

Item 1 – Cover Page

Essex Financial Services, Inc.

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Firm Brochure (Part 2A of Form ADV)

May 31, 2016

This Brochure provides information about the qualifications and business practices of Essex Financial Services, Inc. If you have any questions about the contents of this Brochure, please contact us at (860)-767-4300 or via email at info@essexfinancialservices.com. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any State securities authority.

Essex Financial Services, Inc. is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser.

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

Item 2 – Material Changes

On November 23, 2015, EFS entered into a Consent Order with the Banking Commissioner of the State of Connecticut (“Commissioner”). The Consent Order alleged that the firm, in violation of Connecticut law: 1) engaged an unregistered investment adviser agent; 2) failed to keep SEC required records (notably ledgers and supporting documents related to payments made to such unregistered investment adviser agent) true and accurate; and 3) failed to establish, enforce and maintain a system for supervising the activities of its agents, investment adviser agents and Connecticut office operations that was reasonably designed to achieve compliance with applicable securities laws and regulations. The alleged violations related to payments the firm improperly made to an attorney at the direction of the firm’s former president and CEO in connection with a client referral.

Without admitting or denying the allegations, the firm consented to an administrative fine of \$25,000. In the Consent Order, the Commissioner acknowledged that the firm self-reported the alleged violations to the Department of Banking and cooperated with the Connecticut Securities Division throughout its examination and investigation of the firm. The Consent Order and related bulletin recited that the firm’s Board of Directors, on its own initiative, instituted a series of remedial measures in response to the events resulting in the alleged violation, including, but not limited to, removing its former president and CEO from those positions and restructuring the reporting structure to address potential compliance problems. On November 23, 2015, the firm terminated the employment of its former president in connection with this matter.

In the past we have offered or delivered information about our qualifications and business practices to clients on at least an annual basis. Pursuant to SEC Rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business’ fiscal year. We may further provide other ongoing disclosure information about material changes as necessary.

We will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

Currently, our Brochure may be requested by contacting Michael O’Rourke, Chief Compliance Officer, at (860) 767-4300 or info@essexfinancialservices.com. Our Brochure is also available on our web site www.essexfinancialservices.com free of charge.

Additional information about Essex Financial Services, Inc. is also available via the SEC’s web site www.adviserinfo.sec.gov. The SEC’s web site also provides information about any persons affiliated with Essex Financial Services, Inc. who are registered, or are required to

be registered, as investment adviser representatives of the firm. You can search this site by a unique identifying number, known as a CRD number. The CRD number for EFS is 127549.

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Item 4 – Advisory Business

Essex Financial Services, Inc. (hereinafter “EFS”) is a Securities and Exchange Commission (“SEC”) Registered Investment Adviser and Financial Industry Regulatory Authority (“FINRA”) registered Broker-Dealer and Member. EFS is also licensed as an insurance agency with the State of Connecticut Insurance Department. EFS is a wholly-owned subsidiary of Essex Savings Bank.

EFS provides portfolio management and financial advisory services to its clients. The services include, but are not limited to investment management, personal financial planning and consulting, employee benefit retirement plan services, and the sponsoring of certain “wrap-fee programs”.

As of March 31, 2016, EFS’ discretionary assets under management were approximately \$1.126 billion and non-discretionary assets were approximately \$1.577 billion.

INVESTMENT MANAGEMENT SERVICES

Flagship Program

EFS provides investment management services to its clients on both a discretionary and non-discretionary basis. The primary management program is referred to as the Essex Financial Services Flagship Program (the “Flagship Program”), and an account opened under this program is referred to as an Essex Financial Services Flagship Account (“Flagship Account”). In general, the investment management services provided by EFS to its clients in connection with the Flagship Program are based on a client profile completed by the EFS Financial Advisor with the assistance of the client. The client profile describes, among other things, the client’s investment objectives, time horizon, risk tolerance, tax bracket and income needs. After identifying the client’s objectives, the Financial Advisor constructs a strategic allocation of assets among several investment categories. These categories may include large capitalization stocks, mid-capitalization stocks, small capitalization stocks, equity options, government, corporate, and municipal bonds, international equities, exchange traded funds (“ETF’s”), mutual funds, and, on a limited basis, certain private funds. Upon completion of the asset allocation, the Financial Advisor will select investments and build a portfolio based on criteria such as historical performance, rate of return, correlation characteristics, and performance relative to an index.

