

Item 1 – Cover Page

Educators Financial Services, Inc.

d/b/a: EFS Advisors

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www.efsadvisors.com

March 21, 2023

This Brochure provides information about the qualifications and business practices of Educators Financial Services, Inc. d/b/a: EFS Advisors (hereafter referred to as “EFS”). If you have any questions about the contents of this Brochure, please contact us at 763-689-9023. 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.

EFS is a Registered Investment Adviser. Registration of an Investment Adviser does not imply a certain level of skill or training. The oral and written communications of an Adviser provide you with information to determine if you hire or retain an Adviser.

Additional information about EFS is also available on the SEC’s website at www.adviserinfo.sec.gov.

Item 2 – Material Changes

This brochure dated March 21, 2023, is an update to a previous version and is composed according to the SEC’s requirements and specifications. This section of the brochure will report only a summary of material, and sometimes immaterial, changes made to the brochure relative to its previous version. A full copy of our current brochure may be requested by contacting EFS at 763-689-9023 or efsadvisors@efsadvisors.com. Our brochure is also available free of charge on our website, www.efsadvisors.com.

In the past we have offered or delivered information about our qualifications and business practices to clients on at least an annual basis. Pursuant to SEC Rules, we will ensure that you receive a summary of material changes to this and subsequent brochures within 90 days of the close of our business’ fiscal year. We provide disclosure information about material changes as necessary, at any time, without charge.

Item 4 was updated to reflect third party service providers used by EFS.

Item 14 was updated to reflect referrals that EFS Advisor representatives provide to third party service providers, to reflect certain terms to a revised Agreement that EFS Advisors has with Economic Services, Inc., and based on the revised Marketing Rule 206(4)-1.

Additional information about EFS is also available via the SEC’s website www.adviserinfo.sec.gov. The SEC’s website also provides information about persons affiliated with EFS who are registered, or are required to be registered, as investment adviser representatives of EFS.

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Item 4 – Advisory Business

EFS, a Registered Investment Advisor, was founded in 1998, by Kent D. Schutte. EFS continues with Mr. Schutte as the primary owner.

EFS offers investment advisory services for a fee based on the value of client assets under management. The firm furnishes investment advice through consultations. EFS may provide advice on matters not specifically involving securities transactions. EFS also provides financial consulting services excluding asset management for an hourly fee as discussed in Item 5.

As part of its advisory services, EFS provides continuous and regular supervisory and management services to securities portfolios. When rendering advice, EFS uses a client-centric suitability determination that gathers information about several dimensions of the client's financial situation. These dimensions are then scored aggregately to generate a score that corresponds to a recommended investment strategy. EFS also constructs model portfolios to fit a range of client objectives, timelines, risk tolerances, and other goals and preferences. The client is free to choose a recommended strategy/portfolio or another strategy they wish to pursue. The client is under no obligation to choose the EFS recommended strategy/portfolio.

Third Party Service Providers ("TPSPs"): EFS offers referrals to various TPSPs and also offers client assistance in working with those TPSPs. For example, EFS offers Estate Planning services that consists of education on estate planning topics and the collection of general information necessary to complete a new estate plan or review a current estate plan. EFS also assists the client, at the clients request, in gathering the required information needed to provide outside estate planning firms, accounting firms, law firms, and tax firms so that these TPSPs can provide the services requested by the client.

EFS utilizes the services of various unaffiliated third party service providers, including but not limited to: Trust & Will for estate planning review, creation and updates; Wipp's Professional Accounting Services, LLC for accounting and tax services.

Any and all fees paid by the client for outside referred services will be paid to those service providers directly. Clients are not required to utilize any third-party products, services or referrals that EFS may recommend and can select the service provider of their choice.

EFS manages \$1,447,297,257 on a discretionary basis and \$267,794,778 on a non-discretionary basis. This calculation is as of December 31, 2022.

