

**Edelman Managed Asset Program  
(Wrap Fee Program)**  
Schedule H

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**This brochure provides clients with information about Edelman Financial Advisors LLC (EFA) and the Edelman Managed Asset Program (EMAP) that should be considered before becoming a client of the EMAP. This information has not been approved or verified by any governmental authority.**

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## I. DESCRIPTION OF PROGRAM

The Edelman Managed Asset Program® (“EMAP”) is a wrap fee program, which features widely diversified portfolios consisting of combinations of investment products which include no-load mutual funds, exchange traded funds, and variable annuities, none of which are sponsored by or affiliated with Edelman Financial Advisors LLC. EMAP portfolios are offered to individuals, trusts, estates, and small businesses. A single asset-based fee covers discretionary investment advice, execution of portfolio transactions and custody of portfolio assets. The portfolios are made available to clients through two channels as discussed below.

EMAP (also marketed as America’s Managed Asset Program “AMAP”) is offered through Edelman Financial Advisors LLC (“EFA”) and Edelman Financial Services LLC (“EFS”) an affiliated registered investment adviser. Ric Edelman is the Chairman and majority owner (80%) of EFA. Sanders Morris Harris Group (SMHG), Houston, TX, which is a financial services organization, owns 10% of EFA. Edward Moore, President of EFA also owns 10% of EFA. Ric Edelman is also the Chairman and minority owner (49%) of Edelman Financial Center LLC (“EFC”), which owns Edelman Financial Services LLC (“EFS”) a registered investment adviser affiliate of EFA. SMHG is the majority owner (51%) of EFC and SMH Capital Inc., a wholly owned broker-deal and registered investment adviser affiliate. Therefore, EFA, EFS and SMH Capital Inc. are registered investment advisory firms with common ownership.

## II. ROLE OF FINANCIAL ADVISORS

**Edelman Direct Advisors** (“EDA”) is a division of EFA designed to service and offer EMAP to nationwide prospective clients who live outside of the metropolitan Washington, DC, area. Generally, prospective clients who have heard “*The Ric Edelman Show*”, a radio talk show, read Ric Edelman’s books or newsletter, and/or attended his seminars, and seek the services of an investment adviser professional contact the firm. A qualified investment adviser representative holds an initial telephone meeting to explain the firm’s products, services, fees, and charges. The prospective client’s investment objectives, as well as their financial, personal and other relevant information, are collected and analyzed. Services provided are determined based on the prospect’s personal situation, including age, health, family circumstances, income, time horizon, risk tolerance, expenses, assets, debts, liquidity needs, goals, objectives, risk tolerance, preferences, and other relevant factors. A portfolio recommendation is presented for the prospective client’s consideration and selection. Subsequent telephone conversations are held to establish an account and further explain the recommended portfolio(s) selection. Clients are serviced on an ongoing and as needed basis.

Guide to Portfolio Selection – Alternatively, a potential client may utilize the [emapadvisor.com](http://emapadvisor.com) website to seek asset allocation modeling direction. The process begins online with the individual entering their personal information by answering a series of questions. The questions are analyzed and a portfolio choice is given to the individual. The prospective client may choose to open an account or utilize the information independently. The client may contact the firm to initiate the new account process. A qualified investment adviser representative will gather the client information, assess the client's financial situation, ensure that the client understands associated fees and charges and review the portfolio recommendation for the client's consideration and selection.

Once established, accounts are monitored on an ongoing basis and assets are rebalanced or reallocated based on market or other conditions, as warranted. Changes in the portfolio, which include adding, removing or replacing securities at the discretion of EFA, are made based on significant changes in the economic, financial or political climate; the tax code; the management of the funds invested in the portfolio. EFA may replace a particular security 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 desired. Clients are notified quarterly to update their personal information and investment objectives and are contacted annually to determine if changes are needed.

