ESSEX FINANCIAL

BROKERAGE COMPENSATION AND CONFLICTS DISCLOSURE

Introduction

About Essex Financial Services, Inc.: Essex Financial Services, Inc. (referred to as "we," "us," or "EFS") is a broker-dealer registered with the Securities and Exchange Commission ("SEC") and member of the Financial Industry Regulatory Authority ("FINRA"). EFS is also registered as an investment adviser with the SEC. EFS is licensed to sell securities products in all states except for NE, ND and SD. EFS is licensed to sell insurance products in AL, AZ, CO, CT, DE, FL, GA, IL, MA, MD, ME, MO, NH, NJ, NY, OH, PA, RI, SC, TX, VA and VT.

EFS employs a network of individuals, referred to as "financial professionals", who offer brokerage services, investment advisory services, or both, depending on their licenses. Some of EFS' financial professionals are investment adviser representatives (IARs) of EFS. EFS sometimes refers to these specific financial professionals as "financial advisors" or "advisors". EFS' financial professionals are employees of the firm.

Some of the investment products offered may include various securities products, including mutual funds, exchange-traded funds, variable annuities, variable life insurance, municipal fund securities (529 Plans), and general securities such as stocks and bonds.

This disclosure contains information about the business practices, compensation and conflicts of interest related to the brokerage business of EFS. Additional information about EFS and its financial professionals is available on FINRA's website at http://brokercheck.finra.org. Information related to our advisory practices can be found in our Form ADV by clicking this link or visiting https://adviserinfo.sec.gov/firm/summary/127549.

Capacity and Restrictions on Recommendations

Capacity: Brokerage services or Advisory services

As an EFS client, you receive a broad scope of services whether we serve you as a broker-dealer, investment advisor or both. While there are similarities between the brokerage and advisory services we provide, there are important differences, including the pricing structures for these services and the provision of ongoing monitoring of accounts.

Brokerage relationships generate transaction-based compensation. In brokerage relationships, investors pay transaction-based fees in connection with the products and services they receive, such as buying and selling stocks, bonds, mutual funds, annuity contracts and other investment products. These include commissions, transaction fees, loads and sales charges. Compensation to EFS includes these commissions, transaction fees, trail commissions, loads and sales charges that are embedded in the purchase price as well as compensation from third parties in some cases.

In a brokerage account, your total costs generally increase or decrease as a result of the frequency of transactions in the account and the type of securities you purchase. This presents a conflict in that the more you trade or invest, the more revenue we can generate from your account. When handling your brokerage account, we are obligated to ensure that our recommendations are in your best interest.

> **No Ongoing Monitoring in Brokerage Accounts:** In brokerage accounts, our financial professionals do not provide ongoing monitoring of your account after the recommendation. Our best interest obligation to you applies only at the time of the recommendation. If you desire to have your account monitored on an ongoing basis, ask your financial professional about establishing an advisory account relationship.

Advisory relationships have fee-based compensation. In advisory relationships, clients pay a set fee, or a fee based on a percentage of the assets in the account according to an investment advisory program agreement. In some circumstances, EFS and our financial advisors receive additional compensation in the form of Non-Cash compensation or reimbursements used to offset seminar, conference and/or marketing expenses from third parties in connection with the assets in clients' advisory accounts. This compensation is in addition to the fee that a client pays for investment advisory services.

> **Ongoing Monitoring in Advisory Accounts**: When handling an investment advisory account, your financial professional will act as a fiduciary to you. Advisory services are provided pursuant to a written agreement with you. In an advisory relationship, we do provide ongoing monitoring of your account in accordance with the terms of the written agreement with you.

For more information about EFS and the services financial professionals provide when they act as financial advisors, please see EFS' Form ADV disclosure brochures by clicking this link or visiting https://adviserinfo.sec.gov/firm/summary/127549.

Limitations on Investment Recommendations

Although many financial professionals offer both brokerage and investment advisory services, some offer only investment advisory services. When you are discussing services with a financial professional, you should ask what capacity the financial professional is acting or will be acting – as a broker-dealer registered representative and/or an IAR – when providing services to you. You should also ask if there are limitations on the products or services a financial professional may offer by virtue of any of the following:

> **Limited Product Shelf**: There are literally thousands of investment products on the market and EFS does not offer all of them for sale to clients. Moreover, the scope of products and services we offer may be more limited than what is available through other financial service firms. EFS and its financial professionals recommend investment products only from investment sponsors with whom EFS has entered into selling and distribution agreements. Other firms may offer products and services not available through EFS, which presents a conflict since you are not able to purchase those products or services through EFS. We disclose this conflict to you and mitigate it by maintaining a robust offering of products and services.

