



ESI Financial Advisors

- One National Life Drive • Montpelier, VT 05604 •
- (800) 344-7437 •

www.Equity-Services.com

December 20, 2012

Form ADV, Part 2A - Appendix 1

Item 1 – Cover Page

This wrap fee program brochure provides information about the qualifications and business practices of Equity Services, Inc. doing business as ESI Financial Advisors. If you have any questions about the contents of this Brochure, please contact us at 1-800-344-7437 and/or Securities_Resource_Services@nationallife.com. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

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

Additional information about ESI Financial Advisors also is available on the SEC's website at www.adviserinfo.sec.gov.

Item 2 – Material Changes

The following material changes have been made since the last update of Appendix 1 of our brochure dated November 22, 2011.

Updates have been added to the Disciplinary Information section of this brochure. The Financial Industry Regulation Authority (“FINRA”) alleged, in an amended complaint, that while Equity Services, Inc. (“ESI”), required its registered representatives to maintain anti-virus software on their computers, it failed to adopt written policies and procedures that were reasonably designed to ensure representatives’ compliance with this directive.

Without admitting or denying the findings, ESI signed a letter of acceptance, waiver and consent. In accordance with the terms of the settlement, ESI consented to the imposition of a fine in the amount of \$20,000. The settlement was accepted by FINRA on December 6, 2012.

Currently, our Brochure may be requested by contacting ESI Financial Advisors at 1-800-344-7437 or via email to Securities_Resource_Services@nationallife.com. Our Brochure is also available on our web site www.Equity-Services.com, also free of charge.

Additional information about ESI Financial Advisors is also available via the SEC’s web site www.adviserinfo.sec.gov. The SEC’s web site also provides information about any persons affiliated with ESI Financial Advisors who are registered as investment adviser representatives of ESI Financial Advisors.

Item 3 -Table of Contents

Item 1 – Cover Page	i
Item 2 – Material Changes	ii
Item 3 -Table of Contents	iii
Item 4 – Services, Fees and Compensation	1
Item 5 – Account Requirements and Types of Clients.....	4
Item 6 – Portfolio Manager Selection and Evaluation	4
Item 7 – Client Information Provided to Portfolio Managers	6
Item 8 – Client Contact with Portfolio Managers.....	7
Item 9 – Disciplinary Information	7
Item 10 – Other Financial Industry Activities and Affiliations	8
Item 11 – Code of Ethics	9
Item 13 – Review of Accounts	10
Item 14 – Client Referrals and Other Compensation	11
Item 18 – Financial Information	11

Item 4 – Services, Fees and Compensation

ESI Financial Advisors (“EFA”) has established an asset management program called ESI Directions (“Directions”). Directions accounts may hold, but are not be limited to, stocks, bonds, options, mutual funds, exchange-traded funds (“ETFs”), unit investment trusts, certificates of deposit, and structured products. Clients may include individuals, pension and profit sharing plans, trusts, estates, or charitable organizations, corporations or other business entities.

Under the Directions program, the Client and the Investment Adviser Representative (“advisory representatives”) compile pertinent financial and other information to develop an investment program that will meet the Client’s goals and objectives. The advisory representative uses a system provided by a third party vendor, Envestnet, which analyzes the Client information and recommends an appropriate strategy and asset allocation, called an Investment Model. The Investment Model is based on the Client’s needs and objectives, investment time horizon, risk tolerance and any other pertinent factors. The advisory representative will then recommend securities that correspond to the recommended Investment Model. Advisory representatives across EFA may make different recommendations for the same investment strategies. Advisory representatives that qualify to participate in Directions utilize a research service that will provide company and fund specific research from third-party providers.

EFA and its advisory representatives have no authority to implement investment transactions on a discretionary basis. All transactions must be expressly approved by the Client.