**Registered Investment Advisers ("RIA's")**—EFA sponsors EMAP, discussed in detail below, and makes the portfolios available to clients of other registered investment adviser firms including SMH Capital Inc., an affiliated adviser as described above. Investment adviser representatives of RIA firms offer EMAP portfolios to their clients utilizing systems and services provided by EFA. The RIA, through their investment adviser representatives, initiates the relationship with the client and is the ongoing client relationship manager. Specifically, the RIA compiles personal and financial information about the client, maintains the appropriate books and records, makes a portfolio recommendation that will meet the client's goals and objectives, approves the recommendation, 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 their account. Based on the foregoing, the RIA is responsible for assisting the client with the appropriate EMAP portfolio(s) recommendation for the client's acceptance. Once accepted, the RIA assists the client with the completion of the new account documentation, including an Investment Management Tri-Party Agreement, which among other things grants limited discretionary authority to EFA. After the EMAP portfolio is selected, the RIA promptly communicates the information to EFA. The RIA remains responsible for assessing initial and ongoing suitability of EMAP and introducing the appropriate portfolio(s) to the client.

**Role of Registered Investment Adviser** – The registered investment advisory firm is responsible for the supervision of investment adviser representatives and the overall EMAP portfolio recommendations made to clients. The RIA compiles

personal and financial information about the client, maintains the appropriate books and records, makes a portfolio recommendation that will meet the client's goals and objectives, approves the recommendation, 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 their account. It is the RIA's responsibility to obtain accurate and complete information on each of its clients, to communicate restrictions clients may wish to impose, and any changes in the foregoing to EFA promptly.

Role of EFA – EFA does not have direct contact with the RIA's clients. Pursuant to an Investment Management Tri-Party Agreement between the client, RIA, and EFA, transactions are effected in the client's account in accordance with the portfolio specifications provided to EFA by the RIA. EFA provides back office services, including trading and operations functions, to the RIA. EFA facilitates the opening of new accounts, transfer of accounts, and handling of client funds and transactions, utilizing unaffiliated clearing firms, upon receipt of instructions from the RIA. EFA monitors client accounts on a daily basis to determine account rebalancing opportunities and acts on a discretionary basis by exercising limited trading authority to perform the necessary trading functions to keep account assets appropriately aligned in accordance with the selected portfolio. Clients are notified quarterly to update their personal information and investment objectives. EFA provides instructions for the RIA to contact their clients annually to determine ongoing suitability and determine if changes are needed.

### **III. INVESTMENT SELECTION**

Clients are permitted to impose reasonable restrictions on the management of their accounts and are reminded to inform their investment adviser representative if changes occur in their investment objectives or financial situation, or if they wish to impose reasonable restrictions. When imposing reasonable restrictions for their accounts, clients may request that particular securities or types of securities not be purchased, or that such securities are to be sold if held in the account. However, clients cannot request that particular securities be purchased for their accounts. Moreover, clients should note that it is not possible for EFA to influence or change the mix of securities held by any mutual fund, variable annuity, or ETF in which client accounts may be invested. EFA reserves the right, in its sole discretion, to reject any account for which unreasonable or overly restrictive conditions are requested. No securities held in an EMAP portfolio will be placed or traded on margin.

Investments are selected based on their past performance records, manager tenure, 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 investments' sponsors, and are evaluated by the investment committee on both an absolute and relative basis,

relying on set standards. Portfolio modeling for EMAP is provided by Edelman Business Services LLC ("EBS"), an affiliate of EFA. EBS, which is owned by EFC, designs and periodically modifies the EMAP portfolios for the use, customization and implementation into client accounts. The model portfolios and branding of EMAP are maintained by EBS. EFS also offers EMAP portfolios to its clients and utilizes the services of EBS. In addition, back office personnel, including trading and operations, are situated together and/or shared between EFA and EFS.

**Trading Authorization** – EMAP clients must establish brokerage accounts with a clearing broker-dealer so that EFA can place securities transactions for their accounts and so that assets are maintained with a qualified custodian. Once an EMAP portfolio has been selected, EFA has discretionary authority to invest all of the assets in the EMAP account. Pursuant to the EMAP Client Services Agreement or Investment Management Tri-Party Agreement clients execute, EFA is granted authority to effect client-approved investment strategies through a clearing firm.