In connection with EFS’s investment management services, clients may place reasonable restrictions on the investments in the portfolio or the allocation of assets among various

classes. The Financial Advisor will assist the client in understanding and evaluating the potential impact of these restrictions on the portfolio.

FINANCIAL PLANNING AND CONSULTING SERVICES

EFS may, from time to time, provide clients with certain financial planning services or other consulting services. EFS Financial Advisors may prepare a financial plan for clients based upon, among other things, the client's net worth, cash flow, tax situation, retirement needs, employment benefit plans, current investments, and education planning.

Clients may also receive investment advice on a more limited or project-by-project basis. This may include advice on isolated areas of concern such as estate planning or valuation, retirement planning, or any other specific topic. It may also include specific consultation or administrative services regarding financial and investment concerns of the client or the client's business concerns.

EMPLOYEE BENEFIT RETIREMENT PLAN SERVICES

EFS provides advisory services to participant-directed employee retirement benefit plans. EFS analyzes the plan's current investment platform and assists the plan and its participants in creating an investment policy statement defining the types of investments to be offered and the restrictions that may be imposed. EFS will recommend investment options to achieve the plan's objectives, provide participant education meetings, and monitor the performance of the plan's investment vehicles.

SPONSORED WRAP-FEE PROGRAMS

Essex Financial Services, pursuant to an agreement with Lockwood Advisors, Inc. ("Lockwood"), an investment management company based in Malvern, Pennsylvania, offers, through its SELECT Program, a Separately Managed Accounts (SMA Account) together with Lockwood's AdvisorFlex portfolio modeling product.

A. SMA Account

The SMA option allows clients, in conjunction with EFS's Investment Advisory Representatives (Financial Advisors) to independently select the discretionary investment advisory services of certain professional portfolio management firms for the individual management of client accounts.

B. AdvisorFlex Account

AdvisorFlex offers a series of objectives-based portfolio modeling strategies, selected and managed by Lockwood, that provide investors with access to professionally managed solutions and seeks to address the unique challenges presented at each phase of the investor lifecycle, from wealth accumulation, to the transition into retirement, and ultimately, the management and distribution of income.

The AdvisorFlex product includes three (3), objectives-based strategies, Appreciation, Income and Preservation (the “Strategies”), with multiple models within each strategy, as described further in EFS’s Wrap Fee Brochure, which can be obtained from EFS upon request.

INDEPENDENT MANAGERS/INVESTMENT PROGRAMS

In addition to the above asset management services, EFS may also recommend that certain clients authorize the active discretionary management of their assets by and/or among certain independent investment advisory programs.

EFS may recommend investment programs, based upon the stated investment objectives of the client, including, but not limited to:

- Clinton Investment Management LLC
- Cincinnati Asset Management Inc.
- Dunham & Associates Investment Counsel Inc.
- Gilman Hill Asset Management, LLC
- Glenmede Investment Management LP
- Gurtin Fixed Income Management

The terms and conditions under which the client shall engage the Independent Manager[s] shall be set forth in a separate written agreement between the client and the designated Independent Manager[s].

EFS shall continue to render advisory services to the client relative to the ongoing monitoring of account performance and renewing client investment objectives, for which EFS shall usually receive an annual fee based upon a percentage of the market value of the assets being managed by the designated Independent Manager[s]. Factors which EFS shall consider in recommending Independent Manager[s] include the client’s stated investment objective(s), management style, performance, reputation, financial strength, reporting and pricing. With regards to these accounts, in most circumstances, EFS remains the sole and exclusive broker dealer and maintenance of custody shall be through Pershing. More information on Independent Managers can be obtained by request.

INSURANCE SERVICES

As a registered broker-dealer and as a licensed insurance agent, EFS sells products and services consistent with those businesses, including securities and insurance policies. In addition, EFS, as an insurance agency, offers fixed annuities and other insurance products. Financial Advisors who are licensed as insurance agents may offer these products to clients for separate and typical compensation. No client is obligated to use EFS or the Financial Advisors to purchase fixed annuities or other insurance products.