Advisory representatives recommend securities to Clients on the basis of the Client’s individual financial situation. Each Client has the opportunity to select the account’s investment objective and impose reasonable restrictions on the recommendations the advisory representative makes to the Client. In addition, Clients will be offered an investment review annually by the advisory representative and be reminded quarterly to confirm the accuracy of their information and to determine if there are any changes to their investment objectives or restrictions. The advisory representative is available to answer any questions and to implement any changes the Client requests as a result of changes in personal or financial circumstances, or the financial markets.

EFA provides its Clients with a range of investment advisory services through Directions. EFA, the advisory representative, and Envestnet each provide services to the program (Envestnet and EFA are not affiliated). These services include:

- Assessment of the Client’s investment needs and objectives;
- Recommendation of an Investment Model;
- Development of an asset allocation designed to meet the Client’s objectives;
- Identification of securities that are suitable given the Client’s goals;
- Evaluation of securities meeting Investment Model and allocation criteria;
- Review of Client accounts to ensure adherence to policy guidelines and asset allocation;
- Recommendations for account rebalancing, if necessary;

- Online and paper reporting of Client account(s) performance and progress; and
- Provision of custody, trade execution, and confirmation and statement generation, through National Financial Services, LLC (“NFS”).

EFA will provide Client, by and through an advisory representative, upon acceptance of Client's account, some or all of the above referenced investment advisory services. Though all of the above referenced services may be offered, Client may select one or more of the services. EFA does not require Client to utilize all services.

Recommendations may include mutual funds affiliated with EFA (“Affiliated Funds”). Investing in an Affiliated Fund may result in additional compensation being paid to EFA and/or one of its affiliates. In many cases there may be alternate funds that are available under the program that may provide the program account with substantially similar exposure to the asset class or sector represented by an Affiliated Fund.

What Clients Should Know About Advisory Accounts

When making the determination of whether one of EFA's advisory programs is appropriate for their needs, Clients should bear in mind that fee-based accounts, when compared with commission-based accounts, often result in lower transaction costs during periods when trading activity is heavier, such as the year an account is established. However, during periods when trading activity is lower, such fee-based accounts may result in a higher annual cost for transactions. Thus, depending on a number of factors, the total cost under a fee account versus a commission account can vary significantly. Some such factors are account size, amount of turnover, type and quantities of securities purchased or sold, commission rates and the Client's tax situation.

Clients should discuss the program with their advisory representative and read this Appendix 1 carefully as it explains, in detail, this program.

Program Fees

Fees charged may be no greater than the schedule provided in this brochure. Fees are negotiable and assessed on an individual basis according to different methods disclosed to and agreed upon in advance with the Client via the Statement of Investment Selection (hereinafter referred to as “Agreement”). The fees charged take into account the complexity of the work performed, time involved, degree of responsibility of the advisory representative, special needs and characteristics of the Client, types of investments, etc.

Fees charged may be more or less than if Client paid separately for investment advice, brokerage and other services or participated in other programs, depending on a number of factors, such as the level of trading in a client's account and the cost of services if provided separately. See “What Clients Should Know About Advisory Accounts,” above. The advisory representative receives a portion of the client's fee, and this compensation may be more or less than the compensation the advisory representative would have received if the client had participated in other programs or paid separately for advice, brokerage, and other services. The advisory representative may therefore have a financial incentive to recommend a wrap fee program over other programs or services. Client will compensate advisory representative for investment advisory services on an annual fee basis at the rate set forth in Agreement; this rate ranges from 0.0% to 2.25%

and may be further reduced based by the advisory representative's compensation schedule with EFA. The fee will be payable quarterly in advance for the ESI Directions program.

New accounts opened during the first or second month of the quarter are billed initially for the days from inception to the end of the quarter based on the inception value. New accounts opened during the last month of the quarter are billed initially for the days from inception to the end of the month, plus the next full quarter based on the inception value. The initial quarterly payment will become due in full on the date the account is accepted and will be based on the account asset value as of that date. Subsequent quarterly fees will be calculated based upon prior calendar quarter ending balances.