**Rebalancing** – Each client's account is invested in accordance with the client's asset allocation strategy. At the inception of an account, account assets are invested in specific asset types, which, for EMAP accounts, are mutual funds (including funds that are used as funding vehicles for variable annuity contracts) or ETFs that invest in a variety of equity securities, fixed income instruments or cash items. Amounts invested in each asset type are determined in accordance with set target percentages of total assets in the account. Thereafter, as markets fluctuate and values change, amounts originally allocated to an asset type will either exceed or fall below the original target allocations. EFA periodically adjusts account holdings back to the original asset targeted range, or "rebalances" the account. However, EFA does not rebalance accounts constantly and asset allocations may drift away from their original target percentages before EFA, within its authority and judgment, brings those allocations back in line to the original percentages. In a sense, when EFA rebalances an account, it sells holdings that are appreciating in value to buy other holdings that may be declining in value. However, the investment philosophy of an asset allocation strategy is to be positioned in various asset types so that when the asset type becomes profitable, the account is positioned to take advantage of the upturn.

**Reallocations** – EFA's authority under the EMAP Client Services Agreement and Investment Management Tri-Party Agreement also permits EFA to reallocate assets in client accounts. In a reallocation, EFA changes the target percentages of some or all of the asset classes or types relative to the total account. EMAP accounts are monitored on an ongoing basis and are rebalanced or assets reallocated based on market or other conditions, as warranted. Changes in the portfolio, which include adding, removing, or replacing securities at the discretion of EFA, are made infrequently based on significant changes in the economic, financial, or political climate; changes in the

tax code; the management of the securities used by the portfolio; and/or the client's personal circumstances, including health, employment, and family status. EFA may replace a particular security 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. Reallocations occur with less frequency than rebalancing and when EFA reallocates accounts, it generally does so in anticipation of the impact that expected long-term market volatility could have on specific asset classes or types.

**Cash Contributions** – Contributed cash or money market fund shares into client accounts may remain uninvested in securities for a period of time. EFA invests liquid assets in an orderly manner and believes it is to each client's advantage to invest at one time rather than piecemeal. For this reason, a period of time may elapse between the deposit of cash or liquid assets to the account and the account reaching a fully invested position. Although clients may deposit freely-tradable securities in their accounts to meet the EMAP minimum account size, EFA will liquidate those securities positions and invest the proceeds in EMAP securities matching the client's selected investment strategy. Tax consequences associated with this liquidation and reinvestment process will likely occur therefore, clients should consult with their tax professionals before depositing securities in their EMAP accounts.

#### **IV. INVESTMENT OR BROKERAGE DISCRETION**

**Limited Discretionary Authority**—Under the EMAP Client Agreement, clients provide EFA with limited discretionary authority to carry out the following in accordance with the client's specified investment objectives, without client consultation or further consent before a transaction is effected:

- invest client assets into the specified portfolio consisting of a diversified mix of asset classes and investment securities,
- modify or change the mix of asset classes and investment securities within the portfolio, and
- rebalance the portfolio periodically.

**Selection of Executing Brokers and Dealers**— EFA may establish clearing relationships with various non-affiliated third party broker-dealers. Clients choosing to establish a wrap fee account must consent to execution and custody through a mutually agreed upon unaffiliated clearing broker-dealer with which EFA has a clearing arrangement. These clearing arrangements with other third party broker-dealers will not affect the wrap fee paid by the client. EFA has selected several unaffiliated registered broker-dealers, which are members of FINRA, and SIPC to custody and clear client funds and securities. As such, EFA places all transactions associated with wrap fee accounts for execution through these executing broker-dealers. Each clearing broker-dealer offer

services which include custody of securities, trade execution, clearance, and settlement of transactions. Each also provides services which are typically made available to institutional investment managers (and generally are not offered to retail customers). 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. In selecting clearing firms, EFA evaluates all of the services offered, the quality of those services and the cost indirectly borne by clients, and determines if the clearing firm provides a high quality of overall services for the price. EFA will periodically compare clearing firm services and prices against other broker-dealers qualified to provide comparable services. While another broker-dealer may offer these services at a lower overall cost, EFA is not required to move all accounts to that broker-dealer.