Item 5 – Fees and Compensation

EFS generally collects a calendar quarterly fee, in advance, for its advisory services based upon the gross value of your managed assets at the beginning of the relevant quarter, in accordance with EFS's Fee Schedule. To minimize the administrative burden associated with managing many accounts, your first quarterly fee is not charged until the beginning of the first full calendar quarter after you retain EFS (in other words there is no fee charged for any stub quarter period when you first retain EFS), but in return you agree and acknowledge that if you terminate this Agreement as of any date other than the end of a calendar quarter you will not receive a refund of any pre-paid fees for the remainder of such quarter unless you provide written notice to EFS claiming such refund within thirty (30) calendar days of the effective date of such termination, however, EFS reserves the right to retain refund amounts of less than \$25. In addition, the Company does not adjust advisory fees to reflect deposits or withdrawals as of any date other than the beginning of a quarter. EFS will automatically withdraw from managed accounts the appropriate fee unless both parties agree upon other arrangements. If EFS receives notice that an account is "blocked" and investment recommendations cannot be implemented, EFS will discontinue charging fees against that account until the block is removed. Notice of blocked accounts occurs on a quarterly basis during the fee billing process. Due to administrative constraints imposed by our custodians, no refund of advisory fees will be offered in connection with blocked accounts.

Asset-based fees are generally not negotiable and are assessed based on a percentage of the dollar amount of assets under management. The Company does not adjust advisory fees to reflect mid-quarter deposits or withdrawals. The Company does not deduct the balance of outstanding loans taken against client accounts when calculating advisory fees. Deviation from the fee schedule will be subject to prior approval by the Compliance Department. Deviations from the fee schedule may also be available pursuant to the terms of an RFP or plan-level agreement with your employer, if applicable.

Standard Fee Schedule

	<u>Quarterly Fee</u>	<u>Annual Fee</u>
\$0.00 - \$210,000	0.26%	1.04%
\$210,001 - \$500,000	0.24%	0.96%
\$500,001 - \$1,000,000	0.22%	0.88%
(beginning Q2 2021) \$1,000,001 - \$3,000,000	0.20%	0.80%
(beginning Q2 2021) \$3,000,001 - \$5,000,000	0.18%	0.72%
(beginning Q2 2021) \$5,000,001 - \$10,000,000	0.17%	0.68%
(beginning Q2 2021) \$10,000,001 and higher	0.15%	0.60%
*Fixed Income and Cash Management Only	0.15%	0.60%
Non-asset management consulting services	up to \$195/hour (negotiable)	

* Fixed income and cash management includes a limited investment selection: CD's, money market accounts, and fixed annuities. If Fixed Income and Cash Management account is selected, and it is deemed that the account is being actively managed as part of an investment portfolio or includes investments other than CD's, money market accounts, or fixed annuities, EFS reserves the right to adjust the fee according to the original fee schedule. Use of the Fixed Income and Cash Management account shall be done in accordance with firm procedure.

Clients participating in the Managed by EFS program through Security Benefit Group are charged 0.96% from \$0-\$500,000 in assets under management. In the event assets exceed \$500,000, the applicable fee will follow the "Standard Fee Schedule".

EFS Advisors Choice clients with account balances under \$25,000 will pay EFS an administrative fee of \$14 per year, to be deducted from their account balances at a rate of \$3.50 per quarter. This administrative fee is in addition to the asset-based advisory fee per the schedule above.

Under limited circumstances when a fee is due, the client's account holdings, balance, and fee size make it in the client's best interest to carryover the fee to a later period or waive the fee entirely. For example, a client may hold a small stock position and no cash in an account and liquidating the stock to pay the fee may incur transaction fees in excess of the advisory fee due. In these situations, carryover or waiver of fees shall be left to the

discretion of the individual Investment Adviser Representative, subject to Compliance Department approval.

EFS also offers a reduced fee option for certain non-qualified accounts that contain assets of \$100,000.00 or more, which is intended to be readily accessible to the client and require less oversight by the representative based on the investments chosen qualifying it for a reduced quarterly fee of 0.09% totaling 0.36% annually. Assets so held may not be added to assets under management under a Standard Account fee schedule for the purposes of obtaining a lower fee percentage.

