

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

Ryan Parker assumed responsibility as Chief Executive Officer ("CEO") of Edelman Financial Services, LLC ("EFS"), effective June 20, 2016. Mr. Parker leads the day-to-day management of EFS and works closely with Ric Edelman to establish the firm's strategic direction. Mr. Edelman's time is devoted to heading the Office of the Executive Chairman, with a focus primarily on producing and delivering content in support of the firm's financial education and advice mission.

James Mendelsohn was named the firm's Chief Marketing Officer, effective May 1, 2016 and several changes were made to the Investment Committee membership, effective June 15, 2016.

Eraine Parker resigned as Chief Compliance Officer ("CCO"), effective December 31, 2016. Rainey Gray assumed responsibilities as the interim CCO, effective January 1, 2017, and will continue to perform those responsibilities until such time as a CCO is hired. An active search is underway.

Theresa Kozikowski was hired into the new position of Chief Human Resources Officer for the firm, effective October 31, 2016. Previously the firm's Chief Information Officer, Christine Cataldo was named Chief Operations and Technology Officer, effective December 1, 2016, assuming additional responsibilities for Client Services.

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”, “Firm” 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 71.5% 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, Executive Chairman 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; pensions, retirement and profit-sharing plans; institutions; and small to mid-sized businesses, including corporations. Our wrap fee program, discussed below, is available to our clients and to unaffiliated registered investment advisers and their clients.

EFS advisory personnel are also registered representatives of EF Legacy Securities, LLC (“EFLS”), an affiliated registered broker-dealer. Please refer to the Conflicts of Interest and Other Disclosures section within Item 11 for further information on this conflict.

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 and 529 College Savings Plans.

EFS Investment Adviser Representatives (“Advisors”) meet with clients to discuss their needs. Investment objectives and risk tolerance are the main factors that help us recommend an asset allocation model. 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. Alternatively, the client may choose to use the Edelman Guide to Portfolio Selection (“GPS”) to guide them through the process and help them select an appropriate EMAP asset allocation model, based on their investment experience, risk tolerance, age, primary investment objectives, time horizon, and the amount of money they have to invest. Also referred to as “Edelman Online” or simply the “client portal”, GPS utilizes more of a risk-based approach, as opposed to the goals-based and risk-based approach typically taken when the client meets directly with an Advisor. Working directly with an Advisor or using GPS has no bearing on the advisory fees that the client pays, since even if the client chooses GPS they still have access to an Advisor. If a client’s investment objectives or financial situation changes, they are instructed and reminded to contact an Advisor.

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 pay only a prorated amount.

In addition to the advisory services described above, EFS offers to clients a personal finance information management tool, designed to aggregate information regarding a client’s account(s) at EFS and other investment accounts, bank accounts, credit cards, 401(k) accounts, brokerage accounts, frequent flyer miles and other financial account information established through or held with third parties. Please see Item 11 for further information.

Financial Planning

EFS 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.

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.

EFS may create an arrangement with a corporation or other organization where a combination of financial planning, advice and/or educational services are provided to employees or members. Individuals who receive a financial plan are under no obligation to implement the plan with EFS.

Edelman Retirement Program

EFS makes the Edelman Retirement Program (“ERP”) available to plan sponsors of 401(k), profit-sharing, non-qualified deferred compensation 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) will establish an ERP account on behalf of the Plan. See Item 5 for Fees and Compensation associated with the Edelman Retirement Program.

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”).

The Plan sponsor (or other Plan fiduciary or agent) will 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 by 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 will 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 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 is 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 unaffiliated adviser 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. In addition, neither will receive any additional compensation related to the Underlying Funds. See Item 5 for Fees and Compensation associated with the Asset Allocation Model.

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 the participant's employer sponsored retirement plan assets or an IRA that a client holds outside of EFS. In the case where an EFS Advisor recommends a retirement plan rollover into EMAP,

we will charge an advisory fee based on the amount of assets subject to the rollover, as described in Item 5. This presents a conflict of interest because EFS Advisors have an economic incentive to recommend a client rollover retirement plan assets into an EMAP account. Please refer to the Conflicts of Interest and Other Disclosures section within Item 11 for further information on this conflict. Plan participants are under no obligation to rollover their retirement assets to an IRA with EFS and should carefully consider all relevant factors, such as penalty-free withdrawals starting as early as age 55, whether loans are permitted, legal protections, required minimum distributions (RMDs), account-related fees and expenses, service levels, available investment options, rebalancing, employer stock considerations and state taxes. Military and government employees should pay particular attention to fees and expenses, because their retirement plan expenses are very low.

College Education Savings

EFS Advisors often work with clients to determine how to save for anticipated future educational expenses. State sponsored 529 college savings plans are recommended, as well as traditional taxable EMAP accounts, based on the circumstances and needs of the client. The advisory fees that a client would pay on an EMAP account may be higher than the fees and expenses that they would pay on a 529 Plan. EFS and/or the Advisor may have an economic incentive to recommend an EMAP account, since the commission on a 529 Plan executed with EFLS may be less than the advisory fee payable to EFS. In addition, if the client executed the 529 Plan directly with a state, EFLS would not receive a commission. This incentive creates a conflict of interest with clients. Please refer to the Conflicts of Interest and Other Disclosures section within Item 11 for further information on this conflict.

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 typically created by Ric Edelman or based on his financial planning and investment management philosophy. 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. These groups could learn about presentations from planners, the radio show hosted by Ric Edelman, webinars, the Firm's website, or our email outreach.

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 and the Conflicts of Interest and Other Disclosures section within Item 11 for further details on the conflict.

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 review for potential rebalancing opportunities and evaluation of EMAP performance for potential changes to or reallocation of asset classes, or changes to securities as market or other conditions warrant.

