

Financial Engines Advisors L.L.C.  
1050 Enterprise Way, 3rd Floor  
Sunnyvale, California 94089

Chief Compliance Officer: Jonathan Robbins  
[www.EdelmanFinancialEngines.com](http://www.EdelmanFinancialEngines.com)

November 1, 2018

## **Edelman Managed Asset Program® (EMAP) Wrap Fee Brochure**

---

This wrap fee program brochure provides information about the qualifications and business practices of Financial Engines Advisors L.L.C. ("FEA"), an investment adviser registered with the United States Securities and Exchange Commission ("SEC"). Registration does not imply a certain level of skill or training. If you have any questions about the contents of this Brochure, please contact us at 1-800-601-5957. The information in this Brochure has not been approved or verified by the SEC or by any state securities authority.

Additional information about FEA is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).



©2018 Financial Engines, LLC. Financial Engines® and Edelman Financial Engines™ are trademarks of Financial Engines, LLC. Financial Engines Advisors L.L.C. is a wholly owned subsidiary of Financial Engines, LLC. As is discussed in more detail within this document, the name of the registered investment advisor remains Financial Engines Advisors L.L.C.; the overall business will now primarily operate using the name "Edelman Financial Engines."

**Item 2: Material Changes**

Edelman Financial Services, LLC ("EFS") has previously been the sponsor of the EMAP wrap fee program until - on or about November 1, 2018 - EFS combined its entire advisory business with Financial Engines Advisors L.L.C. ("FEA"). The EMAP wrap fee program is now sponsored by FEA.

This wrap fee brochure contains material changes since EFS filed its last brochure update on March 30, 2018. Updates appear throughout the document and we also highlight certain relevant material changes below.

FEA is registered as an investment advisor with the Securities and Exchange Commission ("SEC"). Edelman Financial Services, LLC ("EFS") was likewise an investment advisor registered with the SEC until - on or about November 1, 2018 - it withdrew that registration and became an affiliate of FEA. At the time of that withdrawal, personnel previously registered with EFS had relevant registrations transferred to FEA and EFS combined its entire advisory business with FEA. The services previously offered through EFS are now offered through FEA as discussed below. FEA, as also detailed below, continues to provide services as it traditionally has in most instances. Client facing personnel at EFS will no longer offer broker-dealer products for sale and will no longer hold licenses issued through FINRA.

Financial Engines Advisors L.L.C. now primarily operates using the name "Edelman Financial Engines" also referred to as the "Firm." For those customers who have access to our services through our network of retail branches, we will generally refer to our business as Edelman Financial Engines. In all circumstances, advisory services will be provided by Financial Engines Advisors L.L.C. Moreover, the services provided to clients will not change in any material way, nor will existing clients' planner or branch relationships change (although for clients who bought or sold broker-dealer products through their legacy EFS planner, that will no longer be an option). We anticipate that most clients will see little difference in their experience with us.

### Item 3: Table of Contents

Edelman Managed Asset Program® (EMAP) Wrap Fee Brochure .....	1
Item 2: Material Changes.....	2
Item 3: Table of Contents .....	3
Item 4: Services, Fees and Compensation .....	4
I. Services .....	4
II. Trading Authorization .....	4
III. Rebalancing.....	5
IV. Reallocation .....	5
V. Edelman Retirement Program .....	5
VI. Legacy EFS Institutional Advisory Services.....	6
VII. Fees and Compensation.....	6
EMAP Retail and EMAP Institutional .....	6
Fees for Edelman Retirement Program Clients .....	8
Other Relevant Fee Information for EMAP Retail, EMAP Institutional, and ERP Clients.....	8
Step-Out Trades .....	9
Best Execution.....	10
Item 5: Account Requirements and Types of Clients.....	10
I. Account Requirements .....	10
II. Brokerage Selection .....	10
III. Types of Clients .....	11
Item 6: Portfolio Manager Selection and Evaluation.....	11
I. Investment Strategy.....	11
Trade Aggregation Policy .....	12
Trade Allocation Policy.....	12
Trade Errors .....	13
II. Methods of Analysis and Investment Selection.....	13
III. Risk of Loss.....	14
IV. Performance-Based Fees and Side-by-Side Management.....	16
V. Voting Client Securities .....	16
Item 7: Client Information Provided to Portfolio Manager .....	16
Item 8: Client Contact with Portfolio Managers .....	17
Item 9: Additional Information .....	17
I. Disciplinary Information.....	17
II. Other Financial Industry Activities and Affiliations.....	17
III. Code of Ethics .....	18
IV. Related Person May Invest in the Same Securities.....	19
V. Agency Cross Procedures.....	19
VI. Review of Accounts.....	19
VII. Nature and Frequency of Client Reports .....	20
VIII. Client Referrals and Other Compensation .....	20
Turnkey Asset Management Program (TAMP) .....	20
Client Referrals.....	20
Relationship with TD Ameritrade and Others.....	21
IX. Financial Information .....	26

## **Item 4: Services, Fees and Compensation**

---

### **I. Services**

The Edelman Managed Asset Program (“EMAP”) is a wrap fee asset allocation program. It has been sponsored by EFS (“legacy EFS” or “legacy Edelman Financial”) and is now sponsored by Edelman Financial Engines. Through EMAP, we create diversified asset allocation models for clients. Our wrap fee program is available to our clients and to unaffiliated registered investment advisers and their clients. We offer EMAP asset allocation models that consist of primarily no-load mutual funds and ETFs in a broad range of asset classes and market sectors, including domestic stocks, international stocks, global bonds and alternative investments. EMAP portfolios range from conservative to aggressive.

In order to determine the EMAP model most suited to a client's need, Edelman Financial Engines planners meet with clients to discuss their needs. Investment objectives and risk tolerance are the main factors that help Edelman Financial Engines planners recommend an asset allocation model. Planners also consider other inputs, such as the client’s age, health, family circumstances, income, expenses, assets, debts, liquidity needs, goals, personal objectives, time horizon and other relevant factors. Alternatively, the client may choose to use the Edelman Guide to Portfolio Selection (“GPS”) to guide them through the process and help them select an appropriate EMAP asset allocation model based on a variety of factors they input. The GPS is a risk-based approach, as opposed to the goals-based and risk-based approach typically taken when the client meets directly with a planner. Even if the client chooses the GPS they still have access to a planner. If a client’s investment objectives or financial situation changes, they are instructed to contact a planner.

Clients can place reasonable restrictions on the management of their accounts. This includes deciding to sell or not to buy securities or types of securities. Generally speaking a client cannot request that we buy a particular security or types of securities, however exceptions may be granted. We reserve the right, at our sole discretion, to close an account if unreasonable or overly restrictive conditions are requested.

### **II. Trading Authorization**

Once an EMAP asset allocation model has been selected, Edelman Financial Engines has limited discretionary authority to invest the assets in the account in accordance with the asset allocation model selected by the client through relevant custodians. Such discretionary authority includes the ability to select (and modify) the investments underlying each asset allocation model available in EMAP. EMAP clients must establish brokerage accounts with one of the custodians associated with EMAP, which currently include TD Ameritrade, Fidelity, E\*TRADE Savings Bank (“TCA by E\*TRADE” or “TCA”), and Pershing Advisor Solutions (“PAS”) (each, a “Custodian”). When Edelman Financial Engines transacts purchases or sales for a particular client’s account through a Custodian, the transaction costs associated with such trading activity are covered by the EMAP fee. (Please refer to the discussion of “Step-Out Trades” below for information about instances when clients will incur transaction costs in addition to the EMAP fee.) The Custodians perform all of the necessary brokerage services for accounts maintained with them and provide custody services of client assets. In choosing which Custodian to use for EMAP, Retail client accounts are established with TCA or TD Ameritrade while other client accounts are established with TD Ameritrade unless the client directs otherwise. On occasion, Edelman Financial Engines may direct a transaction to a broker-dealer other than one of the

Custodians for execution, as discussed further in “Step-Out Trades” below. In these cases, the broker-dealer is acting as an executing broker-dealer and delivers the transaction to the applicable Custodian for allocation to client accounts.