EFS fees generally cover EFS' advisory services. Certain non-advisory clients pay administrative fees of 0.09% quarterly, totaling 0.36% annually, to EFS for non-advisory services such as record keeping. Clients should also expect to pay additional charges imposed by custodians, brokers, third party portfolio managers, third party administrators, and other third parties including management fees charged by fund and Exchange Traded Fund managers, fees charged by custodians to hold securities for safekeeping, deferred sales charges (charges incurred by some mutual funds at the time the client sells the shares), odd-lot differentials (charges incurred on securities orders in quantities other than some multiple of 100 shares), transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and exchange traded fund internal management fees are disclosed in each fund's prospectus.

EFS' president and investment adviser representatives also sell securities products for sales commissions through EFS' affiliated Broker/Dealer, Advanced Advisor Group, LLC (hereafter referred to as "AAG"). They also sell insurance products for sales commission through EFS, which is a licensed insurance agency, and through affiliated insurance agency Educators Lifetime Solutions (ELS).

As an Investment Adviser, EFS is paid on a fee basis for investment advice. In contrast, if a given recommendation is implemented via brokerage transactions through EFS' affiliated Broker/Dealer, AAG, then AAG and its representatives receive brokerage commissions for each securities transaction. Advisory fees are not reduced to offset commissions or markups.

This practice presents a conflict of interest in that a representative could, while acting as an agent for AAG, recommend investment products based on compensation received rather than client needs, a practice known as "self-dealing". To address this conflict, EFS forbids self-dealing in its written investment advisory manual and requires representatives to certify that they have reviewed and understand the contents of the manual. Additionally, all advisory client account trades are routed through the custodian's Broker/Dealer;

commissions or revenues generated by trading activity are not directed back to AAG or its representatives. This conflict of interest is also discussed in Item 10.

The capacity in which EFS is employed and how it is paid is disclosed to the client upon initial account opening. Business completed on a commission basis vs. a fee basis are segregated from one another. It is disclosed on the firm's written agreement with the client whether the client is conducting business on a commission basis or on a fee basis and with which company. This relationship is also described in Items 10, 12, and 14.

Item 12, below, further describes the factors that EFS considers in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (*e.g.*, commissions).

An additional source of third-party compensation comes from an arrangement between affiliated insurance agency, Educators Lifetime Solutions (ELS) and Lifesprk, a provider of in-home elder care services. According to the arrangement, if an Investment Advisor Representative refers a client to Lifesprk and the client subscribes to Lifesprk's services, ELS receives a 3% revenue share of premiums paid by the client to Lifesprk. Of the 3%, the Investment Advisor Representative receives 63% of the revenue share.

This constitutes a conflict of interest as a financial incentive exists for the Investment Advisor Representative to refer clients to Lifesprk. The client is under no obligation to retain the services of Lifesprk.

EFS charges a loan initiation fee of \$100 per loan and a quarterly administration fee of \$15 per loan to EFS Advisors Choice clients who take a loan against their account. This fee is paid to EFS by the client taking the loan and is not distributed to the advisory representative. Loans from retirement savings plans/accounts are meant for emergencies and have a negative impact on the clients supplemental retirement savings.

Finally, Minnesota regulations require us to explicitly disclose to you the variety of different business models and compensation structures that are available to EFS and its representatives and could theoretically be employed. This statement should not be construed an exact description of how EFS and its representatives will be paid in this advisory relationship (covered earlier in Item 5—Fees and Compensation by the fee schedule). The Minnesota disclosure dictates the following:

--EFS and its representatives' compensation is based on the following:

- a) Commissions generated from financial products purchased
- b) Fees
- c) Combination of a) and b)

--EFS and its representatives are authorized to offer products issued by or through the firms which EFS Advisors (EFS) or Advanced Advisors Group, LLC (AAG) currently hold a Marketing/Selling Agreement.