Item 5 – Fees and Compensation

The specific manner in which fees are charged by EFS is established in a client's written agreement with EFS. In certain instances when a third-party manager is used in the context of a wrap fee program sponsored by Lockwood Advisors, Inc., the client may have written agreements containing fee definitions with both EFS and the third-party manager.

In general, all fees discussed in this section are negotiable based a number of factors.

Flagship Program Fees

Advisory fees for Flagship Accounts are charged quarterly in advance and, unless EFS otherwise agrees in writing, are automatically deducted by Pershing from the Account. The advisory fee is based upon a percentage of the market value of all assets in the Flagship Account on the last trading day of each preceding quarter. The standard fee schedule may, in certain circumstances, be negotiable or vary based upon, among other things, the size of the Flagship Account and other accounts with EFS. In any partial quarter, the advisory fee will be provided based upon the number of days that the Flagship Account was open. In addition to the investment advisory and transaction charges, clients may incur a nominal charge per transaction for handling and postage. Clients may also incur charges for other account services provided by EFS not directly related to the execution and clearing of transactions including, but not limited to, IRA custodial fees, safekeeping fees, interest charges on margin loans, and fees for legal or courtesy transfers of securities.

The value of the managed account shall be determined on the basis of such asset statements as are provided by the custodian of the account or by any investment vehicle utilized in the account. Flagship Accounts initiated or terminated during a calendar quarter will be charged a prorated fee. Upon termination of any account, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable. The

client has the right to terminate an agreement without penalty within five business days after entering into the agreement.

The following fee schedule for “Flagship Accounts” may vary as discussed above and is negotiable by the Financial Advisor:

<u>Account Value</u>		<u>Annualized Fee</u>
Up to	\$999,999	1.50%
From	\$1,000,000-2,999,999	1.25%
From	\$3,000,000-4,999,999	1.00%
From	\$5,000,000-9,999,999	.75%
Over	\$10,000,000	Negotiable

Certain of the open-end mutual funds which may be acquired in the Flagship Account may, in addition to assessing management fees, internally assess a distribution, administrative and other service fees. EFS may collect such fees for each year in which a balance is maintained in the mutual fund for the Flagship Account. These fees are in addition to EFS’s investment advisory and transaction fees and are generally in an amount equal to .25% or more of the mutual fund balance in the Flagship Account. Such fees are included in the calculation of operating expenses of a mutual fund. The existence of such fees is disclosed in the prospectus for each mutual fund. For ERISA and IRA accounts, distribution and related fees received by EFS will be credited to the client.

Clients should be aware that all mutual funds incur expenses for portfolio management services and fund administrative services. These internal fees are disclosed in the mutual fund prospectus. The advisory fee charged by EFS will be in addition to mutual fund internal expenses and the distribution and related fees collected by EFS.

EFS may charge fees to clients which do not comport with the fee schedule set out above. EFS reserves the right to charge a fee which is less than the amount on the fee schedule. It will not charge its clients more than the amount in the fee schedule. In addition EFS may reduce or waive the transaction fee it charges for transactions executed in client accounts. The consideration for modifying the transaction fee may involve the amount of the fee paid for investment advisory services set out above.

EFS, in its capacity as a registered broker-dealer and member of the FINRA, will be the primary broker-dealer through which securities transactions for Flagship Accounts will be processed. Clients who want to participate in the Flagship Program are required to utilize EFS for such purposes. EFS clears its securities transactions on a fully disclosed basis through Pershing. In addition, Pershing will act as the sole custodian for all the assets in

the Flagship Account. In addition to its annual advisory fee, EFS will charge the client a transaction fee for executing transactions. Equity trades will have a \$15 transaction charge. Options, bonds, and certificates of deposit will have a \$25 transaction charge. Mutual fund purchases will have a \$15 transaction charge. The actual expense incurred by EFS for effecting transactions may be more or less than the charges described above. In the event a Flagship Account is maintained on behalf of a plan subject to the Employee Retirement Income Security Act of 1974, as amended (“ERISA”) or similar government regulation, transaction and clearing fees shall be charged by EFS in an amount equal to its actual cost without mark-up.