### **III. Rebalancing**

Each EMAP account is invested in accordance with the client’s asset allocation model. At the inception of an account, EMAP assets are invested in specific asset types, including mutual funds (including funds that are used as funding vehicles for variable annuity contracts) or ETFs that invest in a variety of equity securities or fixed income or cash instruments. Amounts invested in each fund are determined in accordance with the set asset allocation targets associated with the client’s model. Afterwards, as markets fluctuate, and values change, amounts originally allocated to a fund will either exceed or fall below the target allocations. We periodically adjust account holdings to be in line with the asset allocation targets, or “rebalance” the account. We do not rebalance accounts constantly, and asset allocations may drift away from the target asset allocation associated with the client’s model before legacy EFS, within our sole authority and judgment, brings those allocations back in line with the target percentages.

### **IV. Reallocation**

Edelman Financial Engines also has the limited discretionary authority to reallocate assets in models and client accounts. In a reallocation, we change the target percentages of some or all of the asset classes or types of assets relative to the total model. Models and accounts are monitored on an ongoing basis and assets reallocated based on market or other conditions as warranted. Changes in the asset allocation model are made based on a variety of factors, including but not limited to changes in the economic, financial or political climate; changes in the tax code; new economy innovation and technological disruption; and the management of the underlying securities used by the asset allocation model. Edelman Financial Engines may replace a particular security (or securities) if it significantly diverges from its relevant index in terms of risk or return with a security that is more in line with the risk/return profile of the relevant index, or if there is a different security that, in our opinion, would be better suited for the client’s account or a model portfolio in general. Clients are sent confirmations by the relevant Custodian for any transactions effected in their accounts.

### **V. Edelman Retirement Program**

Edelman Financial Engines makes the legacy EFS Edelman Retirement Program (“ERP”) available to plan sponsors of 401(k), profit-sharing, non-qualified deferred compensation and retirement plans (“Plans”). These Plans include both participant-directed and trustee-directed Plans. Through ERP, Edelman Financial Engines creates and maintains model asset allocation portfolios for Plans. ERP is only utilized by legacy EFS planners for smaller Plan Sponsor customers, and will not be offered to our legacy Financial Engines Plan Sponsor customers.

Generally, our planner holds an initial meeting with the Plan sponsor (or other Plan fiduciary or agent) to explain the services available through the ERP and to collect detailed financial data about the Plan. Emphasis is placed on identifying the Plan’s investment objectives and determining the financial situation of the Plan. If the Plan sponsor (or other Plan fiduciary or agent) determines that the ERP is appropriate for the Plan, then the Plan sponsor (or other Plan fiduciary or agent) will establish an ERP account on behalf of the Plan.

## VI. Legacy EFS Institutional Advisory Services

Utilizing EMAP, legacy EFS planners provide investment management services to a variety of small and mid-sized companies, organizations, endowments and associations. The services offered can include drafting an investment policy statement, developing an asset allocation model, preparing a financial profile and/or providing investment management services.

## VII. Fees and Compensation

The fee charged for clients who enrolled in EMAP with one of legacy Edelman Financial Engines' planners will be assessed according to their existing fee schedule as detailed below unless and until such fees are changed. Fee changes will be communicated, as appropriate, per the terms of the agreements governing the accounts. At this time, it is envisioned that legacy Edelman Financial clients will transition to the fee schedule listed below for new clients in early 2019.

### EMAP Retail and EMAP Institutional

#### Fees for New EMAP Retail Clients

New EMAP retail clients who begin working with Edelman Financial Engines on or after November 1, 2018, pay fees for services obtained pursuant to the following schedule unless certain limited exceptions apply, which will be detailed to relevant clients as appropriate.

New EMAP Retail Client Fee Schedule	
Assets	Annual Fee
\$0-400,000	1.75% on the first \$400,000
\$400,001-750,000	1.25% on the next \$350,000
\$750,001-1,000,000	1.00% on the next \$250,000
\$1,000,001-3,000,000	0.75% on the next \$2,000,000
\$3,000,001-10,000,000	0.60% on the next \$7,000,000
\$10,000,001-25,000,000	0.50% on the next \$15,000,000
\$25,000,000 +	Negotiable

#### Fees for Legacy EMAP Retail Clients

Clients who are already enrolled in the EMAP program and began working with a legacy Edelman Financial planner before November 1, 2018, will continue to be assessed fees as is listed below. The terms "advisory fee" and "wrap fee" may be used interchangeably when referring to an EMAP account.

EMAP Retail – Legacy EFS Client Fee Schedule	Fee
First \$150,000	2.00%
Next \$250,000	1.65%
Next \$350,000	1.25%
Next \$250,000	1.00%
Next \$2 million	0.75%
Next \$7 million	0.60%
Next \$15 million	0.50%
Amounts above \$25 million	Negotiable

When calculating advisory fees, household accounts that are managed as one relationship are aggregated to determine the lowest percentage per the above fee schedule. Also, when calculating advisory fees, we may exclude, at our discretion, certain assets if they are unable to be invested in EMAP. In addition, Edelman Financial Engines does not provide investment advisory services or charge advisory fees on certain “unmanaged accounts”, which are assets held in a separate account from EMAP assets. Legacy EFS planners may be compensated differently depending on the source of the client.

It is envisioned that legacy EMAP retail clients will move to the fee schedule for new EMAP retail clients listed above in early 2019, however they will continue to pay the same fees they currently do for the near term. Any such relevant changes in fees will be communicated to clients as explained in the client agreements governing the accounts at issue.

#### Fees for EMAP Institutional Clients

EFS Institutional clients pay fees as follows on an EMAP account:

<b>EMAP Institutional Fee Schedule</b>	<b>Fee</b>
Up to \$999,999	1.40%
\$1 million to \$1,999,999	1.00%
\$2 million to \$4,999,999	0.75%
\$5 million to \$9,999,999	0.60%
\$10 million to \$24,999,999	0.50%
\$25 million +	negotiable

For both EMAP retail and EMAP Institutional, fees are not negotiable other than as disclosed in the fee schedule above or in limited circumstances as will be discussed with relevant clients as appropriate. The above advisory fee schedules are based on the assets under management the client invests in the program and are not dependent on the amount of trading in the account or the advice given in any particular time-period. The fees assessed for EMAP may cost a client more or less than purchasing such services separately. Such service costs if provided directly may be more or less expensive than the EMAP fee depending on a number of factors, such as the type and frequency of trading.

Clients authorize their Custodian, on behalf of Edelman Financial Engines, to deduct EMAP fees from their accounts. The fee is based on the average daily balance of the EMAP account. The first payment is calculated based on the number of days assets are placed in the account during a calendar quarter. Subsequent fees are determined based on the average daily balance for the quarter ending on the last day of each calendar quarter. Fees are deducted from the client’s account in arrears. For margined accounts, the fee may be added to the margin balance unless the client elects to deposit cash or liquidate securities. If an account is terminated prior to the end of a calendar quarter, the terminating client will pay prorated fees due up to the termination date.

Legacy EFS has established a Turnkey Asset Management Program (“TAMP”), whereby the Firm makes the EMAP asset allocation models available to clients of select unaffiliated investment advisers (“TAMP Advisors”). The EMAP fee, per the above EMAP Retail fee schedule, is shared

between legacy EFS and the TAMP Advisors on a negotiated basis. The client does not pay an increased fee for EMAP because of this arrangement. Clients will pay the same fee, regardless of whether the client selects an EMAP asset allocation model through a legacy EFS planner or a TAMP Advisor. Legacy EFS pays a negotiated percentage, up to 60% of the annual account fee, to TAMP Advisors on EMAP accounts initiated and serviced by TAMP Advisors. Also, at no additional cost to the client, legacy EFS may occasionally pay additional basis points to the TAMP Advisor.