EFS Advisors, Registered Investment Advisor, holds AAG harmless for any liability associated with securities traded through TD Ameritrade Securities. Investment Advisory Agreement products and services will be traded through TD Ameritrade Securities, Fidelity Investments, Security Benefit SFR, Axos Advisor Services, and/or Charles Schwab. Investment Advisory Services may or may not be sponsored by State Associations or affiliates.

--EFS' representatives are licensed in Minnesota as a(n):

- a) Insurance Agent
- b) Securities Agent or Broker/Dealer
- c) Registered Investment Advisor Representative

--These licenses entitle EFS' representatives to offer the following products and/or services:

- a) **Securities:** Stocks, Bonds, Mutual Funds, Certificates of Deposit, Variable Annuities, and Money Market funds
- b) **Insurance:** Annuities, Life, Health, Disability, and Long Term Care

Important conflict of interest message for clients:

EFS receives compensation in connection with the sale or holdings of certain mutual funds directly or through its affiliated Broker/Dealer, Advanced Advisor Group ("AAG"). These payments include 12b-1 fees, service fees, and/or recordkeeping fees from mutual funds, as well as 12b-1 fees, sub-transfer agent fees, and/or commission payments from fixed interest funds held in retirement accounts or Health Reimbursement Arrangements custodied at Matrix (collectively, "Investment Payments"). The Investment Payments are separate from and in addition to our advisory fees. The various fees come from fund assets, therefore, indirectly from client assets. The receipt of such fees creates an incentive for EFS to recommend funds or share classes of funds with such fees over funds or share classes that have no fees or lower fees. In accordance with EFS' fiduciary duty to its clients, EFS recommends funds with these types of fees where EFS believes that the funds that include these fees are superior to similar funds that do not have such fees. In addition, EFS recommends share classes of funds that have such fees rather than share classes of the

same funds without such fees or with lower fees where EFS believes the fee-paying share class will result in a lower overall cost to the client (for instance, if a share class with 12b-1 fees waives transaction fees for such shares and the client has indicated an intention to actively trade, purchasing a share class with 12b-1 fees should result in a lower total cost to the client). In determining what investments to offer, EFS engages in the analysis discussed in Item 8. Note that the investment advisory representatives of EFS do not share in these fees. You are under no obligation, contractually or otherwise, to purchase or hold securities through AAG.

If you are transferring/rolling over assets to EFS, we must disclose to you the following:

When EFS provides investment advice to you regarding your ERISA retirement plan account or Individual Retirement Account (IRA) or transferring money from your ERISA retirement plan account to an IRA, we are fiduciaries within the meaning of the Internal Revenue Code and potentially Title I of ERISA, as applicable, which are laws governing retirement accounts. The way EFS make money creates some conflicts with your interests, so we operate under a special rule that requires us to act in your best interest and not put our interest ahead of yours. Under this special rule's provisions, we must:

- Meet a professional standard of care when making investment recommendations (give prudent advice);
- Never put our financial interests ahead of yours when making recommendations (give loyal advice);
- Make no misleading statements about conflicts of interest, fees, and investments;
- Follow policies and procedures designed to ensure that we give advice that is in your best interest;
- Charge no more than is reasonable for our services; and
- Give you basic information about conflicts of interest.

-If applicable, you may move your employer-sponsored plan to a new employer-sponsored plan at your new employer, which would incur fees per the new plan's fee schedule

-You may cash out your employer-sponsored plan, which would result in taxes due on the proceeds at your regular income tax rate plus a 10% penalty if you are under 59 ½ years of age.

-Penalty-free distributions may be taken from your employer-sponsored plan you are age 55-59 ½ AND have permanently separated from your employer

-In order to develop a recommendation that is in your best interest, we need to consider information about your plan's investments, services and expenses. As a result, it is important that you provide us with actual information about your plan and your account.