No fee adjustments will be made for withdrawal of funds until adjustments are made as reflected in the next quarter's invoice. If NFS is the custodian of the Client's account, cash balances in taxable accounts will be held in Fidelity Prime Fund (FDAXX) and cash balances in retirement accounts will be held in Fidelity Cash Reserves (FDRXX).

Any fee owed pursuant to the terms of the Agreement will be deducted from the Client's account. All fees paid will be reported to Client on the quarterly statements.

A portion of the annual advisory fee charged by EFA will be paid to NFS for administration of the account. The cost of the program will typically range from 25 bps to 50 bps depending on whether transaction fees are included in the program or charged to the advisory representative.

The standard fee schedule for the program's services is as follows, but may be negotiable in individual cases to be lower than the stated fees:

Fee Schedule

Assets	Annual Fee
First \$249,999	2.5%
\$250,000 - \$499,999	2.0%
\$500,000 - \$999,999	1.5%
\$1,000,000 and Over	1.2%

The program fee does not cover certain charges associated with securities transactions in Clients' accounts, including: (i) dealer markups, markdowns or spreads charged on transactions in over-the counter securities; (ii) costs relating to trading in certain foreign securities; (iii) the fees and expenses imposed by mutual funds and closed-end funds, unit investment trusts, exchange-traded funds or real estate investment trusts (such as operating expenses, management fees, redemption fees, 12b-1 fees and other fees and expenses as stated in the fund's prospectus or offering document); (iv) brokerage commissions or other charges imposed by broker-dealers or entities other than the custodian if and when trades are cleared by another broker-dealer; (v) the charge to carry tax lot information on transferred mutual funds or other pooled funds, postage and handling charges, returned check charges, transfer taxes; stock exchange fees or other fees mandated by law, and (vi) any brokerage commissions or other charges, including contingent deferred sales charges ("CDSC"), imposed upon the liquidation of "in-kind assets" that are transferred into the program. A Client may incur redemption fees when the advisory representative and the Client determine to sell shares of a security before

the expiration of the security's minimum holding period. Depending on the length of the redemption period, the particular investment strategy and/or market circumstances, the advisory representative and the Client may be able to minimize any redemption fees when it is reasonable to allow a Client to remain invested in a security until expiration of the minimum holding period.

The program fee does not cover certain custodial fees that may be charged to Clients by the Custodian. Clients also may be charged for specific account services, such as ACAT transfers, electronic fund and wire transfer charges, and for other optional services elected by Clients. Accounts may be subject to transaction-based ticket charges assessed by the custodian for the purchase and sale of securities and certain mutual funds. Similarly, the program fee does not cover certain non-brokerage-related fees such as individual retirement account ("IRA") trustee or custodian fees and tax-qualified retirement plan account fees and annual and termination fees for retirement accounts (such as IRAs).

Some mutual funds assess redemption fees to investors upon the sale of their funds soon after purchase. Depending on the particular mutual fund, this may include sales for rebalancing purposes. Please see the prospectus for the specific mutual fund for detailed information regarding such fees.

Item 5 – Account Requirements and Types of Clients

The minimum account size to participate in the Directions program is generally \$100,000. The minimum account size is subject to increase or decrease at EFA's discretion based upon the circumstances of each Client.

Clients may include individuals, corporations, trusts, estates, charitable organizations, and retirement plans including pension and profit sharing plans.

Item 6 – Portfolio Manager Selection and Evaluation

EFA has contracted with Envestnet to provide performance reporting, fee calculation and billing, and to generate suggested rebalancing trades for the Client's account. Envestnet generates a Time Weighted Rate of Return ("TWRR") calculated net of all fees for each account. This information is then presented on a Quarterly Performance Report to the Client. EFA does not monitor or measure ongoing portfolio manager performance information or calculate investment performance on a uniform or consistent basis. EFA does not monitor or review performance data for accuracy.

