studio audience where participants can ask questions. An audience participant may discuss a specific mutual fund, ETF, or insurance product that may be held in the accounts of certain EMAP clients or under consideration at the time of the question. Mr. Edelman does not give specific legal, tax or investment advice, and he may give advice that is the same as or different from the advice EFS has given or may give to its clients.

In the past, TD Ameritrade sponsored the television show. The decision of TD Ameritrade to act as a sponsor of the television program was made at its sole discretion and expense. As part of our fiduciary duties to clients, we endeavor at all times to put the interests of our clients first. Participation by EFS employees in the TD Ameritrade Institutional Operations Panel, EFS participation in the AdvisorDirect program, and TD Ameritrade's agreement to sponsor the television program create conflicts of interest and could influence our choice of TD Ameritrade for client account custody and brokerage services. In selecting custodial and brokerage firms, we evaluate all the services offered, the quality of those services and the cost indirectly borne by clients to determine if a clearing firm provides overall quality of services for the price.

In the past, iShares, the exchange-traded fund business of BlackRock, Inc., and one of the industry's leading exchange-traded funds platforms, also acted as a sponsor of the aforementioned television show. The decision of BlackRock to act as a sponsor of the television program is made at its sole discretion and its own expense. As part of our fiduciary duties to clients, we endeavor at all times to

put the interests of our clients first. BlackRock's agreement to sponsor the television program creates a conflict of interest and could influence our decision to use BlackRock or iShares to provide exchange-traded funds (ETFs) in the EMAP portfolios. In selecting new ETFs for our portfolios or evaluating those currently used, the Portfolio Manager presents the results of any pertinent analysis to the Investment Committee and a decision is reached after consideration of the quantitative results as well as other, more qualitative factors. The EFS Chief Compliance Officer periodically attends Investment Committee meetings and provides Conflicts of Interest training to the Investment Committee.

TDA Sponsorship of EFS Corporate Events

From time to time, TD Ameritrade may sponsor EFS corporate events. The decision to act as a sponsor of EFS corporate events is at their sole discretion and expense. The sponsorship of EFS corporate events by TD Ameritrade provides indirect economic benefits to EFS and creates a potential conflict of interest that could indirectly influence EFS to recommend TD Ameritrade to clients for custody of assets and brokerage services.

Dimensional Funds Sponsorship of EFS Corporate Events

Dimensional Fund Advisors LP ("Dimensional") is an SEC registered investment adviser that manages securities and other assets (which are used in EMAP accounts) for mutual funds, institutional investors and clients of independent financial advisers. From time to time Dimensional will sponsor or host EFS conferences, or events at such conferences, and may include direct payments to vendors or reimbursement of expenses incurred by EFS in connection with hosting educational, training or other events for EFS clients or employees. Such hosting or sponsorship by Dimensional provides direct or indirect economic benefits to EFS and creates a conflict of interest that could influence EFS to include Dimensional managed mutual funds in the EMAP portfolios or recommend other Dimensional products or services.

As part of our fiduciary duty to clients, we endeavor at all times to put the interests of our clients first. In selecting new mutual funds or ETF's for our portfolios and evaluating those currently used, the Portfolio Manager presents the results of any pertinent analysis to the Investment Committee and a decision is reached after consideration of the quantitative results as well as other, more qualitative factors. The EFS Chief Compliance Officer periodically attends Investment Committee meetings and provides Conflicts of Interest training to the Investment Committee.

Item 15: Custody

EFS does not maintain custody of client funds or securities. We establish relationships with various non-affiliated third-party clearing/custodian broker-dealers who are responsible for taking custody of and maintaining all client funds and securities, as discussed in Item 12. Confirmations and account statements are sent directly to the client by the custodian on at least a quarterly basis and should be reviewed carefully by the client.

Item 16: Investment Discretion

EMAP

Based on a written, signed agreement, EMAP clients give EFS limited discretionary authority to execute client-approved investment strategies in their accounts. We are granted limited discretionary authority that allows us to place orders through one of several custodians mentioned in Item 12. Clients give us the ability to make the following determinations in accordance with the client's specified investment objectives, without client consultation or consent before a transaction is effected:

- Invest client assets into a diversified mix of asset classes and investment securities, primarily in the form of shares of open-end registered investment companies, exchange-traded funds and variable annuities.
- Modify or change the mix of asset classes and investment securities within the account.
- Rebalance the account periodically.