The easiest way to do that is for you to give us copies of your plan's 404a-5 investment disclosures and of a recent quarterly statement about your account. (Your plan gives you a "404a-5 disclosure" every year and a copy is available from your employer and your plan's website. It is also called by a number of other names, for example, Investment Comparative Chart, and it is a description of your plan's investment options and their expenses, and other information.) If you don't give us that information, we will need to use estimates or other information that may not be accurate and that could, as a result, cause us to make a recommendation that may not properly represent that actual facts or preferred outcome. So it is in your interest to make sure that we have the actual plan information. However, if you do not provide the information, we will use alternative sources, such as benchmarking data for plans of a similar type and size or plan reports (such as Forms 5500) that may be from several years ago. In evaluating possible sources of alternative data, we have considered the reliability of the data provider and its processes, and believe that the information that we use will be accurate based on, eg., robust information about plans of the size and type of your plan. While we expect that it will be accurately representative of your plan's features, there can and will be differences which could affect our recommendation.

Item 6 – Performance-Based Fees and Side-By-Side Management

Neither EFS nor its representatives charge performance-based fees (fees based on a share of capital gains or capital appreciation of the assets of a client).

Item 7 – Types of Clients

EFS provides investment advice to individuals, business entities, charitable organizations, qualified retirement plans, estate, and trust programs.

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

The Advisory Committee consists of various investment advisory representatives of EFS and personnel from operations and compliance. The Advisory Committee analyzes data for investment choices. The Advisory Committee conducts a quarterly fund performance evaluation. These evaluations are used to determine a fund's inclusion in EFS' model portfolio holdings based upon:

- 1) Whether fund performance remains within the standards of firm performance demands

- 2) Whether the fund manager's investment style has been consistent with stated objectives
- 3) What changes in benchmarks and objectives have been made and the effect these changes may have on future results and performance monitoring criteria

The Advisory Committee will remove a fund from firm advisory holdings if it performs below 50% of its peer group for more than three consecutive quarters. Following such removal, all existing balances are moved from the removed fund to a replacement fund and future contributions will be deposited to that replacement fund. No new contributions will be made to a fund that has been removed unless the fund is subsequently restored to the list.

Additional items reviewed include, but are not limited to, benchmark returns, history of management team members, and expenses and fees. Technical analysis includes the use of software such as Morningstar. Past performance is not indicative of future results and technical analysis uses information that is thought to be accurate at the time of use. None of these risks are considered to be particularly significant or unusual, however, investing in securities always involves risk of loss, a fact that a client should be prepared to bear. Moreover, it should be noted that more aggressive investment strategies and portfolios should be understood to carry a higher risk of loss of total investment.

Item 9 – Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding legal or disciplinary events that would be material to your evaluation of EFS or the integrity of EFS management. EFS was subject to an administrative proceeding before the Securities and Exchange Commission ("SEC") in which it was found to have been involved in a violation of investment-related statutes or regulations and entered into a settlement pursuant to an order issued by the SEC on August 27, 2021 relating to its billing practices and mutual fund share class selection ("Settlement"). Without admitting or denying the SEC's findings, EFS consented to the entry of the order imposing a civil money penalty of more than \$2,500 on the firm pursuant to the Settlement. A complete copy of the Settlement order can be accessed through the SEC website at the following web address:

<https://www.sec.gov/litigation/admin/2021/ia-5836.pdf>

[Additionally, the Settlement order was amended after the original order was published. A complete copy of the Amended order](#) issued by the SEC on March 4, 2022 and [can be](#) accessed through the SEC website at the following web address:

<https://www.sec.gov/litigation/admin/2022/ia-5976.pdf>

EFS fully cooperated with the SEC throughout the administrative proceeding and took significant corrective actions including (i) developing a proprietary software program that, among other things, aggregates household accounts, (ii) enhancing its disclosures, (iii) enhancing its policies and procedures, (iv) clarifying its advisory agreements, and (v) transitioning clients to lower-cost share classes where appropriate.

A complete copy of the Settlement order(s) can also be obtained by contacting EFS directly at compliance@efsadvisors.com or 763-689-9023.