Item 12 “Brokerage Practices” further describes the additional practices and fees related to EFS in its capacity as a broker dealer.

FINANCIAL PLANNING FEES

The fees for these services may be a fixed amount based upon the issues to be addressed by the Financial Advisor, or may be based on an hourly charge. Fees for plans will typically range from \$250 to \$5,000. Hourly fees will generally range from \$75 to \$250, depending upon the experience of the Financial Advisor. Fees for financial planning and other services are generally negotiable by the Financial Advisor.

RETIREMENT PLAN SERVICES

Fees for Employee Benefit Retirement Plan services are negotiable and based on a number of factors including plan assets under management and the scope of the engagement.

WRAP FEE SCHEDULES

Clients should be aware that fees for wrap programs are not rebated if the client terminates the account prior to a one-year period. Fees for wrap fee services through Lockwood are described in greater detail in the Wrap Fee Brochure, which can be obtained upon request.

INDEPENDENT MANAGERS

Fees for the limited number of accounts which are outsourced to specialty or third-party managers are defined in the Services Agreement between EFS and the client. Further information about third-party manager services, including the fee schedule, can be obtained by request from EFS.

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).

Item 7 – Types of Clients

Essex Financial Services Inc. (EFS) provides portfolio management services to a variety of clients including individuals, high net worth individuals, corporations, corporate pension and profit-sharing plans, Taft-Hartley plans, trusts, estates, charitable institutions, foundations, endowments and municipalities.

EFS generally requires a minimum of \$25,000 for Flagship Account clients. Account minimums for wrap fee SMA Accounts generally range from \$100,000 to \$250,000. The minimum for ADVISORFLEX Accounts is \$50,000, with minimum, subsequent contributions of \$1,000.

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

ANALYSIS AND SCREENING PROCESS

Analysis and investment strategies for individual “Flagship Accounts” are part of a customized process based on interview and understanding of clients’ needs and objectives. Financial Advisors work closely with individual clients to determine suitability of investments and portfolio construction.

The EFS Investment Committee is comprised of a number of the firm’s Financial Advisors who provide investment advisory services. The Investment Committee actively screens investment opportunities, including mutual funds, individual stocks, Exchange Traded Funds (“ETF”s) and debt securities utilizing third party services and in-house criteria. Investment Committee screening aims to produce actionable “Research Lists” which can be further reviewed in light of a clients’ needs and objectives. “Research Lists” are examined and updated on an ongoing and at least monthly basis.

Mutual Funds and, to a lesser extent, Exchange Traded Funds (“ETF”s) are reviewed using the following criteria:

- The fund’s performance versus benchmarks for 1,3,5, and 10-year periods;
- The percentage rank during the same periods;
- Expense ratios and fee structures;

- The fund or vehicle's management team and tenure;
- The fund's historical risk and return characteristics; and
- Any other factors considered relevant.

Individual stocks are reviewed using fundamental criteria such as earnings-based rankings to create similar "Research" lists.

Individual bonds and debt securities are reviewed through various research and pricing platforms utilized by EFS.

The Investment Committee employs its review and screening process across the spectrum of investment vehicles to narrow the universe from which Investment Advisors structure client accounts.

Investment Advisors may also serve to guide clients toward appropriate strategies, given clients' needs and objectives, amongst wrap fee alternatives with Lockwood.

Technical Analysis, including Charting and the active monitoring of markets and individual positions, is used as a means of confirming fundamental screening analysis. Various technical tools in trading and research platforms are monitored for relative strength analysis of individual positions versus group and sector performance.

RISKS

All investing involves a risk of loss that clients should be prepared to bear. EFS's management strategies, including both the Flagship Program and wrap fee alternatives, involve such risk of loss.

All investments present the risk of loss of principal – the risk that the value of securities (mutual funds, ETFs, options, debt securities, and alternative investments in private funds), when sold or otherwise disposed of, may be less than the price paid for the securities. Even when the value of the securities at the time of sale is greater than the price paid, there is the risk that the appreciation will be less than inflation. In other words, the purchasing power of the proceeds may be less than the purchasing power of the original investment.