Clients are permitted to impose reasonable restrictions on the management of their accounts. When imposing restrictions, clients may request that particular securities or types of securities not be purchased, not be sold or that such securities (if held in the account) be sold. Clients, however, cannot request that particular securities be purchased for their accounts. Additionally, EFS has no influence or control over the mix of securities held by any mutual fund, variable annuity or ETF in which client accounts may be invested. We reserve the right, at our sole discretion, to reject any account for which unreasonable or overly restrictive conditions are requested.

Risks

EFS does not assume market risk on behalf of the client. EFS does not guarantee the performance of the client's account or any specific level of performance. Market values of the securities within the account will fluctuate with market conditions. When the account is liquidated, it may be worth more or less than the original amount invested.

Trading Authorization

Once an asset allocation model has been selected, EFS has limited discretionary authority to invest the assets in the account. EMAP clients must establish brokerage accounts with one of the custodians mentioned in Item 12 so that we may place securities transactions and maintain assets with a qualified custodian. Transaction costs imposed by any of the clearing/custodian firms are covered by the EMAP fee, except as noted in Item 5 and in the client agreement. The clearing/custodian firms perform all the necessary brokerage services for accounts maintained with them and provide custody services of client assets. In choosing which brokerage firm to use for EMAP, we generally select TD Ameritrade, which in turn provides certain economic benefits to EFS, as discussed in Items 12 and 14. On occasion EFS may direct a transaction to another broker-dealer for execution. In these cases the broker-dealer is acting as an executing broker-dealer and would deliver the transaction to the custodian for allocation to client accounts.

Reallocations

EFS has the limited discretionary authority to reallocate assets in client accounts. In a reallocation, we change the target percentages of some or all of the asset classes or types of assets relative to the total account. Accounts are monitored on an ongoing basis and assets reallocated based on market or other conditions as warranted. Changes in the asset allocation model, which include adding, removing or replacing securities at the discretion of EFS, are made based on a variety of factors, including but not limited to changes in the economic, financial or political climate; changes in the tax code; the management of the securities used by the asset allocation model; and/or the client's personal circumstances, including health, employment and family status. EFS may replace a particular security (or securities) if it significantly diverges from its relevant index in terms of risk or return, with a security that is more in line with the risk/return profile of the relevant index or if there is a different security that, in our opinion, would be better suited. Reallocations occur with less frequency than rebalancing. When EFS reallocates accounts, it generally does so in anticipation of the impact that expected long-term market volatility could have on specific asset classes or types. Clients are notified of reallocations after the transactions are executed.

Rebalancing

Each EMAP account is invested in accordance with the client's asset allocation strategy. At the inception of an account, EMAP assets are invested in specific asset types, including mutual funds (including funds that are used as funding vehicles for variable annuity contracts) or ETFs that invest in a variety of equity securities or fixed income or cash instruments. Amounts invested in each fund are determined in accordance with set target percentages of total assets in the account. Afterwards, as markets fluctuate and values change, amounts originally allocated to a fund will either exceed or fall below the original target allocations. We periodically adjust account holdings back to the original asset targets, or "rebalance" the account. We do not rebalance accounts constantly, and asset allocations may drift away from their original target percentages before EFS, within our sole authority and judgment, brings those allocations back in line with the original percentages. The investment philosophy of an asset allocation strategy is to be positioned in various asset types so that if the asset type becomes profitable, the account is positioned to take advantage of the upturn.

Liquidations

EFS will accept and follow all liquidation instructions given by clients and will seek to execute client orders in a timely manner on a best-efforts basis. Occasionally, due to market conditions and time constraints imposed by custodians, trades may be executed the following business day. In handling liquidations and purchases, we will execute transactions without regard to pending dividend or capital gains distributions, stock splits, mergers, or other corporate or financial events.