### **Fees for Edelman Retirement Program Clients**

Edelman Retirement Program (ERP) clients pay fees as follows on their account.

ERP Plan Assets	Fee
\$0 to \$2 million	1.00%
\$2 million to \$5 million	0.85%
\$5 million to \$10 million	0.70%
\$10 million to \$15 million	0.60%
\$15 million to \$20 million	0.50%
\$20 million +	negotiable

Except as otherwise agreed to by the Plan sponsor (or other Plan fiduciary or agent) and Edelman Financial Engines, the Plan's recordkeeper, custodian or other service provider will deduct the wrap fee from Plan accounts and remit such amounts to Edelman Financial Engines. The fee is based on the balance of the total assets of the Plan accounts invested in the Models and Underlying Funds as of the end of each calendar quarter and does not include Plan assets that are invested in other options (such as those available through self-directed brokerage windows or funds or securities other than the Underlying Funds). The first payment is prorated for assets that are placed in Plan accounts during a calendar quarter. Subsequent fees will be determined based on the last day of each quarter. Fees are deducted from the client's account no later than the thirtieth (30th) day after the end of each quarter, in arrears. If an account is terminated prior to the end of a calendar quarter, the terminating client will pay prorated fees due up to the termination date. The fee schedule above shows the annual percentages.

If a Plan sponsor (or other Plan fiduciary or agent) is introduced to ERP through an unaffiliated registered investment adviser, Edelman Financial Engines' services will be limited to discretionary management of the Models. In such cases, Edelman Financial Engines charges an annual fee of 0.35% of Plan assets invested in the Models and Underlying Funds. The unaffiliated adviser is not paid any portion of the wrap fee and may charge a separate fee for its services that is in addition to the Edelman Financial Engines fee.

### **Other Relevant Fee Information for EMAP Retail, EMAP Institutional, and ERP Clients**

EMAP Clients pay a wrap fee, which covers brokerage execution costs associated with trades placed through one of the program Custodians, without regard to the number of transactions executed during the billing period. Legacy EFS has negotiated fees with TCA by E\*TRADE, TD Ameritrade, Fidelity, and Pershing Advisor Solutions ("PAS") for clearing and execution services. Also, for ERP clients, the Plan's recordkeeper, custodian or other service provider may charge a

separate fee to cover the administrative, trust, custody and other record-keeping costs associated with Plan accounts invested in the Investment Options. Transaction costs imposed by the above custodians are covered as part of the wrap fee. The wrap fee does not include certain account and securities-related costs, including the fees embedded in the mutual funds, ETFs or other holdings in which EMAP accounts invest. These underlying fees vary and are deducted by the fund company directly from invested assets. Further information on these fees can be found in the prospectuses of the mutual fund or ETF. In addition, the fee does not include debit balances, related margin interest, IRA and retirement plan fees, transfer fees, fees imposed by regulators, fees for certain money market funds and mutual funds, wire transfer fees, overnight check fees, account closing fees, paper statement delivery fees, non-standard asset fees, insufficient fund fees, returned check fees, transaction charges for fund level asset allocation model trades, expenses charged by the mutual funds (including management fees, transaction charges incurred for fund-level asset allocation model trades, custody of fund assets and other fund expenses), expenses charged by the variable annuities and exchange-traded funds, or other fees or taxes that are required by law.

Transactions executed on behalf of EMAP clients are executed for a single wrap fee (except as noted in “Step-out Trades” below), which reduces the potential conflict of interest associated with executing a large number of orders for client accounts and earning transaction-based compensation following each order. In addition, EMAP invests client assets in no-load shares of open-end registered investment companies and ETFs. Edelman Financial Engines and its planners receive compensation based on the assets under management the client has invested in the program. Neither Edelman Financial Engines nor its planners earn any additional revenue from EMAP accounts beyond the wrap fee. A portion of the advisory fee is paid to the planner; however, such compensation does not vary based on which or how many securities are bought, sold or held in each EMAP account. The advisory fee earned may be more or less than what Edelman Financial Engines or its planners might earn from other programs available in the financial services industry or if the services were purchased separately. EFS may negotiate a reduction in fees or other costs on services provided by third-party service providers based on size, volume or other factors. Because the cost to the client of these services is included in the wrap fee, any negotiation of lower costs to EFS will not be reflected in the client’s costs.

Because any holding held in a client’s EMAP account has its own internal expenses, changing one or more investment funds in an EMAP model and, as a result, the relevant client accounts, will likely result in a change to the expense ratio of the overall portfolio. The resulting expense ratio may be higher or lower than the expense ratio of the original portfolio. If a change is made and the expense ratio of the new fund is in fact higher than that of the fund or investment that was replaced, clients will incur a greater expense than previously incurred. Clients should understand that, while EFS takes the cost of particular investments into account when making investment decisions for the models and accounts in EMAP, cost is one of the many factors that are considered. Other factors that are considered include: overall diversification, return, risk adjusted return, exposure to particular asset classes or market sectors in which the firm and Investment Committee have conviction, internal characteristics, trading impact, liquidity and manager reputation.

**Step-Out Trades**

In certain circumstances, Edelman Financial Engines may choose to execute trades for client accounts with a broker-dealer other than those listed above if we reasonably believe that

another broker-dealer can obtain a more favorable execution under the circumstances. Occasionally, Edelman Financial Engines will utilize a broker-dealer other than one of the Custodians to execute large transactions if we determine that it is in our clients' best interest and that other broker-dealer has the capability to handle such large transactions and to reduce or eliminate any potential negative price fluctuation. This generally will occur when the size of the transaction in any one security is so large that it could cause the price of the security to fluctuate, up or down, resulting in an unfavorable execution price for our clients. Where Edelman Financial Engines trades through a broker-dealer other than one of the Custodians, the EMAP wrap fee does not include the compensation that is paid to that broker-dealer. This compensation is embedded into the price of the security which is paid by the client. These additional costs are in addition to the wrap fee paid by the client.

### **Best Execution**

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

## **Item 5: Account Requirements and Types of Clients**

---

### **I. Account Requirements**

For retail EMAP clients, the following minimum account balances apply: 1) the client household minimum account size is \$5,000, although this minimum may be reduced or waived at our discretion (the minimum account size in EMAP for Edelman employees is \$3,000); 2) for institutional clients, the minimum account size is \$500,000, although this may be waived or reduced at our discretion; and 3) the ERP program has no minimum account size. The minimum retail annual fee is \$100, which may be waived at our sole discretion.

### **II. Brokerage Selection**

Clients who establish an EMAP account with legacy Edelman Financial agree to select a custodian with whom we have a clearing arrangement. These custodians execute and clear transactions and provide certain custody services for EMAP wrap fee clients. Currently, EMAP clients may choose as their unaffiliated registered broker-dealers as Custodians: TD Ameritrade, Fidelity, E\*TRADE Savings Bank ("TCA by E\*TRADE" or "TCA") or Pershing Advisor Solutions ("PAS") (as cleared through Pershing LLC). While clients may select any one of these four, Retail client accounts are established with TCA or TD Ameritrade unless the client directs otherwise.

While we anticipate that transactions placed in a client's account will be executed through one of these Custodians associated with EMAP, in limited circumstances legacy EFS may choose to execute trades with another broker-dealer, as is detailed above. Each Custodian also makes available other trading options that Edelman Financial Engines can select, if deemed necessary, such as algorithmic trades. Each Custodian also provides services that are typically made available to institutional investment managers and generally not to retail clients. These services include duplicate client statements and confirmations, access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts), the ability to have advisory fees deducted directly from client

accounts and access to mutual funds with no transaction fees. Custodians receive compensation for their services either through a fixed percentage fee based on all EMAP account assets that are maintained in the custody of their firm or on a transactional basis. All clients in the Institutional Program and a limited number of EMAP clients are handled on a transactional basis. Because the cost of what each Custodian charges legacy EFS is included in the wrap fee, whether the Custodian charges legacy EFS a fixed percentage or on a transactional basis has no bearing on what the client pays.