Restrictions Based on Licensing: A financial professional's ability to offer individual products and services depends on his/her licensing. A financial professional holding a Series 6 license is limited to providing mutual funds, 529 plans, Unit Investment Trusts ("UITs") and variable annuity contracts. A financial professional holding a Series 7 license can offer all of the investment products a Series 6 representative can offer as well as individual stocks, bonds, exchange traded funds ("ETFs"), and alternative investments (real estate investment trusts (REITs), limited partnerships (LPs), 1031 exchanges, Business Development Companies (BDCs), and private equity. A financial professional may also hold either the Series 65 or 66 license, or have attained a certification such as the Certified Financial Planner®, which enables them to offer advisory services.

You should ask your financial professional about the investment products or services he/she is licensed or qualified to sell, and his/her ability to service investments that you transfer to EFS from another firm. You should also review the licenses held by your financial professional by visiting the FINRA BrokerCheck system at http://brokercheck.finra.org. Licensing presents a conflict in that individuals have an incentive to offer you products or services that correspond to their licensing. We disclose this conflict to you and mitigate it by reviewing recommendations made to you by our financial professionals to ensure these recommendations are in your best interest.

Minimum Investment Amounts: Some products may impose minimum investment amounts, which precludes purchases under that amount. Purchase minimums can vary by issuer, but they are common in mutual funds (typically between $250 - $1,000), annuities (typically $5,000-$10,000), and alternative investments (typically between $2,500 - $5,000). Ask your financial professional or refer to the official product offering document if there are minimum purchase amounts applicable to the investment product you are considering.

Distinction Between Holding Products Directly with Sponsor or in a Brokerage Account: Exchange traded securities (i.e., stocks, bonds, options, ETFs) are only available for purchase in a brokerage account maintained at our custodian and clearing firm, Pershing LLC, which sends you confirmations and account statements. Other securities, including mutual funds and variable annuities, may be owned in either a brokerage account or directly held with the product sponsor ("directly held").

With a directly held account, EFS effects the purchase of the investment directly with the product sponsor, which is responsible for sending you confirmations and account statements. In a brokerage account, you can hold several different types of securities, which can be more efficient because all the securities are included on one statement and you receive one Form 1099. With a directly held account, you may only hold products issued by that product sponsor. Brokerage accounts typically have annual maintenance fees and fees for transactions and other services (see our schedule of fees by clicking on this link or visiting http://essex.financial/disclosures) while directly held accounts typically do not charge such fees, which makes directly held accounts less expensive.

While there are important differences between brokerage and directly held accounts, we do not require your financial professional to open a particular type nor do we incent the financial professional to open one type over the other. Talk to your financial professional about which type of account is best for you.

Firm Revenue: Commissions, Fees, and Third-Party Compensation

We earn revenue primarily from clients. We also earn revenue from product sponsors and money managers ("third parties") who assist us in providing the investments and services that we offer you.

A. Revenue from Clients

Our brokerage revenue from clients includes:

1. Commissions: We receive Commissions which you pay when you buy or sell equities and fixed-income investments (this applies when we act as agent or broker). Please see commission schedule by clicking on this link or visiting http://essex.financial/disclosures. We share this revenue with your financial professional.

2. Sales loads: Sales loads (sales charges), commissions or concessions derived from the offering and sale of various managed investments such as mutual funds, unit investment trusts, insurance and annuities. A commission, or sales load, is typically paid at the time of the sale and can reduce the amount available to invest. For more information about other commissions that apply to a particular transaction, please refer to the applicable product disclosure form, investment prospectus, or offering document. We share this revenue with your financial professional.