Mutual funds and ETFs utilized by EFS may include funds invested in domestic and international equities, including real estate investment trusts (REITs), corporate, government, and municipal fixed income securities, and commodities. Equity securities may include large capitalization, medium capitalization, and small capitalization stocks.

Mutual funds and ETF shares invested in fixed income securities are subject to the same interest rate, inflation and credit risks associated with the underlying bond holdings.

Among the riskiest mutual funds used in EFS's investment strategies funds are the U.S. and International small capitalization and small capitalization value funds, emerging market funds, and commodity futures funds. Conservative fixed income securities have lower risk of loss of principal, but most bonds (with the exception of Treasury Inflation Protected Securities or TIPS) present the risk of loss of purchasing power through lower expected returns. This risk is greatest for longer-term bonds.

Certain funds utilized by EFS may contain international securities. Investing outside the United States involves additional risks, such as currency fluctuations, periods of illiquidity and price volatility. These risks may be greater with investments in developing countries.

More information about the risks of any particular mutual fund, private fund and market sectors can be reviewed in mutual fund and private fund prospectuses.

Item 9 – Disciplinary Information

In March of 2007 EFS was censured and fined for failing to maintain and preserve all of its electronic communications as required by specific Exchange Act Rules. This violation involved the failure to retain all relevant email communications as defined by the Rule. EFS consented to the findings and has implemented solutions.

In April of 2012 EFS was censured and fined for failing to establish and maintain a supervisory system for, and to establish, maintain and enforce written supervisory procedures that were reasonably designed to achieve compliance relating to, waiver of mutual fund sales charges in violation of NASD and FINRA rules. Without admitting or denying the allegations, the firm consented to the findings and implemented procedures to prevent a reoccurrence of the activity.

On November 23, 2015, EFS entered into a Consent Order with the Banking Commissioner of the State of Connecticut ("Commissioner"). The Consent Order alleged that the firm, in violation of Connecticut law: 1) engaged an unregistered investment adviser agent; 2) failed to keep SEC required records (notably ledgers and supporting documents related to payments made to such unregistered investment adviser agent) true and accurate; and 3) failed to establish, enforce and maintain a system for supervising the activities of its agents, investment adviser agents and Connecticut office operations that was reasonably designed to achieve compliance with applicable securities laws and regulations. The alleged violations related to payments the firm improperly made to an attorney at the direction of the firm's former president and CEO in connection with a client referral.

Without admitting or denying the allegations, the firm consented to an administrative fine of \$25,000. In the Consent Order, the Commissioner acknowledged that the firm self-reported the alleged violations to the Department of Banking and cooperated with the Connecticut Securities Division throughout its examination and investigation of the firm. The Consent Order and related bulletin recited that the firm's Board of Directors, on its own initiative, instituted a series of remedial measures in response to the events resulting in the alleged violation, including, but not limited to, removing its former president and CEO from those positions and restructuring the reporting structure to address potential compliance problems. On November 23, 2015, the firm terminated the employment of its former president in connection with this matter.

Item 10 – Other Financial Industry Activities and Affiliations

EFS is a wholly-owned subsidiary of Essex Savings Bank ("*Bank*"). Certain of EFS's directors are also directors of the Bank. Financial Advisors may recommend the use of the Bank to clients in need of banking services. No client is obligated to use the Bank for any banking service. Any compensation received by the Bank for providing banking services is entirely separate and distinct from the advisory fees charged by EFS. Financial Advisors receive no compensation for recommending the Bank to advisory clients.

In 2011, EFS entered a joint-marketing agreement with Farmington Bank to offer broker dealer and investment advisory services to the bank. Accounts may be referred to EFS by Farmington Bank personnel.

The relationship with Farmington Bank is further discussed under Item 14, "Client Referrals and Other Compensation".

In addition to offering investment advisory and broker-dealer services, EFS is also licensed as an insurance agency with the State of Connecticut Insurance Department. It is expected that EFS and its executive officers will spend more than fifty percent of their time on investment advisory services and less than fifty percent of their time on brokerage and insurance related activities. As a registered broker-dealer and as a licensed insurance agent, EFS sells products and services consistent with those businesses, including securities and insurance policies.