Item 10 – Other Financial Industry Activities and Affiliations

EFS is a Registered Investment Adviser (“RIA”). EFS is affiliated with Advanced Advisor Group, LLC (hereafter referred to simply as AAG), which is a Registered Investment Adviser and Broker/Dealer. Both firms are under the common control of Kent D. Schutte. The difference between the two RIA firms is a matter of client outreach to differing market segments. The business dealings of both firms are kept separate; trades are not made between clients of the two firms, and no preferential treatment is shown to clients of either firm in the allocation of investment opportunities.

EFS recommends securities and insurance products and services to its clients. EFS selects its custodians—Fidelity, Security Benefit Group (“SBG”), TD Ameritrade, Axos Advisor Services, Charles Schwab, and Matrix—to execute these trades on behalf of its advisory clients. As EFS executes advisory client transactions through its custodians, neither EFS nor its representatives receive commissions or revenues generated by trades of advisory client transactions through TD Ameritrade, Fidelity, SBG, Axos Advisor Services, or Charles Schwab.

Some of EFS’ principals and employees are dually-registered as investment advisory representatives for EFS and AAG and as Broker/Dealer representatives for AAG. Additionally, EFS is a licensed insurance agency and its representatives licensed as insurance agents and would receive commissions on the sale of insurance products sold through EFS. These commissions are separate from and in addition to the advisory fees EFS receives from its clients. This creates a conflict of interest for EFS and its

representatives as an incentive exists to recommend the purchase of securities through AAG as Broker/Dealer and/or insurance products through EFS that generate commissions.

For client advisory account holdings at Matrix, AAG has selling agreements with certain mutual fund companies for the purpose of receiving 12b-1 fees. 12b-1 fees are not shared with the advisor representatives.

Many of the mutual funds held in client advisory accounts do not charge an up-front transaction fee, though such mutual funds generally have higher expense ratios and lower expense ratio share classes of the same mutual funds are available on a platform with transaction fees where an up-front transaction fee or ticket charge would apply to each transaction. Periodic training provided to dual-registered representatives on the demands of the fiduciary standard of care are conducted in addition to point of sale reviews of commissioned products to verify their fitness for use with advisory clients; to verify that investment advisory representatives are selecting products aligned with the client's best interests rather than generating higher commissions.

EFS is under common control with Educators Lifetime Solutions (ELS), an insurance agency that offers long-term care insurance. Investment Advisory Representatives sell long-term care insurance in exchange for a commission. A conflict of interest exists in that it's possible for the representative to promote a long-term care insurance policy based on the amount of commissions it pays.

EFS is under common control with Educators Benefit Consultants, LLC, a third party administrator of employee benefits including health reimbursement arrangements and 403(b) plans. Educators Benefit Consultants, LLC is a client of EFS and receives investment advisory services from EFS.

At no time is a client obligated to follow the recommendations of an Investment Advisor Representative.

Item 11 – Code of Ethics

EFS has adopted a Code of Ethics for all supervised persons of the firm describing its high standard of business conduct, and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider

trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons at EFS must acknowledge the terms of the Code of Ethics annually, or as amended. EFS will provide a copy of its Code of Ethics to any client or prospective client upon request.

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

Certain affiliated accounts may trade in the same securities with client accounts on an aggregated basis when consistent with EFS obligation of best execution. In the rare occurrence that affiliated accounts trade in the same close-ended securities as client accounts, the affiliated and client accounts will share commission costs equally and receive securities at a total average price. EFS will retain records of the trade order (specifying each participating account) and its allocation, which will be completed prior to the entry of the aggregated order. Completed orders and partially filled orders will be allocated as specified in the initial trade order.