In selecting broker-dealers, including Custodians, we evaluate the full range of services offered, the quality of those services and any costs indirectly borne by clients, to determine if the firm provides overall quality of service for the price. Quality of service includes, among other things, execution capability, commission rate, financial responsibility, responsiveness to the adviser, and the value of any research provided. While we attempt to negotiate favorable rates for transactions and believe that each Custodian we select offers competitive rates, we do not select a Custodian solely due to cost. While another Custodian may offer the same services at a lower overall cost, Edelman Financial Engines is not required to move accounts to that Custodian.

### **III. Types of Clients**

Edelman Financial Engines generally provides investment advice to individual investors, participants in employer-sponsored defined contribution plans, trusts, estates, pension, retirement and profit sharing plans, charitable organizations, foundations, associations, high net worth individuals, institutions, small to mid-sized businesses including corporations, and other business entities.

## **Item 6: Portfolio Manager Selection and Evaluation**

---

We do not select or utilize the services of any third-party portfolio manager in EMAP. The Investment Committee is responsible for investment management of EMAP assets and establishing the EMAP Investment Selection Policy. The EMAP Portfolio Manager is responsible for implementing and monitoring that policy.

### **I. Investment Strategy**

Fundamental to Edelman Financial Engines' mission is providing comprehensive financial advisory services which will help our clients work towards achieving their long-term financial goals. The mechanism to achieve those desired outcomes will depend on a variety of factors, some applicable to most or all clients and some highly personalized to individual account holders. While individual circumstances are prioritized, we are also guided by certain overarching methods of analysis and investment strategies. Some of those broad methods of analysis and strategies are addressed below.

Broadly speaking, Edelman Financial Engines' investment philosophy is guided by certain basic principles, including:

- Developing diversified portfolios that feature a range of asset classes and market sectors;
- Striking a balance between the most cost-effective and historically successful holdings to achieve that diversity;

- Maintaining investment strategies, and often individual investments, longer term;
- Strategically reallocating investments as conditions warrant and as goals, time frames or other material realities of clients change; and
- Periodically rebalancing as needed to ensure long term commitment to overall strategies and allocation targets.

EMAP is diversified, invests in primarily no-load mutual funds and ETFs, and features as many as nineteen (19) asset classes and market sectors. This approach cannot ensure investment success or prevent loss in a declining market. Past performance is no guarantee of future results.

**Trade Aggregation Policy**

Whenever appropriate, legacy EFS may aggregate same side (purchase/sale) transactions for certain securities on behalf of all EMAP accounts, including accounts of planners and employees. It is the policy of legacy EFS that such transactions will be allocated to all participating client accounts in a fair and equitable manner. There is no preferential treatment given to any account. Transactions may be aggregated together to achieve an average execution price. Mutual funds are purchased directly from the issuer, and no aggregation of these transactions occurs.

**Trade Allocation Policy**

In an effort to seek best execution for clients and treat all clients fairly and equitably over time, Edelman Financial Engines utilizes a rotation procedure for executing trades. All client, employee and EMAP accounts are included in the rotation. Generally, EMAP equity trades are executed at their respective Custodian and when deemed appropriate will be done on a block basis. The order of the Custodians' trades will be rotated on a daily basis and in sequential fashion. On occasion, Edelman Financial Engines may direct a transaction to a broker-dealer other than one of the Custodians if we believe we can obtain better execution, as discussed further in "Step-Out Trades" in Item 4.

Edelman Financial Engines reserves the right to modify the rotation procedure for a variety of reasons. An example of this could be if any Custodian has a large block order in a particular security. To avoid having a large order unfavorably impact liquidity or the execution price, the order may be executed using various other trading strategies. If Edelman Financial Engines elects to execute any orders in this manner, then the rotation schedule for that day will be altered. The normal rotational schedule will continue the following day.

In the limited circumstances when 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 order fill is generally allocated among the participating client accounts based on the size of each account's 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.

It is Edelman Financial Engines policy to allocate investment opportunities amongst its clients on a basis that it determines in good faith is reasonable and appropriate, considering contractual obligations, portfolio diversification objectives, the specific nature of the investment, the risk-return profile of the investments, the specific investment objectives of each client, trade size,

regulatory considerations, and any operational or logistical considerations or limitations, or other factors deemed relevant by Edelman Financial Engines under the circumstances. While the goal of this policy is to achieve fair and equitable allocation of investment opportunities over time, it may not be possible to treat each client or group of clients exactly alike in every circumstance. Transactions for different accounts or for other clients' accounts might not be made at the same time, may be made on different days, and may be made over multiple days. In handling purchases and liquidations, we will execute transactions without regard to pending dividend or capital gains distributions, stock splits, mergers, or other corporate or financial events. Edelman Financial Engines will seek to resolve any conflicts of interest associated with the allocation of any investment opportunity in a manner that it determines in good faith to be reasonable and appropriate.

### **Trade Errors**

As a fiduciary, Edelman Financial Engines seeks to effectuate trade orders and account related actions correctly, promptly and in the best interests of its clients. In the event an error occurs in the handling of any client transaction due to Edelman Financial Engines' actions or inactions, Edelman Financial Engines' policy is to promptly investigate and correct such errors without disadvantaging its clients, seeking a fair and appropriate resolution while taking into account the surrounding facts and circumstances.

Generally, if an error is categorized as a trade error and is the responsibility of Edelman Financial Engines, the client transaction will be corrected and Edelman Financial Engines will be responsible for client losses resulting from an inaccurate or erroneous order, with certain possible exceptions for smaller errors valued at less than \$25.

Occasionally, an error is caused by a client. In those situations where Edelman Financial Engines can correct it, the error will be corrected promptly in the client's best interest and reviewed on a case-by-case basis to determine the party responsible for potential losses. Edelman Financial Engines relies on a significant amount of data from multiple sources and cannot guarantee that all relevant data are free from error. Clients should always review relevant documents to ensure that trades, information and data are accurate and free of error to the best of the client's knowledge.

## **II. Methods of Analysis and Investment Selection**

For clients who obtain services directly through legacy Edelman Financial planners, Edelman Financial Engines – consistent with the general principles outlined above – relies upon an investment philosophy which seeks to help clients achieve their long-term investment goals. Potential investments may be selected based on a number of qualitative and quantitative factors, including, but not limited to past performance (as applicable), diversification characteristics, fees and a variety of academic statistics including beta, standard deviation, R-Squared and Sharpe Ratio, as well as qualitative considerations including, but not limited to, exposure to particular asset classes or market sectors in which the firm has conviction, internal characteristics, trading impact, liquidity and manager reputation. Edelman Financial Engines uses a number of different methods to model the risk and return properties of these investments, including returns-based style analysis, compositional analysis, and qualitative review of fund managers. Assessments of forward-looking returns may incorporate information on expenses, turnover, and risk-adjusted manager performance. For investments held in taxable accounts, Edelman Financial Engines may also analyze the tax efficiency of those investments.

For all account types, and consistent with its fiduciary duties, Edelman Financial Engines' policy is to exercise high levels of care and prudence in making and implementing investment decisions for client accounts. Edelman Financial Engines typically employs validation tests and operational oversight and quality control procedures. We also obtain and utilize information and data from a wide variety of public and private sources as well. Neither Edelman Financial Engines nor our planners independently verify or guarantee such information and data, which may not be free from error.