EFS offers to a limited number of clients alternative investment opportunities through Central Park Group, LLC. Central Park Group, LLC, together with its affiliates, is an independent investment advisory firm that specializes in alternative investment strategies. The Firm offers investments managed by private equity, hedge fund, real estate and fund-of-funds sponsors.

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

EFS has adopted a Code of Ethics for all supervised persons of the firm describing its high standard of business conduct, and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons at EFS must acknowledge the terms of the Code of Ethics annually or as amended.

EFS anticipates that, in appropriate circumstances, consistent with clients' investment objectives, it will cause accounts over which EFS has management authority to effect, and will recommend to investment advisory clients or prospective clients, the purchase or sale of securities in which EFS, its affiliates and/or clients, directly or indirectly, have a position of interest. EFS's employees and persons associated with EFS are required to follow EFS's Code of Ethics. Subject to satisfying this policy and applicable laws, officers, directors and employees of EFS and its affiliates may trade for their own accounts in securities which are recommended to and/or purchased for EFS's clients. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of EFS will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Under the Code certain classes of securities have been designated as exempt transactions, based upon a determination that these would materially not interfere with the best interest of EFS's clients. In addition, the Code requires pre-clearance of many transactions, and restricts trading in close proximity to client trading activity. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. Employee trading is continually monitored under the Code of Ethics, and to reasonably prevent conflicts of interest between EFS and its clients.

EFS's clients or prospective clients may request a copy of the firm's Code of Ethics by contacting the Chief Compliance Officer, Michael O'Rourke.

EFS or any related person(s) may have an interest or position in certain securities which may also be recommended to a client. These situations represent a conflict of interest. EFS has established the following restrictions in order to ensure its fiduciary responsibilities:

1. A director, officer or employee of EFS shall not buy or sell securities for their personal portfolio where their decision is substantially derived, in whole or in part,

by reason of his or her employment with EFS unless the information is also available to the investing public on reasonable inquiry.

2. EFS maintains a list of all securities holdings (except mutual funds and government securities) for itself and its related persons. These holdings are reviewed on a regular basis by the Compliance Department.
3. All clients are fully informed that certain individuals associated with EFS may receive compensation when effecting transactions for clients.
4. EFS emphasizes the unrestricted right of the client to decline to implement any investment advice.
5. In connection with its Financial Planning Services, EFS emphasizes the unrestricted right of the client to select and choose any broker or dealer and/or insurance company through which to implement recommendations.
6. EFS requires all related persons to act in accordance with all applicable Federal and State regulations governing investment advisory services, including the Insider Trading and Securities Fraud Enforcement Act of 1988, as amended.

Any individual not in observance of the above may be subject to termination or other disciplinary action by EFS.

In its capacity as an investment advisor, EFS's policy is that the firm will not participate in principal or agency cross transactions. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. A principal transaction may also be deemed to have occurred if a security is crossed between an affiliated hedge fund and another client account. An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction. Agency cross transactions may arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer.

Item 12 – Brokerage Practices

EFS, in its capacity as a registered broker-dealer and member of FINRA, will be the primary broker-dealer through which securities transactions for Flagship Accounts will be processed. Clients who want to participate in the Flagship Program are required to utilize

EFS for such purposes. EFS clears its securities transactions on a fully disclosed basis through Pershing. Clients should understand that EFS and its Financial Advisors have a conflict of interest with respect to transactions effected through EFS.

EFS does not accept directed brokerage business from clients or account instructions to transact through other broker dealers.

EFS, as a registered broker-dealer, and the Financial Advisors, as registered representatives of EFS, may receive separate and typical compensation from any brokerage transaction they implement on behalf of EFS. Except with respect to the Flagship Program, no investment advisory client is obligated to use EFS or the Financial Advisors for brokerage services.

Because EFS requires that clients utilize Pershing for clearing of securities transactions and custody of the Flagship Accounts, economic benefits are received which may not be received if EFS did not give investment advice to clients. These benefits may include receipt of duplicate confirmations and duplicate statements, access to a trading desk, ability to have investment advisory fees deducted directly from client accounts, access to an electronic communications network for client account information and receipt of compliance publications.