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

It is EFS policy that the firm will not affect agency cross securities transactions for client accounts and generally will not affect principal transactions for client accounts. However, in very limited and exceptional circumstances, EFS may affect principal transactions when consistent with EFS obligation to its clients. EFS 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 a security to an advisory client, which represent a conflict of interest in that it creates an incentive for an adviser to complete such transactions in exchange for commissions.. A principal transaction may also be deemed to have occurred if a security is crossed between an affiliated hedge fund and another client account.
- An agency cross securities 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 a person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction. Agency cross transactions may arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer.

Item 12 – Brokerage Practices

EFS has authority to select the Broker/Dealer for custodial and execution services. EFS, as a fiduciary, is required to choose the broker/dealer to be used based on the best overall qualitative value to clients. EFS has chosen its various custodians for best execution of customer trades.

Although EFS is able to select the Broker/Dealer used, EFS does not receive product, service, compensation or research for the chosen Broker/Dealer (also called soft dollar benefits). Additionally, EFS investment adviser representatives, in their capacity as agents for AAG as Broker/Dealer, do not receive product, service, compensation or research from the chosen Broker/Dealer. EFS will suggest investment adviser representatives based upon their skill, reputation, dependability and compatibility with the client. However, clients are free to select and work with any EFS investment adviser representative.

As mentioned previously, EFS Investment Advisor Representatives sell securities for commissions through affiliated Broker/Dealer, AAG, and insurance products for commissions through both EFS, which is a licensed insurance agency, and through affiliated insurance agency, ELS. This topic is also discussed in Items 5 and 10.

Item 13 – Review of Accounts

The Chief Compliance Officer or assigned person and/or an Investment Advisor Representative conduct periodic reviews of advisory business. These periodic reviews are communicated to clients either orally or in writing and contain various analyses depending upon the client's requests and needs. A review of funds held within model portfolios and client accounts is conducted via an Advisory Committee meeting that occurs every quarter described in Item 8. Each account is reviewed individually on at least an annual basis. A review of individual accounts and funds held is conducted to verify suitability and accuracy according to the firm's management discipline standards, also referenced in Item 8.

Item 14 – Client Referrals and Other Compensation

Investment Advisor Representatives of the firm, through the affiliated Broker/Dealer, Advanced Advisor Group, LLC, sell securities products for sales commissions. Additionally, insurance and annuity products may be sold where a sales commission is earned.

Under a contractual agreement with affinity group organizations approached by EFS, the firm provides financial planning and services. In return, the affinity group organization is compensated through a written agreement. The existence of this agreement, as well as the terms of this agreement are fully disclosed to clients at the time of account opening. Currently, EFS has a relationship with the affinity group organization, Economic Services, Inc. ("ESI"), which is wholly owned by Education Minnesota. As part of this relationship, EFS and ESI have entered into an agreement in which EFS is the exclusive marketing organization to market and deliver certain products approved by ESI and EFS to members of Education Minnesota. Pursuant to that same agreement, EFS pays ESI a flat monthly fee based on the number of Education Minnesota members, regardless if the members are clients of EFS. EFS also reimburses ESI for expenses ESI incurs for workshops and seminars where representatives of EFS make appearances and prospect for new clients. EFS also at times pays ESI an exhibitor fee to exhibit at Education Minnesota-sponsored

events. EFS also, at the direction of ESI, uses union-approved print shops when printing materials that display the Education Minnesota emblem. Several EFS representatives maintain offices within Education Minnesota field offices, for which EFS and/or its representatives pay rent to ESI. These practices constitute a conflict of interest as these relationships place ESI in a position to potentially influence EFS, its decision-making, and business practices.

EFS receives flat sponsorship fee payments from fund companies, product carriers, and custodians in exchange for presenting at EFS firm-wide meetings. Through this sponsorship fee, fund companies, product carriers, and custodians directly pay for expenses of these meetings. These payments could potentially influence EFS or its representatives to make investment recommendations of the entities that paid expenses for and presented at these firm-wide meetings.