Performance-Based Fees and Side-By-Side Management

EFA 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).

Methods of Analysis, Investment Strategies and Risk of Loss

EFA's advisory representatives generally use technical and fundamental analysis when analyzing securities. Technical analysis generally involves studying trends and movements in a security's price, trading volume, and other market-related factors in an attempt to discern patterns. Fundamental analysis generally involves assessing a company's or security's value based on factors such as sales, assets, markets,

management, products and services, earnings, and financial structure. Sources of information for analysis include research material acquired from outside vendors, financial newspapers and magazines, annual reports, prospectuses, filings with the SEC and company press releases.

Investment strategies used to implement investment advice to clients may include: long term purchases (securities held at least a year), short term purchases (securities sold within a year), trading (securities sold within 30 days), margin transactions, and option writing.

EFA will utilize certain asset allocation tools and investment research materials prepared by third party investment advisers in constructing an appropriate asset mix for a client and in monitoring the performance of the investment portfolio selected.

Investing in securities involves risk of loss that clients should be prepared to bear.

Common stocks may decline significantly in price over short or extended periods of time. Price changes may occur in the market as a whole, or they may occur in only a particular country, company, industry, or sector of the market. In addition, the types of stocks in which a particular fund invests, such as value stocks, growth stocks, large-capitalization stocks, mid-capitalization stocks, small-capitalization stocks and/or micro-capitalization stocks, may underperform the market as a whole. In addition, growth stocks can be more volatile than other types of stocks. Value stocks can continue to be undervalued by the market for long periods of time. Additionally, dividends paid on common stocks can vary significantly over the short-term and long-term. Dividends on common stocks are not fixed, but are declared at the discretion of an issuer's board of directors. There is no guarantee that the issuers of common stocks in which a portfolio invests will declare dividends in the future or that if declared they will remain at current levels or increase over time.

Fixed income risks include credit risk, interest rate risk, and high yield risk.

Credit risk is the risk that an issuer of a debt security will be unable to make interest and principal payments when due and the related risk that the value of a security may decline because of concerns about the issuer's ability to make such payments. Credit risk may be heightened for portfolios that may invest in "high yield" securities.

Interest rate risk is the risk that the value of a portfolio will decline because of rising interest rates. Interest rate risk is generally lower for shorter-term investments and higher for longer-term investments. Duration is a common measure of interest rate risk. Duration measures a bond's expected life on a present value basis, taking into account the bond's yield, interest payments and final maturity. The longer the duration of a bond, the greater the bond's price sensitivity to changes in interest rates.

High yield, or below investment grade securities may be more susceptible to real or perceived adviser economic conditions than investment grade securities. In addition, the secondary trading market for below investment grade securities may be less liquid. High yield securities generally have more volatile prices and carry more risk to principal than investment grade securities.

International Investing Risk — Investing in securities or issuers in markets other than the United States involves risks not typically associated with U.S. investing, such as currency risk, risks of trading in foreign securities markets, and political and economic risks.

Currency Risk — Because foreign securities generally trade in currencies other than the U.S. dollar, changes in currency exchange rates will affect an account's value, the value of dividends and interest earned, and gains and losses realized on the sale of securities. A strong U.S. dollar relative to these other currencies will adversely affect the value of account.

Foreign Securities Market Risk — Securities of many non-U.S. companies or U.S. companies with significant non-U.S. operations may be less liquid and their prices more volatile than securities of comparable U.S. companies. Securities of companies traded in many countries outside the U.S., particularly emerging markets countries, may be subject to further risks due to the inexperience of local investment professionals and financial institutions, the possibility of permanent or temporary termination of trading, and greater spreads between bid and asked prices for securities. In addition, non-U.S. stock exchanges and investment professionals are subject to less governmental regulation, and commissions may be higher than in the U. S. Also, there may be delays in the settlement of non-U.S. stock exchange transactions.