In addition, in its capacity as broker-dealer, EFS and the Financial Advisors may receive certain 12(b)-1 fees and other distribution and administrative fees from mutual funds in which client funds are invested as described in Item 5. These fees are in addition to EFS's investment advisory and transaction fees.

Client accounts are transacted on an individual basis based on the Financial Advisor's recommendation. For clients with discretionary accounts, EFS requests that it be provided with written authority to determine which securities and the amounts of securities that are bought or sold. This authority is contained in the Investment Management Agreement each client is required to sign. Any limitations on this discretionary authority shall be included in this written authority statement. Clients may change or amend these limitations as required. Such amendments shall be submitted to EFS in writing.

In certain limited circumstances for fixed income transactions, EFS may request that it be provided with written authority to determine the broker-dealer to use for client transactions and the commission costs that will be charged to clients for these transactions. In this instance EFS will monitor the fixed income trading services to assess the quality of broker-dealer services and client fixed income transactions and approve the selection of those brokers or dealers which will provide the best services at the lowest commission rates possible. EFS will assess the broker-dealer's ability to provide professional services,

competitive execution, and any other services which will aid EFS in providing enhanced investment management services to its clients.

EFS also has an arrangement with Fidelity Brokerage Services LLC ("Fidelity") through which Fidelity provides our firm with "institutional platform services." The institutional platform services include, among others, brokerage, custody, and other related services. Fidelity's institutional platform services that assist us in managing and administering clients' accounts include software and other technology that (i) provide access to client account data (such as trade confirmations and account statements); (ii) facilitate trade execution and allocate aggregated trade orders for multiple client accounts; (iii) provide research, pricing and other market data; (iv) facilitate payment of fees from its clients' accounts; and (v) assist with back-office functions, recordkeeping and client reporting.

Fidelity also offers other services intended to help our firm manage and further develop its advisory practice. Such services include, but are not limited to, performance reporting, financial planning, third party research, publications, access to educational conferences, roundtables and webinars, practice management resources, access to consultants and other third party service providers who provide a wide array of business related services and technology with whom EFS may contract directly.

Fidelity generally does not charge its advisor clients separately for custody services but is compensated by account holders through commissions and other transaction-related or asset-based fees for securities trades that are executed through Fidelity or that settle into Fidelity accounts (i.e., transactions fees are charged for certain no-load mutual funds, commissions are charged for individual equity and debt securities transactions). Fidelity provides access to many no-load mutual funds without transaction charges and other no-load funds at nominal transaction charges.

As a result of receiving such services for no additional cost, we may have an incentive to continue to use or expand the use of Fidelity's services. We examined this potential conflict of interest when we chose to enter into the relationship with Fidelity and have determined that the relationship is in the best interests of EFS' clients and satisfies our client obligations, including our duty to seek best execution. A client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where we determine in good faith that the commission is reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, while EFS will seek

competitive rates, to the benefit of all clients, we may not necessarily obtain the lowest possible commission rates for specific client account transactions. Although the investment research products and services that may be obtained by us will generally be used to service all of our clients, a brokerage commission paid by a specific client may be used to pay for research that is not used in managing that specific client's account.

Investment advisors may elect to purchase or sell the same securities for several clients at approximately the same time when they believe such action may prove advantageous to clients. This process is referred to as aggregating orders, batch trading or block trading. EFS does not generally engage in block trading. It should be noted that implementing trades on a block or aggregate basis may be less expensive for client accounts; however, it is our trading policy is to implement all client orders on an individual basis. Therefore, we do not aggregate or "block" client transactions. Considering the types of investments we hold in advisory client accounts, we do not believe clients are hindered in any way because we trade accounts individually. This is because we develop individualized investment strategies for clients and holdings will vary. Our strategies are primarily developed for the long-term and minor differences in price execution are not material to our overall investment strategy.

In instances where we may engage in block trading, we will distribute a portion of the shares to participating accounts in a fair and equitable manner. The distribution of the shares purchased is typically proportionate to the size of the account, but it is not based on account performance or the amount or structure of management fees. Subject to our discretion regarding factual and market conditions, when we combine orders, each participating account pays an average price per share for all transactions. In situations where a block order is only partially filled by the executing broker-dealer, we allocate the order to all participating accounts on a pro rata basis.