In general, the securities purchased for wrap fee accounts are no-load mutual fund shares, variable annuities or exchange traded funds. While EFA has attempted to negotiate favorable commission rates for transactions and believes that each clearing firm offers competitive commission rates, EFA does not otherwise seek to obtain the best combination of price and execution with respect to wrap fee account portfolio transactions. Clients pay a wrap fee, which includes all brokerage execution costs, without regard to the number of transactions executed during the billing period. The wrap fee does not include certain securities related costs, including the fees embedded in the mutual funds in which wrap fee accounts invest. In general, EFA believes that the wrap fee, which includes execution for fixed asset-based fees, custody and advice, provides clients with best execution with respect to securities transactions.

**Batch Transaction Policy** – When the price or execution of a security can be impacted favorably by aggregating orders among accounts, EFA aggregates transactions on behalf of all EMAP accounts including accounts of its investment adviser representatives and other access personnel. Such transactions will be allocated to all participating accounts in a fair and equitable manner. There is no problem finding sufficient mutual fund shares to purchase for wrap fee accounts. These shares are purchased from the issuer and sold at the net asset value determined after an order is received. Shares of mutual funds are sold back to the issuer and since the portfolios consist mostly of open-end funds, each issuing mutual fund stand ready to buy the shares back at the share's net asset value, as determined at close of business on the day the redemption order is received. Similarly, EFA buys and sells highly liquid ETF interests or shares and there is seldom any difficulty finding a sufficient supply of ETFs on the market. When selling ETFs, there typically is no impact to the price at which ETFs trade when EFA sells out of a position across client accounts.

In the limited circumstances where sufficient quantities of a particular security are not obtainable, a pro rata allocation may be used when a batch order in the



security cannot be fully executed in a single day. The partial fill is generally allocated among the participating client accounts based on the size of each accounts original order, subject to rounding in order to achieve "round lots." Unexecuted orders will continue until the block order is completed or until all component orders have been cancelled. New orders for the same security will be aggregated with any remaining unexecuted orders and will continue in the same manner. As previously stated orders for all EMAP wrap fee client accounts including those of EFA and EFS generally will be aggregated to ensure equal pricing for all clients.

## V. FEES

Clients pay a fee, which includes all portfolio transaction costs and custody of assets when transactions are effected through Pershing or TD Ameritrade. The minimum household account size is \$75,000 and the minimum annual fee is \$1,500. Accounts with less than \$75,000 will effectively pay a fee that is greater than the 2.00% noted in the schedule below. Clients authorize EFA to deduct the EMAP fee from their accounts under the EMAP Client Services Agreement or the Investment Management Tri-Party Agreement.

The fee is based on the average daily balance of the portfolio. The first payment is prorated for assets that are placed in an account at some point during a calendar quarter. Fees are determined following the last day of each 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 termination occurs prior to the end of a calendar quarter, the terminating client will pay fees due up to the termination date. Fees paid by clients are not negotiable. The fee schedule below shows the annual percentages:

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

The fee does not include debit balances, related margin interest, IRA and retirement plan fees, SEC fees, 12b-1 fees for certain money market funds, expenses charged by the mutual funds (including management fees, transaction charges incurred for fund-level portfolio trades, custody of fund assets and other

fund expenses), exchange-traded funds, or other fees or taxes that are required by law.

Both EFA and RIAs who are authorized to recommend EMAP receive compensation based on the value of assets invested in the program. EDAs receive a salary and discretionary bonus based on performance. The amount of such compensation may be more or less than what EFA or the Unaffiliated Adviser might earn from other programs available in the financial services industry. Therefore, EFA and the RIA may have a financial incentive to recommend the EMAP program over other programs or services.