Political and Economic Risks — International investing is subject to the risk of political, social, or economic instability in the country of the issuer of a security, the difficulty of predicting international trade patterns, the possibility of the imposition of exchange controls, expropriation, limits on removal of currency or other assets, and nationalization of assets.

Additionally, income from foreign issuers may be subject to non-U.S. withholding taxes. Non-U.S. companies generally are not subject to uniform accounting, auditing, and financial reporting standards or to other regulatory requirements that apply to U.S. companies; therefore, less information may be available to investors about non-U.S. issuers. In addition, some countries restrict foreign investment in their securities markets, which may limit or preclude investment in certain countries or may increase the cost of investing.

The above risks may be particularly significant in emerging markets countries. To the extent an account invests in depositary receipts, it will be subject to the same risks as when investing directly in foreign securities.

Voting Client Securities

As a matter of firm policy and practice, EFA does not have any authority to and does not vote proxies on behalf of advisory clients. Clients retain the responsibility for receiving and voting proxies for any and all securities maintained in client portfolios. Upon request of the client, EFA may provide advice to clients regarding the clients' voting of proxies.

Item 7 – Client Information Provided to Portfolio Managers

Not Applicable

Item 8 – Client Contact with Portfolio Managers

There are no restrictions placed on a Client's ability to contact their advisory representative.

Item 9 – Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of EFA or the integrity of EFA's management.

- The Financial Industry Regulation Authority ("FINRA") alleged, in an amended complaint, that while Equity Services, Inc. ("ESI"), required its registered representatives to maintain anti-virus software on their computers, it failed to adopt written policies and procedures that were reasonably designed to ensure representatives' compliance with this directive.

Without admitting or denying the findings, ESI signed a letter of acceptance, waiver and consent. In accordance with the terms of the settlement, ESI consented to the imposition of a fine in the amount of \$20,000. The settlement was accepted by FINRA on December 6, 2012.

- The Financial Industry Regulation Authority ("FINRA") alleged that Equity Services, Inc. ("ESI"), in its capacity as a broker-dealer, made unsuitable sales of an unregistered private placement securities to five non-accredited retail investors. It was also alleged that ESI failed to enforce its written supervisory procedures relating to suitability and the sale of private placements.

Without admitting or denying the findings, ESI signed a letter of acceptance, waiver and consent. In accordance with the terms of the settlement, ESI consented to the imposition of a fine in the amount of \$50,000, and it was ordered to pay \$163,815 plus interest, in restitution to four customers. The settlement was accepted by FINRA on November 2, 2011.

- The Pennsylvania Securities Commission alleged that ESI violated provisions of the Pennsylvania Securities Act of 1972 in connection with supervisory oversight of certain registered representatives.

ESI was ordered to comply with the Pennsylvania Securities Act of 1972. ESI was also ordered to hire an independent consultant to review its compliance with the 1972 Act. ESI was ordered to pay an administrative assessment of \$12,500 and \$7,500 in investigative and legal costs and paid these amounts on July 8, 2005.

- The Securities and Exchange Commission ("SEC") alleged that ESI failed to provide asset allocation monitoring services to certain of its advisory clients from 2001 until the Summer of 2005.

Without admitting or denying the allegations related to the matter, ESI consented to the entry of the order whereby ESI was censured, and ordered to cease and

desist from committing or causing any violations and any future violations of the Investment Advisers Act. ESI was ordered to pay a civil penalty in the amount of \$300,000. The fine was paid December 17, 2009.

- The National Association of Securities Dealers alleged that: 1) ESI associated persons received improper non-cash compensation from an unaffiliated insurance company; 2) ESI failed to maintain adequate records of non-cash compensation from other offerors; 3) ESI associated persons received improper non-cash compensation from National Life Insurance Company; 4) ESI's supervisory system and written policies and procedures regarding non-cash compensation were inadequate; and 5) ESI violated e-mail retention requirements.

