

Equity Services, Inc. ("ESI") is registered as both a broker-dealer and an investment adviser. ESI believes that it is important for our registered representatives to have a wide selection of investment products available to help meet the financial needs of our customers. Our goal is to provide you with quality products and services without regard to what type of account you have opened.

ESI has selected a group of mutual fund, unit investment trust, variable annuity, investment adviser, real estate investment trust and retirement services platform providers that the firm believes have met high industry standards for long-term performance, superior field support, and reliable back-office support. This group of companies has greater access to our representatives to provide training and other educational opportunities to help serve our customers better. This program is called the Strategic Partners Program and it includes unaffiliated product sponsors.

### **Broker-Dealer Strategic Partners**

The following mutual fund/unit investment trust offerors participate in the Strategic Partners Program: Touchstone Advisors. The following variable annuity offerors participate in the program: Allianz, AXA, Brighthouse (formerly MetLife), Great West, Jackson National, Nationwide, Prudential, and Transamerica. The following indexed annuity offerors participate in the program: Allianz, American National Life, Lincoln National, North American. The following real estate investment trust program offerors participate in the program: RREEF Property Trust, Inc.

These partners make additional payments to ESI to participate in this program. These payments are made to ESI in addition to commissions, annual service fees, and other fees and expenses disclosed in the product prospectus, and are paid out of the sponsor or affiliate's assets, not from the fund or product assets.

It is important to understand that these payments are made to ESI and are not directly shared with any representative who sells these products. Depending on the product sponsor, these payments can be a percentage of gross sales, a flat annual amount, or a combination of the two. These payments create a potential conflict of interest in the form of an additional financial benefit to ESI in connection with the sale of products from these Strategic Partners.

ESI receives marketing support payments in connection with the sale and retention of certain mutual funds from Touchstone Advisors ("Distributor"). Distributor pays ESI 15 basis points (0.15%) of the gross amount of sales, and 5 basis points (0.05%) on the average daily balance of assets. For example, on a \$10,000 transaction with Touchstone, ESI receives a one-time payment of \$15, and a \$5 annual payment for the period during which the assets remain at the company.

Revenue sharing agreements with variable annuity offerors pay 25 basis points (0.25%) of the gross amount of the sale. For example, on a \$10,000 transaction with a participating company, ESI receives a one-time payment of \$25.

Revenue sharing agreements with indexed annuity offerors vary, with payments ranging between 25 to 100 basis points (0.25% - 1.00%), depending on the carrier, of the gross amount of the sale. For example, on a \$10,000 transaction with a participating company, ESI would receive a one-time payment between \$25 and \$100, depending on the carrier.

Revenue sharing agreements with direct participation program offeror provide ESI 50 basis points (0.50%) of the gross amount of the sale. For example, on a 100,000 transaction with a participating company, ESI would receive a one-time payment of \$500.

These payments create a potential conflict of interest in the form of an additional financial benefit to ESI in connection with the sale of products from these sponsors.

### **Investment Adviser Strategic Partners**

The following investment adviser firms participate in the Strategic Partners program: 3D Asset Management, Assetmark, Brinker Capital, Inc., Maple Capital Management, Pacific Financial Group, SEI Investments, Symmetry, and Touchstone Advisors.

These partners make additional payments to ESI to participate in this program. These payments are made to ESI in addition to annual service fees, and other fees and expenses disclosed in the adviser's Form ADV Part 2A and Form ADV Part 2A-Appendix 1, and are paid out of the adviser or affiliate's assets, not from the account assets.

It is important to understand that these payments are made to ESI and are not directly shared with any investment adviser representative who sells these products. Such payments are generally based on the average assets under management. In some instances, payments consist of a set amount paid, such as in sponsorship of ESI-related training and/or marketing events. These payments create a potential conflict of interest in the form of an additional financial benefit to ESI in connection with the sale of products from these Strategic Partners.

Revenue sharing agreements with registered investment adviser firms pay ESI 5 basis points (0.05%) of the average assets under management. For example, on a \$10,000 transaction with a participating company, ESI receives an annual payment of \$5 for the period during which the assets remain at that company. In lieu of revenue sharing, Symmetry pays a flat fee of \$15,000 to participate in the Strategic Partner program.

These payments create a potential conflict of interest in the form of an additional financial benefit to ESI in connection with the sale of products from these sponsors.

### **Other Revenue Sharing Arrangement**

In addition to the above Strategic Partners arrangements, ESI is an affiliate of National Life Insurance Company ("National Life"). National Life is the underwriter, and ESI is the distributor, of the Investor Select Variable Universal Life and Sentinel Advantage Variable Annuity. ESI is an affiliate of Life of the Southwest ("LSW"), which is an underwriter of indexed annuity products.

In general, ESI pays a higher rate of commissions to its representatives on National Life and LSW products. Additionally, National Life, LSW and/or ESI pay bonuses, employee-type benefits, and other compensation to ESI representatives for sales of National Life and LSW fixed and/or variable products. ESI recognizes revenue sharing from the sale of National Life and LSW products, which offsets expenses to ESI for such benefit programs and other expenses. Additionally, ESI receives wholesaling revenue share from National Life for sales of its SAVA 5 variable annuity product.

National Financial Services, LLC ("NFS") offers a "No Transaction Fee" list of mutual funds, under which mutual fund offerors pay a participation fee to NFS. NFS shares a portion of this participation fee with ESI. This fee is not directly shared with any representative who sells these products.

ESI also pays the transaction cost for certain purchases, redemptions, and exchanges of Touchstone mutual fund shares, when executed through NFS.

### **Marketing and Sales Support**

In addition to the revenue sharing payments described above, certain product sponsors may make other payments to ESI intended to reimburse the firm's representatives for marketing expenses, such as client seminars, marketing materials, etc. Marketing reimbursements from broker/dealer sponsors are directed to ESI and subsequently paid by ESI to its representatives. Certain product sponsors and investment advisers may incur expense and/or provide reimbursement for educational and training programs.

For broker/dealer product sponsors, these marketing support, educational and training program payments are paid out of the sponsor or affiliate's assets, not from the fund or product assets, and are in addition to the sales charges, 12b-1 fees, and other fees and expenses disclosed in the prospectus and/or statement of additional information, each of which are available on request from the sponsor. For investment adviser firms, training and education expenses and reimbursements are paid out of the adviser or affiliate's assets, not from the account assets, and are made to ESI in addition to annual service fees, and other fees and expenses disclosed in the adviser's Form ADV Part 2A and Form ADV Part 2A-Appendix 1, which are available on request from the investment adviser firm.

In 2017, payments were made by the following companies and/or their affiliates: Allianz, American Funds, AXA, Brighthouse, First Trust, Great West, Jackson National Life Insurance Company, Lord Abbott, Nationwide, Oppenheimer Funds, Pacific Life Insurance Company, Polen Capital, Prudential, Sentinel Investments, Touchstone Funds, Transamerica Life Insurance Company.

### **Other Arrangements**

National Life and ESI contribute payments to cash and non-cash incentives for ESI registered representatives which are based on sales of mutual funds, variable insurance contracts, other securities products, and investment advisory services. Examples of non-cash compensation include: (1) the sponsorship of educational programs; (2) sales contest and/or promotions in which participants receive prizes such as travel, merchandise, hardware and/or software; (3) paying for occasional meals, lodging and/or entertainment; (4) making cash payments in lieu of business expense reimbursements and/or; (5) making loans and forgiving such loans.