### III. Risk of Loss

The investments in these models include (but may not be limited to) mutual fund shares of no-load, open-end registered investment companies, and exchange traded funds ("ETF"), although EMAP model may also invest in other types of holdings as appropriate, all which have risks associated with them – including the risk of loss of principal. Edelman Financial Engines strives to help clients manage these risks to within acceptable levels. For example, Edelman Financial Engines constructs portfolios with allocations across numerous asset categories. This diversification is intended to reduce the volatility in clients' investment portfolios when compared to a single asset category, such as large cap growth stocks or small cap value stocks. While a diversified investment portfolio, including a portfolio of investment products representing different asset categories, can mitigate some risks, it does not and cannot prevent all loss. Ultimately, such risks are borne by the client, so we encourage clients to carefully read and consider these risks and discuss them with their planner if any questions arise.

While not all risks are listed below, some of the material risks which may lead to a loss in the value of a client's overall account and/or risks which may attach to a specific investment product or vehicle include:

- **Market Risk** – The price of a security, bond, mutual fund or other investment may drop in reaction to tangible or intangible events and conditions at any time. Economic, political and/or issuer-specific events may cause the value of securities to rise or fall. Because the value of investment portfolios and holdings will fluctuate, there is the risk that a client will lose money and their investments may be worth less upon liquidation than it was at the time of purchase.
- **Business Risk** – There can be certain risks associated with investing in a particular industry or market sector. For example, investments in a fund which invests in energy sector holdings may be affected by external political or economic events affecting oil-producing companies or countries.
- **Category or Style Risk**: During various periods of time, one category or style of holdings may underperform or outperform other categories and styles. For example, during certain periods of time value-oriented mutual funds may outperform large cap growth funds, or vice versa.
- **Foreign Securities and Currency Risk** - Investments in international and emerging-market securities include exposure to risks such as currency fluctuations, foreign taxes and regulations, and the potential for illiquid markets and political instability.

- **Capitalization Risk** - Small-cap and mid-cap companies may be hindered due to limited resources or less diverse products or services, and their stocks have historically been more volatile than the stocks of larger, more established companies.
- **Interest Rate Risk** – Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds may become less attractive, causing their market values and the market value of any mutual fund or exchange-traded fund holding those bonds to decline.
- **Reinvestment Risk** – There is a risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (for example, at a lower interest rate). This risk is primarily related to fixed income securities.
- **Inflation Risk** – When any type of inflation is present, purchasing power may be eroding at the rate of inflation. Also referred to as purchasing power risk, this risk also reflects the possibility that the cash flows from an investment will not be worth as much in the future due to changes in purchasing power due to inflation.
- **Credit Risk** - Credit risk is the risk that the issuer of a security may be unable to make interest payments and/or repay principal when due. A downgrade to an issuer’s credit rating or a perceived change in an issuer’s financial strength may affect a security’s value and, thus, impact the performance of the issue – and any mutual fund or exchange-traded fund which holds it.
- **Concentration Risk** - There is a risk associated with having too much invested in a given sector, type of holding, or similar concentration. Concentration risk may be further compounded by factors such as asset correlation or performance, and may be compounded by certain securities, or types of securities, being held in various investment vehicles in a portfolio.
- **Risks Associated with Positions in ETFs with which Legacy EFS was Involved** – Certain models historically available through legacy Edelman Financial include positions in the SPDR S&P North American Natural Resources ETF (“NANR”) and/or the iShares Exponential Technologies ETF (“XT”). At a certain point of time, Ric Edelman became interested in how new economy innovation and technology disruption would change investing. As a result, he articulated certain principles that BlackRock later used in creating XT. Ric Edelman played a similar role with respect to NANR. XT and NANR are sponsored and managed by BlackRock and State Street Global Advisors, respectively. Neither Ric Edelman nor Edelman Financial Engines receives any direct or indirect compensation from either of the funds or their respective affiliates based on the sale of, or investment in, either fund. For each of these funds a very significant percentage of each ETF’s total assets may be held by legacy Edelman Financial clients. Such large concentrations present a variety of risks. For example, should the Firm decide to transition out of one or both of the funds, the high concentration of legacy Edelman Financial clients within NANR and XT could lead to liquidity risk and/or reputational risk.

- **Exchange-Traded Funds** – Exchange-Traded funds present market and liquidity risks. They are listed on a public securities exchange and are purchased and sold via the exchange at the listed price, which will vary based on current market conditions and may deviate from the net asset value of the exchange-traded fund’s underlying portfolio. There may also be a lack of an active market for certain funds, and/or losses from trading in secondary markets.
- **Performance of Underlying Managers** - We select the mutual funds and ETFs in a client’s portfolio based on a variety of criteria. However, we depend on the manager of such funds to select individual investments in accordance with their stated investment strategy. Should a fund manager deviate from such norms, or do a poor job of selecting investments, a given investment might underperform or face enhanced risk.

#### **IV. Performance-Based Fees and Side-by-Side Management**

Edelman Financial Engines does not charge any performance-based fees (that is, fees based on a share of capital gains on or capital appreciation of the assets of a client). Given this, Edelman Financial Engines does not manage both accounts that are charged a performance-based fee and accounts that are charged another type of fee at the same time (or engage in side-by-side management). Please see Item 4 above for additional details on fees and compensation related to the advisory services which Edelman Financial Engines offers.

#### **V. Voting Client Securities**

Edelman Financial Engines does not accept proxy voting responsibility for client EMAP accounts. Therefore, we have no obligation or authority to take action or render any advice with respect to the voting of proxies solicited by or with respect to issuers of securities held in client EMAP accounts. We expect EMAP clients to expressly retain the authority and responsibility for proxy voting. With respect to ERISA accounts, we generally expect the Plan sponsor to expressly retain the authority and responsibility for proxy voting and to specify in writing who has voting authority. All other EMAP clients will receive proxies directly from the fund companies. Clients may direct any questions to their planner should the need arise. Edelman Financial Engines does not have the legal authority or responsibility for initiating, taking, advising on, or responding to any action with respect to potential or existing class action litigation, bankruptcy or any other proceeding involving any security held in such clients’ accounts. Clients in such accounts wishing to discuss a particular solicitation can contact their planner or call 1-800-601-5957, although Edelman Financial Engines does not offer recommendations as to how to vote such proxies absent extraordinary circumstances.

### **Item 7: Client Information Provided to Portfolio Manager**

---

Legacy EFS planners meet with clients to discuss their needs. Investment objectives and risk tolerance are the main factors that help us recommend an asset allocation model. We also consider the client’s personal situation, including age, health, family circumstances, income, expenses, assets, debts, liquidity needs, goals, personal objectives, suitability, time horizon and other relevant factors. Clients are permitted to impose reasonable restrictions on the management of their accounts. When imposing restrictions, clients may request that particular securities or types of securities not be purchased, not be sold or that such securities (if held in the account) be sold. Clients, however, cannot request that particular securities be purchased for their accounts. Additionally, Edelman Financial Engines has no influence or control over the

mix of securities held by any mutual fund, variable annuity or ETF in which client accounts may be invested. We reserve the right, at our sole discretion, to reject any account for which unreasonable or overly restrictive conditions are requested. On at least an annual basis, EMAP clients are contacted to update their personal and financial information, including health, employment, marital and family status, time horizon, goals and objectives, and risk tolerance.

### **Item 8: Client Contact with Portfolio Managers**

---

Clients are generally free to contact Edelman Financial Engines and their planner or an assigned planner at any time during normal business hours via telephone, facsimile, mail or email. In-person meetings should be scheduled in advance to ensure that the planner is available. Generally, clearing/custodian broker-dealers and the issuers or sponsors of investments used by the program are not available to answer questions or discuss specific investment issues. However, if a client has a specific need, we will make a reasonable attempt to arrange the discussion.

### **Item 9: Additional Information**

---

#### **I. Disciplinary Information**

There are no legal or disciplinary events to disclose that are deemed material to a client or prospective client's evaluation of FEA's advisory business or the integrity of FEA's management.