ESI was fined \$350,000, and ordered to conduct a comprehensive review and certification of policies and procedures related to non-cash compensation within 90 days of the acceptance, waiver, and consent. The fine was paid June 12, 2007.

Item 10 – Other Financial Industry Activities and Affiliations

ESI is registered as a broker-dealer with the SEC, FINRA and all fifty states. ESI devotes a substantial portion of its time and derives a substantial portion of its revenue from its operations as a broker-dealer. As a broker-dealer, ESI offers the following investment products: mutual funds; unit investment trusts; variable annuities and life; direct participation programs and real estate investment trusts. ESI has a fully disclosed clearing relationship offering stock, bond, option and other general securities trading through National Financial Services, LLC. ESI is not affiliated with National Financial Services, LLC. ESI also acts as the distributor of variable insurance products underwritten and issued by National Life Insurance Company.

EFA is under common control with the following companies: Sentinel Financial Services Company, a registered broker-dealer and distributor of the Sentinel Funds; Sentinel Asset Management, Inc., a registered investment adviser, which manages the Sentinel Funds and offers services to mutual funds, institutions and individual clients.

EFA is an affiliate of National Life Insurance Company. Most of EFA's registered and advisory representatives are also life insurance agents of National Life. National Life provides space and certain other services to EFA.

Life Insurance Company of the Southwest ("LSW") is an affiliated insurance company that offers annuity products.

EFA and its advisory representatives may offer products or services managed or offered by the affiliates named above to advisory clients in order to execute certain transactions recommended within a financial plan. Clients are free to execute transactions recommended as part of a financial plan through any broker-dealer or product issuer they choose. If the purchase or sale of financial products recommended as a part of a financial plan is executed with an affiliate of EFA, EFA and the advisory representative will receive additional compensation, including commissions and other compensation, over and above the advisory fee paid.

Potential conflicts of interest are monitored by the advisory representative's supervisor(s) during the course of regular supervision. In addition, Business Risk Analysts of EFA monitor broker-dealer and investment advisory accounts through reviews of exception reports and quarterly account statements. EFA also conducts inspections of field offices for a variety of compliance issues. All of the EFA's employees are required to report Initial and Annual Holdings Reports. Quarterly reporting of personal securities transactions is also required. These quarterly and annual reports are reviewed by the firm for potential conflicts of interest. All supervised persons at EFA must acknowledge the terms of the Code of Ethics annually. Potential conflicts are escalated to Compliance and then discussed during EFA's Quarterly Senior Management meetings.

EFA is likely to receive additional compensation with respect to the sales of securities issued and or distributed by members of its Strategic Partners program, details of which can be located at www.Equity-Services.com or requested by calling (800) 344-7437. This additional compensation may be shared with advisory representatives. The following mutual funds/unit investment trusts participate in the Strategic Partners Program: Sentinel Funds and Advisors Asset Management, Inc. EFA and its affiliates may also contribute amounts to various non-cash and cash incentives paid to EFA's advisory representatives based on the achievement of specified sales goals for certain securities, including (1) sponsoring sales contests and/or promotions in which participants receive awards or incentives such as travel, merchandise, computer hardware and/or software; (2) paying for occasional meals, lodging and/or entertainment; (3) making cash payments in lieu of business expense reimbursements; (4) making and forgiving business-related loans; (5) cash bonuses and/or; (6) employee benefits, such as health insurance, Social Security contributions, etc.

Item 11 – Code of Ethics

EFA has adopted a Code of Ethics that mandates high standards of business conduct and professionalism. The Code prohibits EFA's representatives and employees from trading on material non-public information. All of the Company's employees are required to report Initial and Annual Holdings Reports. Quarterly reporting of personal securities transactions is also required. All supervised persons at EFA must acknowledge the terms of the Code of Ethics annually. EFA, through its advisers, will provide a copy of its Code of Ethics to any client or prospective client upon request.