Assets Under Management

EFS had the following assets under management as of December 31, 2016.

| | Accounts | Assets |
|--------------------------|----------|-------------------|
| Discretionary | 76,781 | \$ 17,783,000,000 |
| Non-discretionary | 0 | 0 |
| Total | 76,781 | \$ 17,783,000,000 |

Item 5: Fees and Compensation

Retail

| EMAP Retail Fee Schedule | Fee |
|----------------------------|------------|
| 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 |

Above is a schedule of the investment advisory fees that retail clients pay on an EMAP account. Since EMAP is a wrap fee program, the terms “advisory fee” and “wrap fee” may be used interchangeably when referring to an EMAP account. In addition to the above fee schedule, EFS employees and the Firm’s TAMP Advisors (see Item 14) pay a deeply discounted flat rate. The EMAP wrap fee includes ongoing financial planning advice by an EFS Advisor and limited discretionary investment management, including periodic review of all investments in the EMAP asset allocation model as described above in Item 4. The fee also includes all model transaction costs (with the exception of those discussed below), custody of assets, a subscription to *Ric Edelman’s Inside Personal Finance* newsletter, online access and free admission to seminars.

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. These underlying fees can vary between investments and are deducted directly from invested assets. Further information on these fees can be found in the prospectuses of the Underlying Funds. 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 and mutual 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.

EFS may negotiate a reduction in fees or other costs on services provided by third-party service providers based on size, volume or other factors. Because the cost to the client of these services is included in the wrap fee, any negotiation of lower costs to EFS will not be reflected in the client’s costs. Please refer to the Conflicts of Interest and Other Disclosures section within Item 11 for further information on this disclosure.

As noted above, we anticipate that transactions placed in a client’s account will be executed through either TD Ameritrade, Fidelity, or PAS. However, in the limited circumstances described below, e.g. step-out trades, 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 on a transactional basis), EFS will utilize broker-dealers other than TD Ameritrade, Fidelity, or PAS to execute large transactions if we determine that it is in our clients’ best interest and that the other broker-dealer has the capability to handle such large transactions and to reduce or eliminate the potential negative price fluctuation. 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. 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 to EFS by the client.

Transactions executed on behalf of EMAP clients are executed for a single wrap fee (except with respect to step-out trades, as noted above and in Item 12), 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 open-end registered investment companies (mutual funds), ETFs and no-commission variable annuities. EFS and its Advisors receive compensation based on the amount of money the client has invested in the program. Neither EFS nor its Advisors earn any additional revenue from EMAP accounts beyond the wrap fee. A portion of the advisory fee is paid to the Advisor. The advisory fee earned may be more or less than what EFS or its Advisors might earn from other programs available in the financial services industry or if the services were purchased separately. 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, household accounts that are managed as one relationship are aggregated to determine the lowest percentage per the above fee schedule. Also, when calculating advisory fees, we exclude, at our discretion certain assets if they are unable to be invested in EMAP, for whatever the reason. In addition, EFS does not provide investment advisory services or charge advisory fees on certain “unmanaged accounts”, which are assets held in a separate account from EMAP assets.

Fees are not negotiable, other than as disclosed in the fee schedule above. Accounts with less than \$5,000 (the minimum household account size) 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. The above advisory fee schedules are based on the amount of money the client invests in the program and are not dependent on the amount of trading in the account or the advice given in any particular time period. The client should be aware that 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 EMAP account. 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 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 prorated fees due up to the termination date.

Turnkey Asset Management Program (TAMP)

As discussed in Item 14, EFS has established a Turnkey Asset Management Program (“TAMP”), whereby the Firm makes the EMAP asset allocation models available to clients of select unaffiliated investment advisors (“TAMP Advisors”). The EMAP fee, per the above fee schedule is shared between EFS and the TAMP Advisors on a negotiated basis. The client does not pay an increased fee for EMAP as a result of this arrangement. Clients will pay the same fee, regardless of whether the client selects an EMAP asset allocation model through an EFS Advisor or a TAMP Advisor. EFS pays a negotiated percentage, up to 60% of the annual account fee, to TAMP Advisors 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 TAMP Advisor.

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 |

Above is a schedule of the investment advisory fees that EFS institutional clients pay on an EMAP account. Since EMAP is a wrap fee program, the terms “advisory fee” and “wrap fee” may be used interchangeably, when referring to an EMAP account. The EMAP wrap fee includes periodic access to an EFS Advisor and the Institutional Advisory Services as described in Item 4 above.

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. These underlying fees can vary between investments and are deducted directly from invested assets. Further information on these fees can be found in the prospectuses of the Underlying Funds. 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 and mutual 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.

EFS may negotiate a reduction in fees or other costs on services provided by third-party service providers based on size, volume or other factors. Because the cost to the client of these services is included in the wrap fee, any negotiation of lower costs to EFS will not be reflected in the client's costs. Please refer to the Conflicts of Interest and Other Disclosures section within Item 11 for further information on this disclosure.

As noted above, we anticipate that transactions placed in a client's account will be executed through either TD Ameritrade, Fidelity, or PAS. However, in the limited circumstances described below, e.g. step-out trades, 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 on a transactional basis), EFS will utilize broker-dealers other than TD Ameritrade, Fidelity, or PAS to execute large transactions if we determine that it is in our clients' best interest and that the other broker-dealer has the capability to handle such large transactions and to reduce or eliminate the potential negative price fluctuation. 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. 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 to EFS by the client.

Transactions executed on behalf of EMAP clients are executed for a single wrap fee (except with respect to step-out trades, as noted above and), 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 open-end registered investment companies (mutual funds), ETFs and no-commission variable annuities. EFS and its Advisors receive compensation based on the amount of money the client has invested in the program. Neither EFS nor its Advisors earn any additional revenue from EMAP accounts beyond the wrap fee. A portion of the advisory fee is paid to the Advisor. The advisory fee earned may be more or less than what EFS or its Advisors might earn from other programs available in the financial services industry or if the services were purchased separately. 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.

Fees are not negotiable, other than as disclosed in the fee schedule above. Full fee details are discussed in the Client Services Agreement that is signed by the client. The above advisory fee schedules are based on the amount of money the client invests in the program and are not dependent on the amount of trading in the account or the advice given in any particular time period.

The client should be aware that 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 EMAP account. 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 client's 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 prorated fees due up to the termination date.

Edelman Retirement Program (ERP)

| 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 |

Above is a schedule of the investment advisory fees that EFS ERP clients pay on an EMAP account. Since EMAP is a wrap fee program, the terms "advisory fee" and "wrap fee" may be used interchangeably, when referring to an EMAP account. The EMAP wrap 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 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. Also, for ERP clients, the Plan's recordkeeper, custodian or other service provider may charge a separate fee to cover the administrative, trust, custody and other record-keeping costs associated with Plan accounts invested in the Investment Options. 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. These underlying fees can vary between investments and are deducted directly from invested assets. Further information on these fees can be found in the prospectuses of the Underlying Funds. 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 and mutual 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.

