

Conflicts of Interest Inventory

- 1) **Advisory fee and representative payout calculated on the basis of assets under management:** For fee-based accounts, there exists an incentive to take action to increase AUM by generating a higher rate of return for the client, but also by encouraging the client to invest more assets or assume more risk. As a result of increased assets under management, the representative may earn a higher payout.
- 2) **Hourly fee financial consulting:** Infrequently advisors may charge an hourly consulting fee which would create an incentive to lengthen billable hours in order to increase the consulting fee.
- 3) **Registrations as broker/dealer, broker/dealer agents, insurance agency, and insurance agents:** Advanced Advisor Group, LLC (AAG) is a broker/dealer that is affiliated with EFS Advisors LLC. Its advisors are required to be licensed as broker/dealer agents. This allows advisors to offer a wide range of products and services, but it also creates an incentive to offer those products which pay higher fees, commissions and/or revenue shares. Please discuss specifics of the various products and incentives with your advisor.
- 4) **Arrangement between ELS and Lifesprk:** Affiliated insurance agency, Educators Lifetime Solutions (ELS), receives from Lifesprk, a provider of in-home elder care services, a revenue share of premiums paid by clients subscribed to Lifesprk. If referred to Lifesprk by an EFS representative, he/she receives a portion of this revenue share. This encourages the EFS representative to refer clients to Lifesprk.
- 5) **EFS Advisors Choice:** If you are not investing with the EFS Advisors Choice program, the following paragraph and items A, B and C, do not apply. The EFS Advisors Choice program is comprised of investments selected by an EFS investment committee, actively managed no less frequently than quarterly. There are incentives for EFS or its representatives to recommend the EFS Advisors Choice program. EFS charges certain fees and expenses for using this proprietary program, including the following:
 - A. An administrative fee is charged to accounts with balances below a certain threshold. This fee is not shared with the representatives.
 - B. EFS charges a loan initiation fee and a quarterly administration fee to EFS Advisors Choice clients who take a loan against their account. This fee is not shared with the representatives.
 - C. EFS receives, directly or through its affiliated broker/dealer, AAG, 12b-1 fees, service fees, and/or recordkeeping fees from mutual funds held under the EFS Advisors Choice 403(b) product program and 12b-1 fees, sub-transfer agent fees, and/or commission payments from fixed interest funds. These fees are not shared with the representatives. These fees are separate from, and in addition to, our advisory fees.
- 6) **Education Minnesota-ESI (EdMN-ESI):** EFS and EdMN-ESI have partnered together to accomplish their joint mission of bringing retirement education to members of EdMN. As part of this partnership EFS

compensates EdMN-ESI fees and expenses for workshops, seminars, events, office space and marketing materials, as well as for being the exclusive financial advisory program offered by ESI to Education Minnesota members. This relationship creates a potential for mutually beneficial influence.

- 7) **Sponsorship fees:** EFS' firmwide meetings are sponsored by various fund companies, product carriers, and custodians who represent educational materials on their products. Investment recommendations may be made as a result of these sponsorships.
- 8) **Incentives:** Product and program recommendations are client specific. EFS offers various financial and non-financial compensation to representatives who reach predetermined production goals. Attainment of production goals is calculated based on the dollar amount of production brought to the Firm. All dollar amounts are calculated equally; no business line or product type is afforded greater or lesser weighting than another.
- 9) **Transaction-based sales charges:** When a completed transaction (sale or purchase) generates a fee, there is an incentive to increase the number of transactions to generate greater commissions. This does not include accounts which are charged a fee based upon assets under management.
- 10) **Rollovers:** When we recommend that you rollover assets from your retirement plan or your IRA (that we are not advisors on) to an IRA with us, we have a conflict of interest. That is because when you transfer your money into an IRA with us, we will either (a) earn an advisory fee on the assets in the IRA which is shared with the adviser on your account or (b) earn commissions or other compensation on transactions involving the assets in the IRA, which is shared with the financial professional on your account.
- 11) **Third Party Service Providers:** 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 legal and accounting services. 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 because (a) EFS Advisor representatives have a bias to recommend those TPSPs that provide EFS Advisory clients with a discount, (b) 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, and (c) some clients may feel obligated to provide referrals to EFS Advisors if EFS is paying for certain TPSPs.
- 12) **Arrangement between EFS and Educators Benefit Consultants:** EFS is under common control with Educators Benefit Consultants, LLC, doing business as Aviben, a third party administrator of employee benefits including health reimbursement arrangements and 403(b) plans. Educators Benefits Consultants, LLC is a client of EFS and receives investment advisory services from EFS. A conflict of interest may exist as EFS's Investment Advisor Representatives are incentivized to promote Educators Benefit Consultants by receiving a revenue share from referrals that result in new business. Clients of Educators Benefit Consultants, LLC are generally not clients of EFS Investment Advisor Representatives.