The fees shown above are not based on the amount of trading in the account or the advice given in any particular time period. The program's features may cost more or less if the services were to be purchased separately. The savings enjoyed or additional expense incurred would depend on the fees charged by the advisor (based on the advisor's skills and experience), the securities purchased, and the extent and frequency of trading done in the account. Clients should be aware that lower fees for comparable services may be available from other sources.

The client will pay the same annual account fee, regardless of whether the client selects an EMAP portfolio through EFA or an RIA. If the client invests via an RIA, EFA will pay a negotiated portion of the annual account fee to that adviser.

## **VI. PERFORMANCE CALCULATION AND REPORTING**

EFA, as a matter of policy, prepares information relating to investment performance of EMAP portfolios. Firm-wide methods, and policies and procedures used in calculating and presenting EMAP performance figures, are prepared in compliance with the Global Investment Performance Standards (GIPS®) and independently verified by Ashland Partners & Company LLP, an independent third-party GIPS® verification company. Ashland Partners also serves as an ongoing consultant to EFA in order to maintain GIPS® compliance, which includes but is not limited to reviewing our methods of performance calculation, composite construction, and the presentation of performance information.

Investment performance figures are arrived at by utilizing internal portfolio accounting software, which calculates investment performance according to globally accepted industry standards. Performance calculations are based on actual EMAP accounts under management, including those accounts that have been closed. Investment performance is presented net of actual management fees.

## **VII. EDUCATION AND BUSINESS BACKGROUND AND STANDARDS**

Although EFA has no formal policy, emphasis is placed on professional education and practical experience in the field, along with FINRA and state

licensing as required. Generally, EFA requires that Edelman Direct Advisors have at least a college education and a minimum of three years of industry related experience or other substantially equal qualifying experience. EFA senior management reserves total discretion when applying these standards.

Following is information on the firm's principal executive officers:

**Fredric (Ric) M. Edelman**, born 1958. EFA Chairman, CEO and majority owner. Received a BA in Communications from Glassboro State College (now Rowan University), Glassboro, NJ, in 1980. Mr. Edelman was the founder and has been the Chairman of EFS since 1987. He is a Certified Fund Specialist, a Chartered Mutual Fund Counselor, a Registered Financial Consultant, a Qualified Financial Planner, Certified Retirement Counselor®, and is Board Certified in Mutual Funds. Mr. Edelman is a registered representative with SMH Capital Inc. and is licensed to sell securities, life and health insurance, and variable annuities. He was inducted into the Financial Investment Advisor Hall of Fame, sponsored by *Research* magazine, in 2004, named the #2 Independent Investment Advisor in the nation by *Barron's* magazine in 2007, and received an honorary doctorate from Rowan University in 1999.

**Edward (Ed) P. Moore**, born 1960. EFA President and minority owner. Received a BS in Industrial Engineering and Operations Research from Virginia Tech, Blacksburg, VA, in 1983. Mr. Moore became affiliated with EFS in 1990. He is the President of EFS, a Certified Financial Planner® practitioner and is licensed to sell securities, life and health insurance, and variable annuities. Mr. Moore is a registered representative with SMH Capital Inc.

**Eraine J. Parker**, born 1960. Chief Compliance Officer (CCO) for EFA and EFS. Received a BA in Business Administration from Georgia State University in 1988. Ms. Parker has worked in the areas of compliance and accounting within the financial services industry for over twenty years, including five years with NASD, the predecessor to FINRA. Prior to joining EFA, Ms. Parker was employed by SunTrust Banks, Inc. for twenty-three years where she served as CCO for the broker-dealer and registered investment adviser during her tenure. She has been affiliated with EFS since 2007. Ms. Parker is a registered representative and principal with SMH Capital Inc.