EFS may negotiate a reduction in fees or other costs on services provided by third-party service providers based on size, volume or other factors. Because the cost to the client of these services is included in the wrap fee, any negotiation of lower costs to EFS will not be reflected in the client's costs. Please refer to the Conflicts of Interest and Other Disclosures section within Item 11 for further information on this disclosure.

As noted above, we anticipate that transactions placed in a client's account will be executed through either TD Ameritrade, Fidelity, or PAS. However, in the limited circumstances, e.g. step-out trades, 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 on a transactional basis), EFS will utilize broker-dealers other than TD Ameritrade, Fidelity, or PAS to execute large transactions if we determine that it is in our clients' best interest and that the other broker-dealer has the capability to handle such large transactions and to reduce or eliminate the potential negative price fluctuation. 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. 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 to EFS by the client.

Transactions executed on behalf of EMAP clients are executed for a single wrap fee (except with respect to step-out trades, as noted above and in Item 12), 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 open-end registered investment companies (mutual funds), ETFs and no-commission variable annuities. EFS and its Advisors receive compensation based on the amount of money the client has invested in the program. Neither EFS nor its Advisors earn any additional revenue from EMAP accounts beyond the wrap fee. A portion of the advisory fee is paid to the Advisor. The advisory fee earned may be more or less than what EFS or its Advisors might earn from other programs available in the financial services industry or if the services were purchased separately. 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.

Fees are not negotiable, other than as disclosed in the fee schedule above. Full fee details are discussed in the Client Services Agreement that is signed by the client. The above advisory fee schedules are based on the amount of money the client invests in the program and are not

dependent on the amount of trading in the account or the advice given in any particular time period. The client should be aware that lower fees for comparable services may be available from other sources.

Except as 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 recordkeeper, custodian or other service provider will deduct the wrap 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. Fees are deducted from the client's account no later than the thirtieth (30th) 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 prorated fees due up to the termination date. 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' 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 wrap fee and may charge a separate fee for its services that is in addition to the EFS fee.

Other Fees Earned by EFS

Financial Plans

EFS charges 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 for employees of EFS and may also be waived in part or in whole for clients at the discretion of the Advisor and/or the Firm. The Firm currently waives financial planning fees for those working in certain industries or for members of professional associations in certain industries. The Firm may also, at its discretion, waive financial planning fees that are contingent upon the client making a pledge, or other philanthropic donation, to unaffiliated non-profits, such as PBS. The value of these donations or pledges may or may not be equal to the one-time initial fee of \$800.

EFS Advisors are also EFLS registered representatives and may receive upfront and/or annual commissions 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. Please refer to the Conflicts of Interest and Other Disclosures section within Item 11 for further information on this conflict.

EFS may create an arrangement with a corporation or other organization where a combination of financial planning, advice and/or educational services are provided to employees or members. Bundled services of this type may be offered at a reduced fee. Nominal costs for additional products or services may be charged at the discretion of EFS. The EFS Advisor may further waive that subsidized fee, in whole or in part, at their discretion.

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 for them and their guests. In some instances, non-clients are provided with an opportunity to attend a seminar for discounted or free admission.

Speaking Engagements

Ric Edelman is a public speaker, radio, 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*; *The Truth About Retirement Plans and IRAs* and *The Truth About Your Future*. Books, including audio books and eBooks, are available for sale through booksellers, with prices ranging up to \$26.00. EFS may provide books at a discount or for no cost to organizations, individual clients or prospective clients.

EFS and/or Ric Edelman receive book royalties or other revenue from the sale of any books written by Ric. Any direct receipt of revenue by Ric from the sale of books, as well as the indirect receipt of economic benefit as the Founder and Executive Chairman by promotion of the Firm in books, the radio show, seminars, etc. could result in a conflict of interest in how Ric promotes the Firm or its products.

TD Ameritrade and Orion have bought or have agreed to buy a large number of copies of *The Truth About Your Future*, which may present a conflict of interest, as it could indirectly influence EFS to recommend TD Ameritrade to clients for custody and brokerage services. EFS has asked other vendors to buy copies of the book and we anticipate that there may be more purchases. EFS may also ask vendors to buy copies of a current or future book or provide financial incentive for doing so. Such vendor purchases may also be a conflict of interest. Please refer to the Conflicts of Interest and Other Disclosures section within Item 11 for further information on this conflict and similar conflicts related to the radio show, seminars or promotional materials in general.

Those who read Ric Edelman's books, listen to our radio show or attend our seminars should know that they contain financial advice for purposes of general financial education and marketing. This information is not tailored to a consumer's financial needs, investment objectives, risk tolerance, personal situation or other relevant factors. The consumer should not use the content as the basis for any investment decisions, but should instead consult a financial advisor or do their own due diligence. The statements in the books do not necessarily reflect the current practices of EFS. Please refer to the Conflicts of Interest and Other Disclosures section within Item 11 for further information on this disclosure.

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. The assets of the trust are invested in a variable annuity, which is a broker-dealer product offered by EFS Advisors, acting solely in their capacity as registered representatives of EFLS and not in their capacity as an investment advisor representative of EFS, which could potentially lead to client confusion. The assets in the variable annuity 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 is waived for EFS clients with an EMAP account and may be waived or modified in other cases at the sole discretion of EFLS. This administrative fee is not associated with investment advisory services offered by EFS. Ongoing commissions from the underlying variable annuity are received by EFLS for the life of the variable annuity and not by the registered representative. Nevertheless, because EFLS does receive commissions, this may create a conflict of interest. Please see the Conflicts of Interest and Other Disclosures section within Item 11 for information on this conflict.

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

The minimum account size is \$500,000, which may be waived at our sole discretion.

ERP

There is no minimum account size.

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. 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 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.

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.