Advisory representatives of EFA may occasionally buy, hold, or sell securities for their own accounts that are also recommended to their clients, at the same time or at different times as clients are trading in these securities. However, at no time will EFA or any employee receive preferential treatment over clients.

It is EFA's policy that the firm will not effect any principal or agency cross securities transactions for client accounts. EFA will also not cross trades between client accounts. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in

which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction. Agency cross transactions may arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer. Cross trades occur where an adviser causes a client account to sell a security to another client account, and no commission is charged.

EFA in its capacity as a broker-dealer may execute securities transactions for its advisory clients in the program, including, but not limited to, transactions in securities distributed or underwritten by an affiliate.

Item 13 – Review of Accounts

Each advisory representative and his/her client will individually determine the frequency of reviews for the account(s) governed by an investment advisory agreement between the client and EFA. In all cases, however, such frequency will be offered no less than on an annual basis. Factors triggering such a review will include but are not limited to, the changing circumstances in the client's financial and personal life; the performance of the portfolio in both absolute terms and relative to the client's goals, objectives and risk tolerance; and at the request of the client. In most cases, the review will be conducted by the advisory representative who performed the initial investment advisory services. For ESI Directions accounts, Business Risk Analysts and advisory representatives use a proprietary system developed by Envestnet and made available to them by NFS to monitor client accounts. Business Risk Analysts utilize this system to detect variations from client mandates. Advisory representatives also utilize this system to detect variations from client mandates, but also may utilize the system to generate recommendations to correct the variations from client mandates. Reviewers will be the Business Risk Analysts, and/or other home office staff members.

EFA engages in ongoing monitoring of the program and the advisory representatives, while advisory representatives monitor individual accounts. EFA reviews and approves all program account transactions. Advisory representatives will review each Client's portfolio periodically to ensure that investments continue to be consistent with the asset allocation mix the Client selected.

EFA and advisory representatives use a proprietary system developed by Envestnet and made available to them by NFS to monitor Client accounts. The system assigns a "risk rating" score to each Investment Model, and then analyzes each holding in a Client's account and assigns a score to the account. If the Investment Model score differs materially from the Client's account, the advisory representative will contact the Client to discuss whether to adjust the account holdings or whether the Client's investment objectives and risk tolerance have changed. However, if the differing scores persist for more than 90 days, EFA will contact the advisory representative to inquire about the reason for the variance. EFA may permit material differences from the Investment Model score to continue longer than 90 days, provided that a satisfactory reason for the variance (as determined by EFA, in its sole discretion) is obtained, and provided that the client consents to the variance. In such instances, the foregoing will be documented by EFA.

Clients of the ESI Directions program will receive written quarterly performance statements from Envestnet showing positions, activities and contributions made during

the quarter. Also, at least quarterly brokerage statements are provided by NFS for ESI Directions program accounts.

Item 14 – Client Referrals and Other Compensation

EFA may pay individuals or entities, acting as bona fide Solicitors, a portion of the advisory fee EFA charges a client referred to EFA by the Solicitor. All such Solicitor arrangements will conform to the requirements set forth in SEC Rule 206(4)-3.

Item 18 – Financial Information

EFA does not require or solicit prepayment of more than \$1,200 in fees per client six months or more in advance, and thus has not provided a balance sheet for its most recent fiscal year. EFA does accept partial payment of financial planning/consulting fees prior to the preparation of the financial plan or service. The partial fees will not exceed 50% of the total fee due. In no case will EFA accept an advance fee for financial planning/consulting services that is greater than \$1,200 unless the plan and/or services connected with such payment are completed within six months from the receipt of such payment.

EFA is not aware of any financial condition that is reasonably likely to impair its ability meet its contractual commitments to clients, nor has EFA been the subject of a bankruptcy petition at any time during the past ten years.