## VIII. PRIVACY

**Information Provided to Third Parties** – EFA will provide client information to unaffiliated clearing firms which custody client assets, so they may send to the client, as needed, appropriate account statements, prospectuses, annual reports, proxies, and other legal documents and notices pertaining to the client's account. The client's address will be updated as warranted. Due to the nature of EMAP, EFA will also share EMAP client account, holdings, and other relevant information with clearing firms in accordance with the Edelman Privacy Policy. EFA will not share information relating to EMAP client accounts with any other

third parties except in accordance with the Edelman Privacy Policy or as authorized by each client.

## **IX. COMPENSATION FROM NON-CLIENTS**

**Non-Client Arrangements** — TD Ameritrade an unaffiliated clearing and custodial broker-dealer could be a sponsor of the radio show, “*The Ric Edelman Show*,” or other events hosted by Ric Edelman. In connection with its sponsorship, TD Ameritrade could buy advertising time during the show or event and Ric Edelman could promote TD Ameritrade by referencing its sponsorship.

**Client Referrals** — EFA may pay unaffiliated solicitors for client referrals in accordance with the requirements of Rule 206(4)-3 of the Investment Advisers Act and the respective federal and state laws governing the same. Such fees will be based on a percentage of client assets invested in EMAP. Any such referral fee shall be paid solely from the investment advisory fee; therefore the client will not incur any additional cost as a result of the payment by EFA of a referral fee. Compensation to the solicitor is on a negotiated basis. The unaffiliated solicitor shall provide the client with a copy of EFA's ADV Part II, including Schedules F and H, and a copy of the disclosure between EFA and the solicitor containing the terms and conditions of the solicitation arrangement, including compensation.

## **X. POTENTIAL CONFLICTS**

### **A. Other Business Activities**

**Speaking Engagements**—Ric Edelman is a public speaker and host of a radio program about investing, as described below. 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 non-refundable, but are negotiable.

**Radio Broadcasts**—Ric Edelman is the host of a syndicated radio program, “*The Ric Edelman Show*”, pertaining to investing and financial planning. He does not discuss specific securities and does not reveal any of the EMAP portfolio holdings or recommendations to listeners. It is a live talk show and the public is invited to call into these broadcasts and discuss their personal situation. In any of these circumstances, a caller 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 caller's question. Mr. Edelman does not give specific investment advice to callers and he may give advice to the caller that is the same as or different from the advice EFA has taken or may take for EMAP clients.

**Seminars**—Seminars are offered to the public to discuss a variety of financially related topics. Fees range from \$25 to \$495, with satisfaction guaranteed or 100% of the registration fee refunded. Fee is due prior to the event.

**Educational Products**— EFA sells CDs and DVDs (titles include “Mind Over Money”, an audio CD, and “10 Great Reasons to Carry a Big, Long Mortgage” a DVD) for prices ranging from \$19.95 to \$99.95. Ric Edelman's books are available from book sellers everywhere and include *The Lies About Money*, *The Truth About Money* (3rd ed.), *The New Rules of Money*, *Ordinary People Extraordinary Wealth*, *Discover the Wealth Within You*, and *What You Need to Do Now*, for prices ranging from \$9.95 to \$28. For all products, there is a fee for shipping and handling.

**Internet** —Edelman Financial\* maintains several internet web-sites: [www.edelmanfinancial.com](http://www.edelmanfinancial.com), [www.emapadvisor.com](http://www.emapadvisor.com) and [www.ricedelman.com](http://www.ricedelman.com). Generally, except as discussed above, information offered involving securities is generic and is intended to educate the public about finances and investing. No specific investment recommendations are offered. EMAP clients may access their account information directly through this secure website.

## **B. Other Financial Industry Activities or Affiliations**

**Broker-Dealer** — Sanders Morris Harris Group, minority owner of EFA, owns SMH Capital, Inc. ("SMH"), a registered broker-dealer. As such, EFA is affiliated with a registered broker-dealer. EFA does not consider this relationship material from the standpoint of delivering investment management services to EFA clients.

Transactions for EMAP wrap fee clients are executed and cleared through unaffiliated broker-dealers. No additional clearing and/or custody fees are charged to the client.