Risk of Loss

EMAP holdings consist of a combination of no-load mutual funds, exchange-traded funds (ETFs) and, occasionally, variable annuities and 529 College Savings Plans, all of which are subject to some or all of the risk factors noted below. EMAP includes positions in the SPDR S&P North American Natural Resources ETF (NANR) and the iShares Exponential Technologies ETF (XT). For each of those funds, the assets in an EMAP portfolio represent a very high percentage of those ETF's total assets. There is a conflict of interest regarding the initial role that EFS and/or Ric Edelman played in the suggestion for or the creation of these two ETFs, as well as any promotion of NANR or XT by EFS and/or Ric Edelman, in that EFS may receive economic and other benefits from the association of its name with

that ETF. That conflict could influence our decision to use either State Street Global Advisors' SPDRs or BlackRock's iShares to provide ETFs in EMAP. There could also potentially be such a conflict in the future, if EFS and/or Ric Edelman were to play a role in the creation of a third party's index or other product. Please refer to the Conflicts of Interest and Other Disclosures section within Item 11 for further information on this conflict. Please also see the "Risks Associated with Positions in ETFs which EFS helped create" and "Risks Associated with Changes to Underlying Investments" risk categories below for further information on the associated risks.

The Investment Committee provides ongoing monitoring of these risks and recommends 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.
- **Business Risk** - The risks associated with a particular industry or market sector, e.g. oil-drilling companies carry a higher risk of profitability than an electric company that generates steady income no matter what the economic environment is like.
- **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.
- **Reinvestment Risk** - The risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return. This risk is primarily related to fixed income securities.
- **Inflation Risk** - Also referred to as purchasing power risk, it is the chance that the cash flows from an investment won't be worth as much in the future because of changes in purchasing power due to inflation.
- **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.
- **Risks Associated with Positions in ETFs which EFS helped create** - EMAP includes positions in the NANR and XT ETFs. For each of those funds, the assets in an EMAP portfolio represent a very high percentage of those ETF's total assets. Such large concentrations present a variety of risks, should the Firm decide to transition out of one of these funds, including liquidity risk and reputational risk, as well as any additional costs that may be incurred.
- **Risks Associated with Changes to Underlying Investments** - A change to the investment funds in an EMAP portfolio could result in a change to the expense ratio of the overall portfolio, which may be higher than the expenses of the original portfolio. If a change is made and the expense ratio of the new fund is in fact higher, clients will incur a greater expense than before. Please refer to the Conflicts of Interest and Other Disclosures section within Item 11 for further information on this conflict.
- **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. EFS has no material legal or disciplinary events to disclose.

Item 10: Other Financial Industry Activities and Affiliations

Related Persons

Affiliated Broker-Dealer

EF Legacy Securities, LLC ("EFLS") is the affiliated registered broker-dealer which performs an accommodation role for EFS' advisory clients. The Edelman Financial Center, LLC is the sole member of EFLS and therefore EFLS shares the same ownership structure as EFS. The President of EFS also serves as a manager of EFLS. EFS Advisors, acting solely in their capacity as registered representatives of EFLS and not as Advisors of EFS, accept orders for EFLS accounts from EFLS 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 upfront and/or annual brokerage commissions from EFLS on certain products sold in this capacity or held in the EFLS account. Thus, a conflict of interest could exist between the interests of EFS Advisors, EFLS, and EFLS clients if the EFS Advisor receives commissions as part of an implemented financial plan for a client. 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. Please refer to the Conflicts of Interest and Other Disclosures section within Item 11 for further information on this conflict.

Other Affiliated Investment Advisers and Broker-Dealers

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.

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 Life Insurance Services, 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 Crump Life Insurance Services and that those products may be less expensive elsewhere. Please refer to the Conflicts of Interest section within Item 11 for further information on this conflict.

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. Please refer to the Conflicts of Interest and Other Disclosures section within Item 11 for further information on this conflict.

Equity Investors

H&F Corporate Investors VII, Ltd. is the ultimate controlling party for a series of limited partnerships that indirectly own approximately 71.5% 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 Executive Chairman of EFS, also have indirect ownership interests in EFS.

The Retirement InCome for Everyone Trust® (RIC-E Trust®)

As discussed in Item 5 above, 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 broker-dealer 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"). Commissions from the underlying variable annuity are received by EFLS, which may create a conflict of interest. Please see the Conflicts of Interest and Other Disclosures section within Item 11 for information on this conflict.

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

Code of Ethics

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.

The Firm has established a Conflicts of Interest Committee ("Committee"). It is chaired by the CCO and members of senior management serve on the Committee. The Committee, or other such committees as the Firm might decide, has the responsibility to identify, assess and manage potential and actual conflicts of interest. Employees have the responsibility to escalate any potential or actual conflicts of interest immediately upon identifying them to their manager, who is responsible for notifying the CCO.

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 of 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

The above mitigants are designed to detect any potential abuse of insider information by members of the Investment Committee or other employees involved with any EMAP reallocations.

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. Please refer to the Conflicts of Interest and Other Disclosures section below for further information on this conflict.

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 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.

Conflicts of Interest and Other Disclosures

This section highlights certain conflicts of interest that are noted elsewhere in the ADV. The entire ADV should be read in order to fully understand all conflicts. Please refer to those sections of the ADV indicated for the proper context and further detail.

College Education Savings (Item 4)

EFS Advisors often work with clients to determine how to save for anticipated future educational expenses. State sponsored 529 college savings plans are recommended, as well as traditional taxable EMAP accounts, based on the circumstances and needs of the client. The advisory fees that a client would pay on an EMAP account may be higher than the fees and expenses that they would pay on a 529 Plan. EFS and/or the Advisor may have an economic incentive to recommend an EMAP account, since the commission on a 529 Plan executed with EFLS may be less than the advisory fee payable to EFS. In addition, if the client executed the 529 Plan directly with a state, EFLS would not receive a commission. This incentive creates a conflict of interest with clients.

IRA Rollover Considerations (Item 4)

EFS Advisors may recommend that an employer sponsored retirement plan or an IRA that a client holds outside of EFS be rolled over into EMAP. This presents a conflict of interest because EFS Advisors have an economic incentive to do so.

Educational Products and Promotional Materials (Items 4 and 5)

EFS and/or Ric Edelman receive book royalties or other revenue from the sale of any books written by Ric. Any direct receipt of revenue by Ric from the sale of books, as well as the indirect receipt of economic benefit as the Founder and Executive Chairman by promotion of the Firm in books, the radio show, seminars, etc. could result in a conflict of interest in how Ric promotes the Firm or its products.