#### **II. Other Financial Industry Activities and Affiliations**

FEA is not a registered broker-dealer or insurance agency. It is affiliated with: a) EF Legacy Securities, LLC ("EFLS"), which is both a registered broker-dealer and an insurance agency; b) Edelman Financial Services, LLC ("EFS"), which is an insurance agency; and c) TMFS Insurance Agency, LLC, which is an insurance agency. FEA is also under common indirect ownership and control with other broker-dealers and investment advisers, but FEA does not maintain any material business relationships with such other investment advisers and/or broker-dealers. We do not believe that these affiliations create a material conflict of interest for FEA's current or prospective clients.

All Edelman Financial Engines planners are fee-only and receive no commissions from affiliates or other entities. Neither Edelman Financial Engines nor any of its planners sell new broker-dealer or insurance products or services. FEA's affiliates continue to receive broker-dealer and insurance related compensation in relation to products or services previously sold to clients in certain circumstances, as is discussed below. We expect this to cease as those affiliates see their functions, ownership and/or scope change. FEA does not sell or distribute proprietary investment products or assess sales charges. It does sponsor this EMAP wrap fee program.

Certain legacy Edelman Financial planners maintain individual insurance licenses in order to provide comprehensive investment advice and financial planning to clients. No planners sell insurance products or services; for clients who have insurance needs, Edelman Financial Engines planners generally refer them to unaffiliated third-party insurance agencies to provide the most appropriate insurance product. Some referrals may be made to TMFS Insurance Agency, LLC, an affiliate. No Edelman Financial Engines planners receive any commissions, sales credits or other compensation from such referrals, one of Edelman Financial Engines' insurance affiliates may. We do not believe that any of these activities create a material conflict of interest for Edelman Financial Engines' current or prospective clients.

EFLS no longer sells broker-dealer products or services, but it continues to service EFLS accounts previously established by legacy EFS advisory clients. No Edelman Financial Engines planners or client-facing staff maintain FINRA licenses. Certain registered staff remains in place to meet client needs related to client assets held on an accommodation basis. No planner will receive commissions or other compensation on any client's EFLS assets being held as part of EFLS' accommodation role for clients. EFLS will receive commissions or other compensation on a client's EFLS assets as applicable until such time as EFLS completes an orderly wind down or transition process likely by the end of 2019.

FEA is not a futures commission merchant, commodity pool operator, or commodity trading advisor, nor does it have any applications pending to register as one. Similarly, none of FEA's management persons are associated persons of a futures commission merchant, commodity pool operator, or commodity trading advisor, nor do they have any applications pending to register as one.

### **III. Code of Ethics**

Both legacy Financial Engines and legacy Edelman Financial have adopted a Code of Ethics (the "Codes") pursuant to SEC Rule 204A-1 and/or similar state rules. While harmonization is envisioned, legacy employees continue to operate under one of those two Codes on an interim basis. New employees are governed by one or the other of those Codes, as indicated to them at the time they become an employee of Edelman Financial Engines. It is envisioned that all Edelman Financial Engines employees will be governed by a single Code in the short term. A copy of either or both Codes will be provided to any client or potential client upon request. To request a copy, please call 1-800-601-5957, or request a copy in writing at: Compliance Department, Edelman Financial Engines, 28 State Street, 21st Floor, Boston, MA 02109.

While there may be differences in approach in either Code, they remain consistent in their goals and expectations. Of primary importance is adhering to a fiduciary standard and always putting the interests of our clients first. Maintaining high standards of ethical conduct is core to Edelman Financial Engines and the manner in which it approaches financial planning. To that end, both Codes establish and reinforce the standard of business conduct that is expected of persons associated with Edelman Financial Engines and provide specific guidance related to avoiding actual or apparent conflicts of interest. The Codes emphasize certain governing principles that Edelman Financial Engines personnel should always be mindful of in the course of their work, including the duty at all times to place the interests of clients first, the importance of protecting the sanctity of material non-public information and the obligation to report violations of the Codes. Persons designated as Access Persons under the Codes (currently all employees subject to the Edelman Code and a defined subset of employees governed by the Financial Engines Code) may be subject to additional, specific requirements with respect to their personal securities transactions, including the disclosure of all securities holdings on an annual basis, certain reporting on a transactional and quarterly basis and prior approval of transactions for certain designated securities and offerings. Neither Edelman Financial Engines nor its employees recommend to clients, or buys or sells for client accounts, securities in which the firm or a related person has a material financial interest.

**IV. Related Person May Invest in the Same Securities**

Both Codes contain procedures for distribution and acknowledgement of the Code to all personnel and provide education on its content and requirements both at the time of hire and periodically thereafter. The Codes have a series of rules designed to ensure that trading activity of Access Persons is appropriate. At times, officers and employees may purchase securities for their own accounts that may, in certain instances, be the same securities as those recommended to clients, such as shares of certain exchange-traded funds. Planners may also invest their personal funds in the same programs used by clients, such as EMAP. They may participate in a 401(k) plan which similarly invests in one or more EMAP allocation model. In this way, planners (through investments in these models) may buy or sell the same underlying securities as clients also invested in such models. This can include interests in mutual funds, ETFs or insurance products. Although employees get a fee reduction on EMAP accounts, these accounts are not given preferential trading treatment. Such accounts are monitored and rebalanced in the same manner as client accounts, in accordance with the same underlying asset allocation model strategy.

**V. Agency Cross Procedures**

To comply with the agency cross provisions of the Investment Advisers Act, legacy EFS has policies and procedures in place to ensure that transactions introduced on behalf of EMAP clients are not crossed with transactions introduced to the clearing firm on behalf of EFLS customers. Cross transactions do not apply to mutual funds since shares of mutual funds are purchased from their issuers and are not exchange-traded. Although ETFs are exchange-traded, legacy EFS does not, acting as investment adviser, recommend that such shares be crossed from one advisory client account to another and does not act as a broker-dealer with respect to any such potential cross transaction.

**VI. Review of Accounts**

Client accounts are reviewed daily by Edelman Financial Engines' trading system for potential rebalancing opportunities unless certain restrictions have been placed on the account. If that review indicates that holdings or allocations have deviated from relevant parameters, rebalancing or reallocation may occur as appropriate to address such movements. Evaluation of performance and determination of rebalancing parameters is generally overseen by an Investment Committee. Ongoing monitoring includes an evaluation of EMAP performance for potential changes to add, remove or reallocate asset classes, as well as potential changes to add, remove, or replace securities as market or other conditions warrant.

In addition to the above automated review, planners meet periodically with clients to review, amongst other things, the clients' goals, needs and risk tolerance and make relevant changes to their accounts based upon that review. They also discuss relevant issues to determine whether any changes in account strategy are warranted based on a series of inputs such as a client's personal circumstances, new time horizons or restrictions that the client may place on the investments in the account. In addition to such conversations, on at least an annual basis, EMAP clients are contacted in order to update their personal and financial information. The information is used to determine if there are any changes that could impact relevant account allocations, risk tolerance or other factors important to determining each client's investment portfolio. Clients may request an additional review at any time.

**VII. Nature and Frequency of Client Reports**

Clients participating in EMAP receive account statements at least quarterly and confirmations from the applicable Custodian and generally have unlimited and continuous access to their account information through websites offered and maintained by the account Custodian and Edelman Financial Engines.

**VIII. Client Referrals and Other Compensation****Turnkey Asset Management Program (TAMP)**

Legacy EFS has established a Turnkey Asset Management Program (“TAMP”), whereby the Firm makes the EMAP asset allocation models available to clients of select unaffiliated investment advisers (“TAMP Advisors”). Legacy EFS performs a due diligence review of each TAMP Advisor and their investment advisor representatives who will be offering EMAP prior to establishing the relationship and on an ongoing basis thereafter. We provide systems, services, and back-office support to the TAMP Advisors. Dedicated staff at legacy EFS administer and supervise the TAMP program. The TAMP Advisor initiates the relationship with the client and is the ongoing client relationship manager responsible for the relationship and such tasks as making investment recommendations and maintaining books and records. In such situations the EMAP fee is shared between EFS and the TAMP Advisor on a negotiated basis. The client does not pay an increased fee for EMAP because of this arrangement.