Contributions

Contributed cash or money market fund shares in client accounts may remain uninvested in securities for a period of time. EFS invests liquid assets in an orderly manner and believes it is to each client's benefit to invest in an aggregated fashion rather than piecemeal. For this reason, a period of time may elapse between the deposit of cash or liquid assets to the account and the account reaching a fully invested position. Although clients may deposit freely tradable securities in their

accounts to meet the EMAP minimum account size, we will liquidate those securities positions and invest the proceeds in securities matching the client's selected investment strategy. Tax consequences associated with this liquidation and reinvestment process will likely occur, and clients should consult with their tax professional before depositing securities in their EMAP accounts.

EFS does not provide legal or tax advice to clients. Clients are advised to discuss the possible legal or tax consequences of their investment decisions with their legal or tax advisors prior to effecting any transaction.

ERP

Designated Investment Alternatives, Qualified Default Investment Alternatives, and Models

EFS offers discretionary services with respect to the selection and monitoring of designated investment alternatives ("DIAs"), qualified default investment alternatives (QDIAs), and Models made available to Plans. If these services are selected by the Plan sponsor (or other Plan fiduciary or agent) under the ERP agreement, EFS will have discretionary authority to select, replace, and remove DIAs, QDIAs, and Models available under the Plan. DIAs, QDIAs, and Models will be monitored on an ongoing basis for consistency with the Plan's IPS, investment objectives, and financial circumstances, as well as market conditions and other relevant factors. Plan sponsors (or other Plan fiduciaries or agents) will generally be notified of any additions to or removals of the Plan's DIAs, QDIAs, and Models.

Model Reallocations

Under the ERP Investment Management Agreement, EFS has the limited discretionary authority to change a Model's asset allocations and its Underlying Investments. Models are monitored on an ongoing basis and reallocations are made based on market or other conditions as warranted pursuant to the EFS Investment Committee's recommendations, and/or the Plan's circumstances or restrictions imposed by the Plan sponsor (or other Plan fiduciary or agent). We will notify the Plan sponsor (or other Plan fiduciary or agent) when replacing an Underlying Fund from the Plan's investment menu, if it significantly diverges from its relevant index in terms of risk or return, with another Underlying Fund that is more in line with the risk/return profile of the relevant index. Reallocations occur with less frequency than rebalancing. When we make reallocations, we generally do it in anticipation of the impact that expected long-term market volatility could have on specific asset classes or types. Generally, Plan sponsors (or other Plan fiduciaries or agents) are notified of reallocations after the transactions are made.

Model Rebalancing

Each Investment Option is invested in a mix of Underlying Funds in accordance with the corresponding Model approved by the Plan sponsor (or other Plan fiduciary or agent) and the target allocation percentages determined by that Model. As markets fluctuate and values change, the actual percentage allocations of some or all of the Underlying Funds for the Investment Option's Model will either exceed or fall below the original target percentage allocations. At EFS's discretion,

we may periodically rebalance an Investment Option's holdings in Underlying Funds to return the Investment Option to its original target percentage allocations under the Model. However, we do not rebalance Investment Options constantly. Actual percentage allocations may drift away from their original target percentage allocations before EFS, within our authority and judgment based on market or other conditions as warranted, brings those allocations back in line with the original target percentage allocations.

Item 17: Proxy Voting Client Securities

EFS does not accept proxy voting responsibility for client accounts. Therefore, we have no obligation or authority to take action or render any advice with respect to the voting of proxies solicited by or with respect to issuers of securities held in client accounts. We expect clients to expressly retain the authority and responsibility for proxy voting. With respect to ERISA accounts, we generally expect the Plan sponsor to expressly retain the authority and responsibility for proxy voting and to specify in writing who has voting authority. All clients will receive proxies directly from the custodian. Clients may direct any questions to their Advisor should the need arise.

Item 18: Financial Information

Registered investment advisers are required to provide clients with financial information or disclosures about their financial condition under certain circumstances. We are not aware of any financial condition that would impair our ability to meet contractual or fiduciary commitments to clients. We have not been the subject of any bankruptcy proceeding.