TD Ameritrade and Orion have bought or have agreed to buy a large number of copies of *The Truth About Your Future*, which may present a conflict of interest, as it could indirectly influence EFS to recommend TD Ameritrade to clients for custody and brokerage services. EFS has asked other vendors to buy copies of the book and we anticipate that there may be more purchases. EFS may also ask vendors to buy copies of a current or future book or provide financial incentive for doing so. Such vendor purchases may also be a conflict of interest.

Those who read Ric Edelman's books, listen to our radio show or attend our seminars should know that they contain financial advice for purposes of general financial education and marketing. This information is not tailored to a consumer's financial needs, investment objectives, risk tolerance, personal situation or other relevant factors. The consumer should not use the content as the basis for any investment decisions, but should instead consult a financial advisor or do their own due diligence. The statements in the books do not necessarily reflect the current practices of EFS.

Affiliated Broker-Dealer Related Conflicts (Items 5 and 10)

EFS Advisors, acting as registered representatives of EFLS, may receive upfront and/or annual commissions as part of an implemented plan not conducted through EMAP. Advisors have a financial incentive to recommend non-EMAP broker-dealer products that result in commission revenue, creating a conflict of interest with their clients.

Ongoing commissions from the underlying variable annuity for the Retirement InCome for Everyone Trust® (RIC-E Trust®) product are received by EFLS for the life of the variable annuity and not by the registered representative. Nevertheless, because EFLS does receive commissions, this may create a conflict of interest.

Fees and Expenses (Items 5, 8 and 12)

A change to the investment funds in an EMAP portfolio could result in a change to the expense ratio of the overall portfolio, which may be higher than the expenses of the original portfolio. If a change is made and the expense ratio of the new fund is in fact higher, clients will incur a greater expense than before.

EFS may negotiate a reduction in fees or other costs on services provided by third-party service providers based on size, volume or other factors. Because the cost to the client of these services is included in the wrap fee, any negotiation of lower costs to EFS will not be reflected in the client's costs.

In certain circumstances, e.g. for step-out trades, EFS may elect to execute trades with a broker-dealer other than TD Ameritrade, Fidelity or PAS. Generally speaking, the compensation paid to that broker-dealer is embedded in the price of the security being traded and may represent an additional cost that the client pays, which is not included in the wrap fee.

Conflicts Related to Association with the NANR and XT ETFs (Items 8 and 14)

EMAP includes positions in the SPDR S&P North American Natural Resources ETF (NANR) and the iShares Exponential Technologies ETF (XT). For each of those funds, the assets in an EMAP portfolio represent a very high percentage of those ETF's total assets. There is a conflict of interest regarding the initial role that EFS and/or Ric Edelman played in the suggestion for or the creation of these two ETFs, as well as any promotion of NANR or XT by EFS and/or Ric Edelman, in that EFS may receive economic and other benefits from the association of its name with that ETF. That conflict could influence our decision to use either State Street Global Advisors' SPDRs or BlackRock's iShares to provide ETFs in EMAP. There could also potentially be such a conflict in the future, if EFS and/or Ric Edelman were to play a role in the creation of a third party's index or other product.

Insurance Related Conflicts (Item 10)

EFS Advisors, acting as licensed insurance agents of EFS and/or EFLS may receive commissions and/or other sales revenue as part of an implemented financial plan. Advisors have a financial incentive to recommend non-EMAP insurance products that result in commission or other sales revenue, creating a conflict of interest with their clients.

Related Person May Invest in the Same Securities (Item 11)

EFS Advisors may open an EMAP account for themselves and participate in the EFS 401(k) Plan that includes EMAP. In that regard, Advisors buy and sell the same underlying securities as clients and will therefore have interest in the same securities owned by or recommended to our clients.

Economic Benefit from Third Parties (Item 12)

From time to time, EFS and/or Ric Edelman may enter into discussions with any third party, including existing vendors or other service providers regarding joint ventures, partnerships, marketing initiatives or other such forms of cooperation. EFS may also use third parties, including existing vendors or service providers in a consultative manner, sounding them out for advice or insight, at no or a reduced cost to EFS, which the Firm could use for its proprietary purposes and/or for the potential benefit of our clients. This activity could create a conflict of interest to the extent that it benefits the Firm and such benefits are not passed on to the client, or EFS otherwise makes decisions with respect to that third party which may adversely affect the client. In addition, to the extent EFS has an arrangement or relationship with a third-party separate and apart from that third party's provision of services to EFS' clients, EFS' judgment with regard to those services could be affected by its arrangement or relationship.

Institutional Alliance Related Conflicts (Items 12 and 14)

Orion and Salentica (two vendors EFS uses), along with other companies, have formed an "Institutional Alliance" with TD Ameritrade. EFS uses Orion as its portfolio accounting system and

Salentica as its Client Relationship Management (CRM) system, and may from time to time use other vendors which are part of the Institutional Alliance. Generally speaking, new client accounts are established with TD Ameritrade as the custodian, unless the client directs otherwise. EFS has a tiered fee schedule in the contract with Orion, whereby the fee is calculated based on the number of accounts it maintains with Orion. Orion charges EFS a flat dollar amount up to a fixed number of accounts, and a fixed dollar amount per account over that threshold. The fee schedule does not vary depending on the custodian selected by EFS, in part to address the potential conflict of interest. Orion may directly or indirectly receive an economic benefit due to its Institutional Alliance relationship. The tiered fee schedule in the contract with Orion will remain in force, regardless of which custodian EFS directs business to, or whether Orion receives economic benefit from third parties.

The Institutional Alliance makes it less likely for EFS to move away from TD Ameritrade, which creates a potential conflict of interest as a custodian other than TD Ameritrade may be able to provide better quality service or provide services at a lower cost to the client. However, because the cost to the client of these custodial services is included in the wrap fee, lower costs to EFS will not be reflected in the client's costs. Salentica may also directly or indirectly receive an economic benefit due to its Institutional Alliance relationship and there could be other such arrangements in the future.