**Investment Advisers** — EFA is affiliated with Edelman Financial Services LLC ("EFS"), which is owned by SMHG 51% and Ric Edelman 49%.

**Insurance Company or Agency** – As previously stated, EFS is a registered investment adviser affiliate of EFA and is licensed as an insurance agency in several states.

**Mortgage Broker or Dealer** — Edelman Mortgage Services LLC ("EMS") is a wholly owned subsidiary of EFC. EFA may refer clients to EMS and vice versa. EMS offers mortgage services to clients and charges separately. There is no contractual obligation between EMS, EFS and EFA to refer clients or maintain

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\* Edelman Financial is a marketing name for two affiliated registered investment advisers. Edelman Financial Services LLC primarily serves the Washington, DC area; Edelman Financial Advisors LLC serves clients nationwide via its own advisors and unaffiliated registered investment advisers. Sanders Morris Harris Group (Ticker: SMHG) is majority owner of EFS. Ric Edelman is minority owner of EFS and majority owner of EFA.

business relationships. However, as a minority owner of EFC, Ric Edelman has an interest in the profitability of EMS.

**Other**—Edelman Business Services LLC ("EBS") is a subtenant of EFS and a wholly owned subsidiary of EFC. In addition to designing portfolios for the EMAP product and maintaining the brand, EBS markets The Retirement InCome for Everyone Trust<sup>®</sup> (RIC-E Trust<sup>®</sup>), which is an individual grantor trust enabling the grantor to set aside assets for a child's retirement. EBS receives an administrative fee of \$300 for each RIC-E Trust<sup>®</sup> established. This fee is not associated with investment advisory services offered by EFS or EFA.

### **C. Participation or Interest in Client Transactions**

Transactions executed on behalf of EMAP clients are executed for a single wrap fee, which diminishes the potential conflict of interest associated with executing a large number of orders for client accounts and earning transaction-based compensation following each order. Thus, neither EFA nor RIAs earn any additional revenue from the trades effected in EMAP accounts. Trading charges incurred to buy or sell securities are included in the wrap fee and EFA and/or the RIA do not receive commissions for executing such transactions. TD Ameritrade and Pershing have agreed to fixed asset-based fees for transaction-related services provided to EMAP accounts. The compensation is paid from the EMAP fee and does not vary with and is not dependent upon the number of trades effected in EMAP client accounts. Therefore, EFA does not earn more if it places fewer trades. As a result of the wrap nature of the fee, EFA has no economic incentive to place more or less EMAP account trades.

**Recommendations Involving Financial Interest** — EFA, RIA professionals, or other access persons, as defined by the Investment Advisers Act, may implement for their own account an EMAP portfolio and may give advice and take action with respect to their own account(s) that may differ from action taken by EFA on behalf of client accounts. EFA is not obligated to recommend, buy or sell, or to refrain from recommending, buying or selling any security that EFA, its affiliates or their respective Access Persons, as defined by the Advisers Act, may buy or sell for its or their own account or for the accounts of any other client except to the extent that such investments violate the Code of Ethics ("Code") adopted by EFA.

Although all employees of EFA get the benefit of a fee reduction, employee accounts are not given preferential trading treatment, and are monitored and rebalanced on the same basis as all other unrestricted client accounts invested in accordance with the same EMAP portfolio strategy. Since EFA employees may establish an EMAP account for themselves, they will buy and sell for themselves the same underlying securities as clients buy or sell. From time to time, employees and principals of EFA, or any related person(s), may have interests in securities owned by or recommended to EFA clients, including mutual funds and exchange-traded funds. As these situations may represent a potential conflict of interest, EFA has adopted procedures relating to personal

securities transactions and insider trading procedures that are designed to prevent actual conflicts of interest. In addition, it is possible that one of the unaffiliated underlying funds could purchase SMHG stock. Neither EFA, EFS, nor Ric Edelman have any control over the investment decisions made by the manager to the underlying funds.