EFS, as a matter of policy and practice, does not have any formal or informal arrangements or commitments to utilize research, research-related products and other services obtained from broker dealers, or third parties, on a soft dollar commission basis. Soft dollars generally refers to arrangements whereby a discretionary investment adviser is allowed to pay for and receive research, research-related or execution services from a broker dealer or third party provider, in addition to the execution of transactions, in exchange for the brokerage commissions from transactions for client accounts.

It is the policy of EFS that in all circumstances involving trade errors, clients are made whole. If the error is the responsibility of EFS, the client transaction will be corrected and EFS will be responsible for any client loss based on an inaccurate or erroneous error.

Item 13 – Review of Accounts

Financial Advisors will periodically monitor advisory accounts and, when appropriate, suggest a reallocation of the portfolio based upon changing economic conditions or changes in the client's individual circumstances. These suggested reallocations will be implemented in discretionary accounts without prior approval or notice to the client.

EFS provides reports to clients based on this periodic review.

Item 14 – Client Referrals and Other Compensation

EFS may pay certain professionals for referrals. The professional who refers the account will receive a portion of the advisory fee but in no case will the client pay more because of the referral fee. The referral fees will be on a cash only basis. The client will be given proper disclosure about the advisory and referral fees. The professional will be either an investment advisor representative or a solicitor of EFS. Any solicitor will be required to execute a solicitor agreement and each client who is a referral from a solicitor must execute an acknowledgment of the solicitor relationship.

In addition, Essex Savings Bank may from time to time pay referral fees to Bank employees which refer customers to EFS. These referral fees are paid one time, in a nominal, fixed amount, and are not dependent upon whether the customer ultimately opens an account with EFS. In addition, the existence of the referral fee program is disclosed to each customer that opens an account. The referral fee program will comply in all respects with the Interagency Statement on Retail Sales of Non-Deposit Investment Products issued by federal bank and thrift regulators.

EFS has a third party marketing agreement with Farmington Bank where bank personnel may refer broker dealer and investment advisory services. Farmington Bank will receive a portion of the advisory and other fees of referred clients.

Item 15 – Custody

The SEC deems an investment adviser to have custody of client assets any time an adviser has access to clients' funds or securities, including when an adviser directly or indirectly holds client assets, has the authority to obtain possession of client assets, or has the ability to appropriate client assets. For these purposes, SEC registered advisers are deemed to have custody based solely on the ability to debit advisory fees or serve as Trustee.

EFS is deemed to have “custody” of client assets because it has arrangements with clients whereby EFS may directly debit advisory fees from Client accounts, and because a related person, Essex Savings Bank, serves as Trustee for certain advisory accounts and is not operationally independent by virtue of the fact that the entities have directors in common. Therefore, it must comply with Rule 206(4)-2 under the Advisers Act (the “Custody Rule”). The Custody Rule requires that such clients’ assets be maintained with a Qualified Custodian.

The Custody Rule provides that advisory clients must receive quarterly account statements directly from the Qualified Custodian. EFS has a reasonable belief that account statements are provided to clients by the Qualified Custodian on a monthly basis. Clients should carefully review the statements they receive from the Qualified Custodian and should contact Essex if they are not receiving statements or have other questions.

Item 16 – Investment Discretion

EFS usually receives discretionary authority from the client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account.

When selecting securities and determining amounts, EFS observes the investment policies, limitations and restrictions of the clients for which it advises. For registered investment companies, EFS’s authority to trade securities may also be limited by certain federal securities and tax laws that require diversification of investments and favor the holding of investments once made.

Investment guidelines and restrictions must be provided to EFS in writing.

Item 17 – Voting Client Securities

As a matter of firm policy and practice, where EFS is the Adviser to an account, it does not have any authority to and does not vote proxies on behalf of advisory clients. Clients retain the responsibility for receiving and voting proxies for any and all securities maintained in client portfolios. Clients will receive applicable proxies directly from the issuer of securities held in clients’ investment portfolios. EFS may provide advice to clients regarding the clients’ voting of proxies.

EFS does vote proxies for an ERISA account where such action is required by the Plan.

Item 18 – Financial Information

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about EFS's financial condition. EFS has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.