In addition, EFS has had discussions with Orion about receiving an economic benefit, based on payments Orion receives from TD Ameritrade for EFS client accounts where TD Ameritrade acts as custodian. If EFS and Orion agree to any amendment that provides economic benefits to EFS, EFS will further amend this ADV to disclose the economic benefits EFS will receive and the related conflicts of interest.

Some of the products or services provided by TD Ameritrade may benefit EFS, but may not benefit client accounts. 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.

- EFS employees may serve on TD Ameritrade Advisory Panels and be reimbursed for travel and meal expenses, as well as on Orion or Salentica Advisory Panels and be reimbursed for meals.
- EFS participation in the AdvisorDirect program could lead to increased client referrals.
- From time to time, TD Ameritrade may sponsor EFS corporate events.
- TD Ameritrade is the founding sponsor of the Certified Financial Planner Board of Standards, Inc. and is sponsoring EFS' participation in their Financial Planner Reentry Initiative.
- TD Ameritrade and Orion have bought or have agreed to buy a large number of copies of *The Truth About Your Future*.

Sponsorship of *The Truth About Money* Television Program (Item 14)

TD Ameritrade's past sponsorship of *The Truth About Money* television show could create a conflict of interest and influence our choice of TD Ameritrade for client account custody and brokerage services.

BlackRock, Inc., acting through iShares, in the past has sponsored *The Truth About Money* television show. This could create a conflict of interest as it could influence our decision to use BlackRock or iShares to provide exchange-traded funds (ETFs) in the EMAP portfolios.

Dimensional Funds Related Conflicts (Item 14)

Dimensional Fund Advisors LP ("Dimensional") sponsors a "Find an Advisor" program, which may provide economic benefit to EFS and creates a conflict of interest that could influence EFS to include or continue to include Dimensional products in EMAP.

EFS employees may serve on Dimensional Advisory Panels and Dimensional pays or reimburses EFS for meal expenses incurred.

Item 12: Brokerage Practices**Brokerage Selection**

Clients who establish an EMAP account with EFS must consent to a custodian 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)

As noted in Step-Out Trades below, we anticipate that transactions placed in a client's account will be executed through either TD Ameritrade, Fidelity, or PAS. However, in limited circumstances 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. Our custodians also make available other trading options that EFS is able to select, if deemed necessary, e.g. algorithmic trades, Time Weighted Average Pricing (TWAP) trades, etc. Each clearing broker-dealer offers services that include custody of securities, trade execution and clearance and settlement of transactions. However, all client accounts are established with TD Ameritrade, unless the client directs otherwise. Each custodian 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. All clients in the Institutional Program and a limited number of EMAP clients are handled on a transactional basis. Because the cost of what custodians charge EFS is included in the wrap fee, whether or not the custodian charges EFS a fixed percentage or on a transactional basis has no bearing on what the client pays.

EFS has an obligation to seek best execution of clients' securities transactions. Therefore, in selecting custodians, we evaluate the full range of services offered, the quality of those services and any costs indirectly borne by clients, to determine if the firm provides overall quality of service for the price. Quality of service includes, among other things, execution capability, commission rate, financial responsibility, responsiveness to the adviser, and the value of any research provided. While we attempt to negotiate favorable rates for transactions and believe that each custodian we select offers competitive rates, we do not select a custodian solely on the basis of cost. While another custodian may offer the same services at a lower overall cost, EFS is not required to move accounts to that custodian.

ERP

Each recordkeeper used has multiple clearing and custodian broker-dealer choices. EFS primarily uses TD Ameritrade, however, the client can choose another custodian broker-dealer. 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.

Step-Out Trades

As noted in Item 5 and in the Brokerage Selection above, in certain limited circumstances, EFS may choose to execute trades with a broker-dealer other than TD Ameritrade, Fidelity, or PAS if we reasonably believe that the other broker-dealer can obtain a more favorable execution under the circumstances. Occasionally, typically less than 5% of the time on a transactional basis, EFS will utilize another broker-dealer to execute large transactions if we determine that it is in our clients' best interest and that other broker-dealer has the capability to handle such large transactions and to reduce or eliminate any potential negative price fluctuation. 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. 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. Please refer to the Conflicts of Interest and Other Disclosures section within Item 11 for further information on this conflict.

Best Execution

EFS seeks the best available execution for client transactions and monitors transactions (including rebalancing, reallocation, model changes and liquidations) retrospectively to evaluate whether best execution was obtained. The Firm has established a Best Execution Committee, which monitors best execution with its custodians, utilizing reports provided by these custodians and other 3rd party sources. Additionally, EFS reviews each broker-dealer's execution reports to evaluate the services provided, quality of executions, fee rate, and other services.

Trade Errors

As a fiduciary, EFS has the responsibility to effect trade orders correctly, promptly and in the best interests of its clients. In the event an error occurs in the handling of any client transaction due to EFS' actions or inactions, EFS' policy is to identify and correct the error as promptly as possible and make the client whole.

If the error is the responsibility of EFS, any client transaction will be corrected and EFS will be responsible for client losses resulting from an inaccurate or erroneous order. Resulting gains after the client is made whole will be netted against losses in the EFS error account. If the EFS error account reflects a net gain when the custodian reconciles the account, the gains will be donated to a charity designated by EFS.

Occasionally, an error is caused by the client. In those situations where EFS can correct it, the error will be corrected promptly in the client's best interest and reviewed on a case-by-case basis to determine the party responsible for potential losses. Clients are to be reminded that EFS cannot guarantee that data presented to them is free from error and that they are also responsible for informing the Firm of any noted inaccuracies in a timely manner.

Soft Dollars

The custodians that EFS uses (TD Ameritrade, Fidelity, and PAS), offer various 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 use of overnight courier services. Some of these services may benefit EFS but may not benefit our clients and receipt of these economic benefits creates a conflict of interest and could directly or indirectly influence EFS to recommend a certain custodian to clients for custody and brokerage services. These custody services are paid for as part of the client's wrap fee.