## **XI. REVIEW OF ACCOUNTS**

**Review** — EMAP accounts are monitored on an on going basis and accounts are rebalanced based on market or other conditions as warranted. Securities for EMAP accounts are bought or sold by EFA subject to its limited discretionary authority.

On at least an annual basis the assigned EDA or RIA must schedule a discussion with the client to update their financial and personal information and to determine what changes, if any, are warranted to meet the client's ongoing needs, and also to assess the ongoing suitability of EMAP. To the extent there are any changes, it is the responsibility of the RIA to promptly report those changes to EFA. EDAs will implement such changes internally.

**Nature and Frequency of Client Reports** — EMAP clients receive monthly and quarterly account statements and confirmations from the clearing broker-dealer, and generally have unlimited and continuous access to their account information through websites offered and maintained by the executing and custodial broker-dealers for the EMAP wrap fee program.

## **XII. Restrictions on Communication**

Clients are generally free to contact an EDA or their RIA at any time during normal business hours via telephone, fax, mail or email. In-person visits should be scheduled in advance to ensure that the client's advisor or other appropriate personnel are available. Generally, managers of the underlying funds used by the program are not available to answer questions or discuss specific investment issues. However, if a client has a specific need, EFA will reasonably attempt to arrange the discussion.

## **XIII. PROXY VOTING POLICY**

EFA generally has 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 by client accounts. With respect to accounts subject to the Employee Retirement Income Security Act of 1974, ("ERISA") as amended, EFA generally expects clients to expressly retain the authority and responsibility for voting of any such proxies and to specify, in writing, who has voting authority.

EFA has written proxy voting policies and procedures as required by Advisers Act Rule 206(4)-6. Under these policies and procedures, EFA generally declines to accept proxy voting responsibility for client accounts. However, to the extent that EFA may accept a discretionary account through EMAP, which requires EFA to vote its proxies in writing, EFA will vote such proxies in the best interests of clients. EFA has written guidelines for certain issues on which votes may be cast, which may determine its vote. EFA would, if required to vote, generally cast proxy votes in favor of management proposals given that it invests, on a discretionary basis, only in mutual funds, variable annuities, and exchange-traded funds, which have, in large part, been chosen based on their historical track records and existing management. The proxy administrator is responsible for ensuring that votes are cast in accordance with the EFA policy and records are maintained. In the event of a material conflict of interest, EFA will follow its procedures for resolving material conflicts as identified below.

EFA acknowledges its responsibility for identifying material conflicts of interest related to voting proxies. Senior management and advisory personnel of EFA must disclose to the proxy administrator any personal conflicts of interest, such as officer or director positions held by them, their spouses or close relatives, with the portfolio company. Conflicts of interest based on business relationships with EFA or any affiliates of EFA will only be considered to the extent that EFA has actual knowledge of such relationships. When a material conflict of interest between EFA's interests and its clients' interests appears to exist, EFA may eliminate the conflict by choosing one of several options, which include: (1) vote in accordance with the EFA policies and procedures if it involves little or no discretion; (2) vote as recommended by a third party service if EFA utilizes such a service; (3) "mirror vote" the proxies in the same proportion as the votes of other proxy holders that are not EFA clients; (4) if possible, erect information barriers around the person or persons making voting decisions sufficient to insulate the decision from the conflict; (5) if practical, notify affected clients of the conflict of interest and seek a waiver of the conflict; or (6) if agreed upon in writing with the client, forward the proxies to affected clients allowing them to vote their own proxies.

*EFA sponsors other wrap fee products which are available to clients. Clients may contact EFA at 1-800-PLANRIC to obtain a copy of the EFA ADV Part II or substitute brochures for other products made available.*



Clients may obtain copies of the EFA written proxy voting policies and procedures as well as information on how proxies were voted for its account by requesting such information from EFA at the address and phone listed on page 1 of Part II of this Form ADV. EFA will not disclose proxy votes for a client to other clients or third parties unless specifically requested, in writing, by the client.

#### **XIV. Cross-References**

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