In order to provide Clients a full-service wealth management experience, certain advisor representatives have developed relationships with third party service providers ("TPSPs") that are not affiliated with EFS Advisors for services such as estate planning, legal, and accounting services. *See also* Item 4. EFS is not affiliated with the providers of the Third Party Services. The TPSPs are not under EFS's control, and EFS is not responsible for and does not endorse the content or services provided by these TPSPs. These Third Party Services are provided solely as a convenience for the Client, however, the Client will need to make its own independent judgment regarding interaction with these TPSPs. Many of these TPSPs provide clients of EFS Advisors a discount on their services and some of these TPSPs are paid by EFS Advisor representatives for all or a portion of the services provided to EFS advisory clients. This creates a conflict of interest inherent in the provision of TPSP referrals. For example, EFS Advisor representatives have a bias to recommend those TPSPs that provide EFS Advisory clients with a discount over other service providers. Similarly, such TPSPs may recommend the services of EFS Advisors in the hopes of receiving client referrals from EFS Advisors rather than as a result of their genuine opinion of EFS Advisors. There is also a conflict of interest as some clients may feel obligated to provide referrals to EFS Advisors if EFS is paying for certain TPSPs. **THE CLIENT IS UNDER NO OBLIGATION, DUTY, OR EXPECTED IN ANY WAY TO PROVIDE REFERRALS TO EFS ADVISORS.**

Item 15 – Custody

EFS does not have custody of advisory client funds or securities pursuant to SEC Rule 206(4)-2.

Clients may receive account statements from the broker-dealer, bank or other qualified custodian and should carefully review those statements. Clients who participate in the Choice 403b program will also receive participation reports from EFS and should compare the account statements they receive from any qualified custodian with the participation reports received from EFS.

Item 16 – Investment Discretion

Discretionary authority will be authorized upon full disclosure to the client. During initial account opening, the client agrees to grant discretionary authority via language in the investment advisory agreement, upon execution of said agreement. This agreement also imposes limitations on the firm’s discretionary authority. All trades made on a discretionary basis must be consistent with a client’s investment objectives. The firm’s discretion extends to the selection and amount of securities to be bought or sold in client accounts. However, these purchases or sales may be subject to specified investment objectives, guidelines, or limitations previously set forth by the client and agreed to by the firm.

The firm has discretionary authority to select the broker or dealer for custodial and execution services. This is discussed in further detail in Item 12, above.

Item 17 – Voting Client Securities

The firm will not vote, nor advise clients how to vote on proxies for securities held in client accounts. The client retains authority and responsibility for the voting of these proxies. Furthermore, EFS will not grant advice or act with respect to the voting of these proxies. Contractually, the client and EFS agree not to direct or instruct one another on a vote in a proxy solicitation.

Clients receive proxy solicitations from the custodian. If a client has a question about a particular solicitation, they are instructed to direct their question to the custodian.

For accounts subject to the provisions of the Employee Retirement Income Security Act of 1974 (“ERISA”), the plan fiduciary has the authority and responsibility for the voting

proxies of securities held in plan accounts. EFS does not give advice or take action with respect to these voting proxies.

Item 18 – Financial Information

Registered investment advisers are required to provide you with certain financial information or disclosures about EFS financial condition. The firm has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to its clients and has never been the subject of a bankruptcy proceeding.

EFS assesses fees quarterly and does not require nor solicit prepayment of fees six months or more in advance.

EFS is not a sole proprietorship, but an S Corporation.

The firm applied for a loan through the Small Business Administration's Paycheck Protection Program (hereafter referred to as "PPP loan") on April 3, 2020 in the amount of \$302,278 and received the loan proceeds on April 22, 2020. The firm requested the PPP loan in an effort to maintain full administrative staff and avoid layoffs and furloughs. However, the PPP loan was not needed for and is not being used to support the salaries of our personnel directly responsible for providing investment advisory services to our clients. In other words, the PPP loan was not necessary to fulfill our obligations to our clients, but to avoid having to reduce our administrative staff. We are making this disclosure in an abundance of caution based on recent SEC guidance relating to the PPP loan program, but we believe that our receipt of the PPP loan is immaterial to our advisory relationships with our clients.