Orion and Salentica (two vendors EFS uses), along with other companies, have formed an "Institutional Alliance" with TD Ameritrade. EFS uses Orion as its portfolio accounting system and Salentica as its Client Relationship Management (CRM) system, and may from time to time use other

vendors which are part of the Institutional Alliance. Generally speaking, new client accounts are established with TD Ameritrade as the custodian, unless the client directs otherwise. EFS has a tiered fee schedule in the contract with Orion, whereby the fee is calculated based on the number of accounts it maintains with Orion. Orion charges EFS a flat dollar amount up to a fixed number of accounts, and a fixed dollar amount per account over that threshold. The fee schedule does not vary depending on the custodian selected by EFS, in part to address the potential conflict of interest. Orion may directly or indirectly receive an economic benefit due to its Institutional Alliance relationship. The tiered fee schedule in the contract with Orion will remain in force, regardless of which custodian EFS directs business to, or whether Orion receives economic benefit from third parties.

The Institutional Alliance makes it less likely for EFS to move away from TD Ameritrade, which creates a potential conflict of interest as a custodian other than TD Ameritrade may be able to provide better quality service or provide services at a lower cost to the client. However, because the cost to the client of these custodial services is included in the wrap fee, lower costs to EFS will not be reflected in the client's costs. Salentica may also directly or indirectly receive an economic benefit due to its Institutional Alliance relationship and there could be other such arrangements in the future.

In addition, EFS has had discussions with Orion about receiving an economic benefit, based on payments Orion receives from TD Ameritrade for EFS client accounts where TD Ameritrade acts as custodian. If EFS and Orion agree to any amendment that provides economic benefits to EFS, EFS will further amend this ADV to disclose the economic benefits EFS will receive and the related conflicts of interest.

See Item 14 for a more detailed discussion of some of the specific conflicts of interest arising from the Firm's custodian relationship with TD Ameritrade. Please also see the Conflicts of Interest and Other Disclosures section within Item 11 for further information on this conflict with the Institutional Alliance.

From time to time, EFS and/or Ric Edelman may enter into discussions with any third party, including existing vendors or other service providers regarding joint ventures, partnerships, marketing initiatives or other such forms of cooperation. EFS may also use third parties, including existing vendors or service providers in a consultative manner, sounding them out for advice or insight, at no or a reduced cost to EFS, which the Firm could use for its proprietary purposes and/or for the potential benefit of our clients. This activity could create a conflict of interest to the extent that it benefits the Firm and such benefits are not passed on to the client, or EFS otherwise makes decisions with respect to that third party which may adversely affect the client. In addition, to the extent EFS has an arrangement or relationship with a third-party separate and apart from that third party's provision of services to EFS' clients, EFS' judgment with regard to those services could be affected by its arrangement or relationship. Please see the Conflicts of Interest and Other Disclosures section within Item 11 for information on this conflict.

Client Referrals

EFS participates in the TD Ameritrade Institutional Program known as AdvisorDirect. TD Ameritrade Institutional is a division of TD Ameritrade, an independent and unaffiliated SEC registered broker-dealer, member FINRA/SIPC. 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. TD Ameritrade 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. Please refer to the Conflicts of Interest and Other Disclosures section within Item 11 for further information on this conflict.

Trade Aggregation Policy

Whenever appropriate, EFS may aggregate same side transactions for certain securities 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. Mutual funds, variable annuities and 529 College Savings Plans are purchased directly from the issuer, and no aggregation of these transactions occurs.

Item 13: Review of Accounts

The Investment Committee, as discussed below, oversees rebalancing and the evaluation of EMAP performance. Generally speaking, client accounts are reviewed daily by the trading system for potential rebalancing opportunities, unless certain restrictions have been placed on the account. Funds in the accounts that have exceeded or fallen below their drift parameters are adjusted to get them back to their original asset target(s). Ongoing monitoring includes an evaluation of EMAP performance for potential changes to add or remove asset classes, reallocate asset classes, as well as add, remove, or replace securities as market or other conditions warrant. Securities we buy or sell for accounts are subject to our limited discretionary authority.

EFS Advisors generally meet periodically with clients 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. 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. 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.

Non-Advisory Account Aggregation Technology Services

EFS offers to clients who are users of its secure client portal (<https://eo.ricedelman.com/>) a personal finance information management tool designed to allow clients to aggregate information regarding accounts at EFS and other outside accounts such as investment accounts, bank accounts, credit cards, 401(k) accounts, brokerage accounts, and other financial account information established through or held with third parties. This account aggregation tool allows clients to view their linked outside accounts, as well as their EFS accounts, in one interface. This tool is provided as a free service for clients' convenience and is for informational purposes only. Information regarding client outside accounts linked through the account aggregation tool is made available for viewing by the client's financial planner. Information about outside accounts is made available to the financial planner in "read only" mode, meaning the planner (and EFS) has no ability to access the client's outside accounts or otherwise effect any changes to any outside account. Clients must authorize EFS to access and view their outside account information to use the account aggregation tool. Details regarding client use of the account aggregation tool are provided in the Terms and Conditions which are displayed when clients sign up to use the tool in the client only portal.

Clients who link outside accounts through the account aggregation tool should be aware that EFS is under no obligation to review or take into consideration information regarding outside accounts when providing advisory or other financial planning services. Clients may request in writing that their financial planner consider their outside accounts as part of any annual review of their advisory accounts managed by EFS and the planner may choose to do so at their sole discretion. However, clients should understand that their planner's review and consideration of their outside account information is only to better understand their overall financial circumstances and will not be considered when rendering any asset allocation advice or recommendations in connection with the client's advisory accounts managed by EFS.

Additionally, client is advised that EFS or their planner is under no obligation to review or monitor any outside account linked through the account aggregation tool on an ongoing basis. As such, outside account information will not be taken into consideration by the financial planner when providing investment or asset allocation advice or other financial planning services unless requested to do so by the client as described above. Client should further understand that EFS does not manage or supervise any outside account linked through the account aggregation portal.

Investment Committee

The Investment Committee ("Committee") is an independent advisory body to senior management, which conducts ongoing reviews and makes recommendations with respect to the ongoing portfolio management and construction of new and existing EMAP asset allocation models. The Committee makes recommendations to senior management regarding adjustments to EMAP that it deems necessary and appropriate in light of material changes since the model portfolios were originally constructed or previously modified. The Committee also evaluates recommendations from senior management regarding any such proposed material changes to EMAP.