**Client Referrals**

Edelman Financial Engines compensates certain persons, entities and/or institutions (some affiliated and some not) for referrals. Compensation for client referrals is paid out of client fees paid to Edelman Financial Engines; however, clients pay only the fees and rates noted in the applicable fee schedule. Clients do not pay more whether they come to Edelman Financial Engines based on a referral or not. Compensation paid to a solicitor is negotiated between the solicitor and Edelman Financial Engines. These referrals comply with the Cash Solicitation Rule of the Investment Advisers Act, respective federal and state laws governing the same, and ERISA, if applicable.

Edelman Financial Engines has policies in place meant to ensure that those who are referred to Edelman Financial Engines through a non-client referral receive appropriate disclosures. To that end, new clients are provided a copy of the Edelman Financial Engines ADV and a copy of relevant written disclosure documents about fees. In addition, each client for which Edelman Financial Engines pays a referral fee receives disclosures setting forth the nature of activities conducted by the person or entity making the referral, the nature of the fees paid by Edelman Financial Engines, whether Edelman Financial Engines is affiliated with the solicitor and any other material terms which may be important to a prospective client’s decision to become an Edelman Financial Engines client under such circumstances.

In instances where Edelman Financial Engines utilizes a non-affiliated solicitor, the solicitor’s role is limited to that of a solicitor. Such solicitors are not an agent, representative or employee of Edelman Financial Engines, and that solicitor does not provide investment-related advice on behalf of Edelman Financial Engines. Each such solicitor has agreed to act in accordance with Edelman Financial Engines’ instructions and will not make any specific recommendations of securities or any other type of investment. Only Edelman Financial Engines will make specific

recommendations to a client of Edelman Financial Engines. Edelman Financial Engines may also pay for advertising services on digital or other platforms.

Those who become clients (or enhance the services they obtain from us) due to some or all of those scenarios will not pay more than other clients and will not pay fees beyond those listed in relevant fee disclosures. From time to time, the Firm may initiate programs for employees to refer clients to legacy EFS that result in funded accounts.

### **Relationship with TD Ameritrade and Others**

#### Advisory Panels

From time to time, legacy EFS employees serve on TD Ameritrade Institutional, Dimensional Fund Advisors LP (“Dimensional”), Orion and/or Salentica Advisory Panels. The panels are sponsored by those companies and consist of independent advisers who advise those companies on issues relevant to the service, technology and products provided by them. Panel members are not compensated for their participation; however, TD, Orion and/or Salentica either pays or reimburses legacy EFS for the travel, lodging and meal expenses incurred when legacy EFS employees attend panel meetings; Dimensional pays only for meal expenses. From time to time, Dimensional may sponsor legacy EFS corporate events, which could include use of Dimensional’s facilities. While service on these panels could create a conflict of interest, the economic sums involved are minimal and such conflicts, if they did exist, would be immaterial.

#### Orion and Salentica

Orion and Salentica, (two vendors legacy EFS uses), along with other companies, have formed an “Institutional Alliance” with TD Ameritrade. Legacy EFS uses Orion as its portfolio accounting system for some accounts and Salentica as its Client Relationship Management (CRM) system and may from time to time use other vendors which are part of the Institutional Alliance. The relationships between legacy EFS, Orion, Salentica and TD Ameritrade, and their participation in the Institutional Alliance, may present a conflict of interest in that it may make it less likely that legacy EFS would move away from some or all of these potentially mutually beneficial relationships.

#### E\*TRADE Savings Bank (“TCA by E\*TRADE”)

For retail clients, TCA by E\*TRADE (“TCA”) provides custodial services to legacy EFS which include safekeeping of assets, producing trade summaries and quarterly account statements, deducting advisory fees from client accounts, and performing account allocations. TCA also directs third parties to handle trade execution, clearance, and settlement of transactions. These tools benefit legacy EFS but may not benefit client accounts. Furthermore, the annual asset fee that TCA charges is contingent upon the assets under custody that legacy EFS holds with TCA. Legacy EFS participates in E\*TRADE Securities LLC (“E\*TRADE”)’s referral program.

These arrangements with TCA and E\*TRADE, and the economic benefits to legacy EFS that result, create a potential conflict of interest and could directly or indirectly influence legacy EFS to make it more likely that a client will choose TCA for custody and brokerage services even though a Custodian other than TCA may be able to provide better quality service or provide services at a lower cost. However, because the cost to the client of these custodial services is included in the wrap fee, lower costs to legacy EFS will not be reflected in the client’s costs.

However, Edelman Financial Engines would not act in a manner which it felt was not in the best interest of its clients.

*E\*TRADE Securities LLC (“E\*TRADE”)’s Referral Program*

Additionally, legacy EFS participates in E\*TRADE Securities LLC (“E\*TRADE”)’s referral program. E\*TRADE is an independent, unaffiliated broker-dealer registered with the SEC. E\*TRADE does not have the authority to make representations or accept clients or accounts on behalf of Edelman Financial Engines. E\*TRADE is not providing any investment advice to legacy EFS clients. It is legacy EFS’s sole discretion whether to accept or reject a referral from E\*TRADE and legacy EFS is solely responsible for determining the suitability of any advisory services provided to the referred client. Planner’s participation does not reduce or eliminate planner’s fiduciary duties to clients it otherwise would have.

Legacy EFS pays E\*TRADE a referral fee of 23 basis points for as long as the referral remains an investment advisory client of legacy EFS. Legacy EFS also pays such referral fees to E\*TRADE if additional accounts over which a referred client has beneficial ownership or authority engages with legacy EFS for investment advisory services, or if certain of the referred client’s relatives or members of their household also engage with legacy EFS for investment advisory services. Referred clients will not pay any additional or higher fees as a result of being referred from E\*TRADE. The amount and level of the fees charged by legacy EFS to its clients referred by E\*TRADE are the same as or less than the fees charged to other clients receiving comparable services for comparably sized accounts which were not referred by E\*TRADE.

*TDA AdvisorDirect® Program*

Legacy EFS participates in the TD Ameritrade Institutional Program known as AdvisorDirect®. TD Ameritrade Institutional is a division of TD Ameritrade, an independent and unaffiliated SEC registered broker-dealer. The AdvisorDirect® program allows TD Ameritrade to refer its brokerage customers and other investors seeking fee-based personal investment management or financial planning services to other investment advisers such as legacy EFS. TD Ameritrade will generally not allow its customers to participate in AdvisorDirect® unless they have a minimum of \$500,000 in investable assets. TD Ameritrade does not supervise legacy EFS and has no responsibility for our management of client asset allocation models or other advice or services. To participate in AdvisorDirect®, an advisor must meet certain minimum eligibility criteria. However, AdvisorDirect® is not open to all advisers who meet these minimum criteria. TD Ameritrade limits the number of advisers based on the services provided and investment style of the advisor.

We receive client referrals from TD Ameritrade through participation in the AdvisorDirect® program that result in an economic benefit to legacy EFS. We pay TD Ameritrade an ongoing fee for each successful client referral. For referrals that occurred through AdvisorDirect before April 10, 2017, this fee is a percentage (not to exceed 25%) of the advisory fee that the client pays to legacy EFS. For referrals that occurred through AdvisorDirect on or after June 9, 2017 the fee is annualized, based on the amount of referred client assets that does not exceed 25% of 1%, unless such client assets are subject to a “Special Services Addendum”. In the case of a Special Services Addendum, the fee is annualized, based on the amount of referred client assets that does not exceed 10% of 1%.

We also pay TD Ameritrade a referral fee on any assets we receive from any of certain of a referred client's family members who also become a legacy EFS client on the recommendation of such referred client. Clients who are referred through this program do not pay higher fees or costs than other legacy EFS clients. For more information regarding additional or other fees paid directly or indirectly to TD Ameritrade, please refer to the TD Ameritrade AdvisorDirect® Disclosure and Acknowledgment Form.

*TD Ameritrade Institutional Program*

Legacy EFS also participates in the TD Ameritrade Institutional Program. We receive services that include custody of client securities, trade execution, clearance and settlement of transactions as a result. The Institutional Program provides additional economic benefits to legacy EFS that are not typically available to TD Ameritrade retail investors. There is no direct link between legacy EFS' participation in the program and the investment advice it gives to its clients. The economic benefits include the following products and services, which are provided at no cost or at a reduced cost to legacy EFS:

- Receipt of duplicate client statements and confirmations
- Research-related products and tools
- Consulting services
- Access to a trading desk serving legacy EFS
- Access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts)
- The ability to have advisory fees deducted directly from client accounts
- Access to an electronic communications network for client order entry and account information
- Access to mutual funds with no transaction fees and to certain institutional money managers
- Discounts on compliance, marketing, research, technology and/or other services
- Practice management products or services provided to legacy EFS by third-party vendors
- Business consulting and professional services received by legacy EFS-related persons (may be paid for by TD Ameritrade)

Some of the products and services made available by TD Ameritrade through the Institutional Program may benefit legacy EFS but may not benefit client accounts. These products or services may assist us in managing and administering client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help legacy EFS manage and further develop our business enterprise. The benefits received by legacy EFS or its personnel through participation in the program do not depend on the amount of brokerage transactions directed to TD Ameritrade. Legacy EFS at times recommends TD Ameritrade to clients for custody and brokerage services. Therefore, receiving these economic benefits creates a conflict of interest and could directly or indirectly influence legacy EFS to recommend TD Ameritrade to clients for custody and brokerage services.

The Custodians that legacy EFS uses (TD Ameritrade, Fidelity, PAS, or TCA by E\*TRADE) offer various services to legacy EFS, including custody of client securities; trade execution; clearance and settlement of transactions; access to platform systems; duplicate client statements; research-related products and tools; access to a trading desk; access to block trading; the ability

to have advisory fees deducted directly from client accounts; access to an electronic communications network for client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and use of overnight courier services. Some of these services may benefit legacy EFS but may not benefit our clients and receipt of these economic benefits creates a conflict of interest and could directly or indirectly influence legacy EFS to recommend a certain Custodian to clients for custody and brokerage services. These custody services are paid for as part of the client's wrap fee.

*TDA Sponsorship of Legacy EFS Corporate Events*

From time to time, TD Ameritrade may sponsor legacy EFS corporate events or make certain donations. The decision to act as a sponsor of legacy EFS corporate events is at their sole discretion and expense. The sponsorship of legacy EFS corporate events by TD Ameritrade provides indirect economic benefits to legacy EFS and creates a potential conflict of interest that could indirectly influence legacy EFS to recommend TD Ameritrade to clients for custody of assets and brokerage services.

*Sponsorship of "The Truth About Money" Television Program*

Ric Edelman was the host of a syndicated television program, The Truth About Money with Ric Edelman, which aired on public television stations. The Truth About Money with Ric Edelman is no longer producing new episodes, however Public Television stations may, at their discretion air previously produced episodes, and previously taped episodes are also available online.

In the past, TD Ameritrade sponsored the television show. The decision of TD Ameritrade to act as a sponsor of the television program was made at its sole discretion and expense. In the past, iShares, the exchange-traded fund business of BlackRock, Inc., also acted as a sponsor of the aforementioned television show. The decision of BlackRock to act as a sponsor of the television program was made at its sole discretion and its own expense. These past decisions of TD Ameritrade and Blackrock to sponsor the show may have created past conflicts of interest to the extent such sponsorships encouraged continued partnership or use of products from such companies. To the extent any goodwill was created as a result of such sponsorships, such conflicts may theoretically continue.

*Evaluation of NANR, XT and Other ETFs*

Certain models available through EMAP include positions in the SPDR S&P North American Natural Resources ETF (NANR) and the iShares Exponential Technologies ETF (XT). Ric Edelman initially articulated the principles that BlackRock later used in creating XT. Legacy EFS played a similar role with respect to NANR. XT and NANR are sponsored and managed by BlackRock and State Street Global Advisors, respectively. Neither Ric Edelman nor legacy EFS receives any direct or indirect compensation from either of the funds or their respective affiliates based on the sale or investment in either fund. For each of these funds, a very high percentage of each ETF's total assets may be held by EMAP clients. There is a conflict of interest regarding the initial role that legacy EFS and/or Ric Edelman played in the suggestion for or the creation of these two ETFs, as well as any promotion of NANR or XT by legacy EFS and/or Ric Edelman, in that legacy EFS may receive indirect economic and other benefits from the association of its name with that ETF. That conflict could influence our decision to use either State Street Global Advisors' SPDRs or BlackRock's iShares to provide ETFs in EMAP.

In addition, legacy EFS has a joint marketing arrangement with Morningstar, an unaffiliated third party that created and maintains the Morningstar Exponential Technologies Index. Under the joint marketing arrangement, legacy EFS receives an economic benefit from Morningstar. However, neither Ric Edelman nor legacy EFS receive any direct or indirect economic benefit from Morningstar that is correlated with either XT or the index. Nevertheless, because XT tracks the index, we are disclosing this potential conflict of interest.

*Legacy EFS Participation in the Financial Planner Reentry Initiative*

The Certified Financial Planner Board of Standards, Inc. (CFP Board) is a non-profit organization. The CFP Board sponsors an initiative called the Financial Planner Reentry Initiative to support financial services firms in establishing reentry programs for experienced professionals seeking to return to the workforce. Payment for legacy EFS' participation in this program is waived as a result of the lead founding sponsorship of the CFP Board's Center for Financial Planning by TD Ameritrade Institutional. This arrangement provides indirect economic benefits to legacy EFS and creates a potential conflict of interest that could indirectly influence legacy EFS to recommend TD Ameritrade to clients for custody of assets and brokerage services.

*Evaluation of Dimensional Funds Products*

Dimensional Fund Advisors LP ("Dimensional") is an SEC registered investment adviser that manages securities and other assets (some of which are used in EMAP accounts) for mutual funds, institutional investors and clients of independent financial advisers. Dimensional has developed an internet-based tool called "Find an Advisor" to assist investors trying to locate financial advisers through whom they may purchase Dimensional Funds. This program provides direct or indirect economic benefits to legacy EFS and creates a conflict of interest that could influence legacy EFS to include or continue to include Dimensional managed mutual funds in the EMAP portfolios or recommend other Dimensional products or services.

*Economic Benefits from Third Parties*

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

*Funding Our Future Initiative*

Funding Our Future is an alliance of organizations dedicated to making a secure retirement possible for all Americans. The alliance informs the public about the barriers to retirement security and calls on policymakers to make strengthening retirement policies a top priority. It was co-founded by the legacy EFS and the Bipartisan Policy Center, a non-profit organization acting as a think tank to address key challenges facing the nation. Legacy EFS has asked third-

party service providers to make donations to the initiative. The publicity which Edelman Financial Engines receives from the initiative represents an economic benefit. The donations may affect our judgment with regard to the services provided by those third-parties, which may not benefit the client, creating a conflict of interest.

All of the above conflicts, to the extent they are deemed to actually exist, are considered immaterial to Edelman Financial Engines. Further, policies and procedures are in place to ensure that the Firm and its personnel act in the best interest of clients.

**IX. Financial Information**

Edelman Financial Engines does not require or solicit prepayment of more than \$500 in fees per client six months or more in advance. While Edelman Financial Engines has discretionary authority or custody of client funds or securities, Edelman Financial Engines does not believe that there is any financial condition that is reasonably likely to impair its ability to meet its contractual commitments to clients. Edelman Financial Engines has not been the subject of any bankruptcy proceeding at any time during the past ten years.