ERP

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 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

Turnkey Asset Management Program (TAMP)

EFS has established a Turnkey Asset Management Program ("TAMP"), whereby the Firm makes the EMAP asset allocation models available to clients of select unaffiliated investment advisors ("TAMP

Advisors”). EFS conducts a due diligence review of each TAMP Advisor and each of their investment advisor representatives (IARs) who will be offering EMAP, prior to establishing the relationship and on an ongoing basis thereafter. We provide systems, services, and back-office support to the TAMP advisors. EFS has appointed a Manager to administer the TAMP program, manage the TAMP Advisor relationships and help to ensure proper support of their clients. The TAMP Advisor is responsible for the supervision of its IARs. The TAMP Advisor initiates the relationship with the client and is the ongoing client relationship manager. The TAMP Advisor, through its IARs, 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 for EMAP 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 wrap 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, 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’ 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 at no cost or at a reduced cost to EFS:

- 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, acting solely in their capacity as registered representatives of EFLS, may receive upfront and/or annual commissions on non-EMAP broker-dealer products and/or insurance products purchased by financial planning clients who may choose to implement their financial plan through us. EFS Advisors 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 Advisors 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 TD Ameritrade, Fidelity or PAS, 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 may earn upfront and/or annual 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 Advisory Panels

EFS employees may serve on TD Ameritrade Institutional Advisory Panels from time to time. The panels are sponsored by TD Ameritrade and consist of independent advisors who advise TD Ameritrade on issues relevant to its service, technology and products provided. In-person meetings are held one to four times a year. Panel members are not compensated for their participation; however, TD Ameritrade may pay or reimburse 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 a 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' recommendation of TD Ameritrade for custody of assets and brokerage services. Please refer to the Conflicts of Interest and Other Disclosures section within Item 11 for further information on this conflict.

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.

Orion and Salentica Advisory Panels

EFS employees may serve on Orion or Salentica Advisory Panels from time to time. The panels are sponsored by these vendors and consist of independent advisors who advise the vendors on issues relevant to their products provided. Panel members are not compensated for their participation, however Orion or Salentica pay or reimburse EFS for the travel, lodging and meal expenses incurred when EFS employees attend panel meetings. Clients should be aware that the receipt of these economic benefits by EFS and its employees in and of itself creates a conflict of interest. In addition, as Orion and Salentica are part of the Institutional Alliance, this could indirectly influence EFS to recommend TD Ameritrade to clients for custody and brokerage services. Please refer to the Conflicts of Interest and Other Disclosures section within Item 11 for further information on this conflict.

Dimensional Fund Advisory Panels

EFS employees may serve on Dimensional Fund Advisors LP ("Dimensional") Advisory Panels from time to time. The panels are sponsored by Dimensional and consist of independent advisors who advise Dimensional on issues relevant to its products provided. Panel members are not compensated

for their participation and EFS pays for the travel and lodging expenses incurred when EFS employees attend panel meetings; however, Dimensional pays or reimburses EFS for meal expenses. Clients should be aware that the receipt of these economic benefits by EFS and its employees in and of itself creates a conflict of interest and could influence EFS to include or continue to include Dimensional managed mutual funds in the EMAP portfolios or recommend other Dimensional products or services. Please refer to the Conflicts of Interest and Other Disclosures section within Item 11 for further information on this conflict.

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. *The Truth About Money with Ric Edelman* is no longer producing new episodes, but previously produced episodes air on Public Television stations; episodes are also available on <http://www.edelmanfinancial.com/tv>.

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. 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 in the past 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. Please refer to the Conflicts of Interest and Other Disclosures section within Item 11 for further information on this conflict.

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 was made at its sole discretion and its own expense. BlackRock's agreement to sponsor the television program in the past 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. Please refer to the Conflicts of Interest and Other Disclosures section within Item 11 for further information on this conflict.

Evaluation of NANR, XT and Other ETFs

EMAP includes positions in the SPDR S&P North American Natural Resources ETF (NANR) and the iShares Exponential Technologies ETF (XT). For each of those funds, the assets in an EMAP portfolio represent a very high percentage of those ETF's total assets. There is a conflict of interest regarding the initial role that EFS and/or Ric Edelman played in the suggestion for or the creation of these two

ETFs, as well as any promotion of NANR or XT by EFS and/or Ric Edelman, in that EFS may receive economic and other benefits from the association of its name with that ETF. That conflict could influence our decision to use either State Street Global Advisors' SPDRs or BlackRock's iShares to provide ETFs in EMAP. There could potentially also be such a conflict in the future, if EFS and/or Ric Edelman were to play a role in the creation of a third party's index or other product. Please refer to the Conflicts of Interest and Other Disclosures section within Item 11 for further information on this conflict.

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. Please refer to the Conflicts of Interest and Other Disclosures section within Item 11 for further information on this conflict.

EFS Participation in the Financial Planner Reentry Initiative

The Certified Financial Planner Board of Standards, Inc. (CFP Board) is a non-profit organization that promotes the value of professional, competent and ethical financial planning services, as represented by those who have attained CFP® certification. The CFP Board sponsors an initiative called the Financial Planner Reentry Initiative, to support financial services firms in establishing reentry programs for experienced professionals seeking to return to the workforce. Payment for EFS' participation in this program is not required, as a result of the lead founding sponsorship of the CFP Board's Center for Financial Planning by TD Ameritrade Institutional. This arrangement 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. Please refer to the Conflicts of Interest section within Item 11 for further information on this conflict.

Evaluation of Dimensional Funds Products

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. Dimensional has developed an internet-based tool called "Find an Advisor" to assist investors trying to locate financial advisers through whom they may purchase Dimensional Funds.

This program provides direct or indirect economic benefits to EFS and creates a conflict of interest that could influence EFS to include or continue to include Dimensional managed mutual funds in the

EMAP portfolios or recommend other Dimensional products or services. Please refer to the Conflicts of Interest and Other Disclosures section within Item 11 for further information on this conflict.

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 ETFs 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, variable annuities, and 529 College Savings Plans.
- 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. 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, as discussed in Item 5.

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; and the management of the securities used by the asset allocation model. 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. 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 to be in line with

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

Except in certain limited circumstances (e.g. suspected elder abuse), 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. 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 invests 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, liquid assets or security positions to the account and the account reaching a fully invested position.

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. 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' discretion, we may periodically rebalance an Investment Option's holdings in Underlying Funds to return the Investment Option to be in line with 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.