B. Revenue from Third Parties

Our revenue from third parties includes:

1. Trail Compensation and/or 12b-1 Fees: Payments from mutual fund and insurance companies in the form of distribution and/or service fees (12b-1 fees), trail commissions or renewal commissions, which are fully described in the applicable prospectus or offering document. Trails are typically paid from the assets of the investment product and the amount is calculated as an annual percentage of assets invested by EFS customers. The more assets you invest in the product, the more trails we earn. Therefore, we have an incentive to encourage you to increase the size of your investment. The percentage of assets received varies by product, which creates an incentive to recommend products paying higher trails. We share this revenue with your financial professional. This creates a conflict for your financial professional to recommend funds paying higher trail compensation. We manage this conflict by disclosing it to you.

- **Mutual Funds and 529 Plans:** The ongoing 12b-1 trail payment depends on the class of shares but is typically between 0.25% and 1% of assets annually.

- **Annuities:** The amount and timing of trail payments varies depending on the issuer and type of policy purchased. The maximum trail payment for annuities is typically 1.5%.

2. Marketing Support Reimbursements: We receive reimbursements from certain product providers that will be used to offset seminar, conference and/or marketing expenses. These product providers include mutual fund companies, insurance companies and 529 plan program managers. This practice presents a conflict of interest because we are incentivized to market products and services of the entities that provide us with this support. We address these conflicts by disclosing them to you and by not sharing any of the payments with our financial professionals, who are free to offer various product types, as well as products from firms that do not reimburse EFS for marketing support.

3. Revenue from Pershing LLC: EFS offers a cash sweep option through Pershing LLC for funds awaiting investment. EFS receives 12b-1 fees from the money market funds that are offered as part of the cash sweep option. These 12b-1 fees are generally less than 0.25% of assets annually. This revenue is not shared with your financial professional.

Financial Professional Compensation

EFS generally compensates financial professionals as employees. Described below are the compensation and other benefits that financial professionals receive from EFS.

1. Cash Compensation: When you buy or sell certain investments, such as stocks, bonds, exchange-traded funds, and other investment products, you pay to EFS a commission or a sales charge. The amounts differ depending on the investment and the amount of the transaction. EFS also receives payment from the mutual fund or insurance company if you buy mutual funds, annuities, or insurance policies. EFS pays your financial advisor a portion of these charges and payments. The payout level may vary based on the financial professional's agreement with EFS. Some investments provide more compensation to your financial professional than others, which creates a conflict in that it can influence the investment product recommendation. For information on the amount of the sales charge or commission applicable to your investment, please refer to either the product offering document (or prospectus) or the trade confirmation, as applicable.

Some financial professionals may also receive cash compensation in the form of a salary in addition to the cash compensation they receive for the purchase or sale of investment products.

2. Trail Compensation and/or 12b-1 Fees: As discussed above under the Firm Compensation section, the firm receives, and shares with financial professionals, payments from mutual fund and insurance companies in the form of distribution and/or service fees (12b-1 fees), trail commissions or renewal commissions, which are fully described in the applicable prospectus or offering document. Trails are typically paid from the assets of the investment product and the amount is calculated as an annual percentage of assets invested by EFS customers. The more assets you invest in the product, the more trails we earn. Therefore, we have an incentive to encourage you to increase the size of your investment. The dollar amount of trails received varies by product, which creates an incentive to recommend products paying higher trails. This creates a conflict for your financial professional to recommend funds paying higher trail compensation. We manage this conflict by disclosing it to you.

3. Non-Cash Compensation: Third-party providers may also give financial professionals gifts up to a total value of $100 per provider per year, consistent with industry regulations. Third parties may occasionally provide financial professionals with meals and entertainment of reasonable value. We want you to understand that this creates a potential conflict of interest to the extent that this may cause financial professionals to prefer those Product Partners that provide these non-cash incentives. We address these conflicts of interest by maintaining policies and procedures regarding the sale and supervision of the products and services we offer to you, including the requirement that financial professionals report the gifts they receive, and by disclosing our practices to ensure you make a fully informed decision.

Financial professionals may also receive Non-Cash Compensation from Third-party providers in the form of Due Diligence trips. Third-party providers may absorb the costs of travel, hotel accommodations and meals in order for a financial professional to attend conferences/meetings at which the products or services of the Third-party provider are promoted. We want you to understand that this creates a potential conflict of interest to the extent that this may cause financial professionals to prefer those Third-party providers that provide these noncash incentives. We address these conflicts by requiring all Due Diligence trip participation by financial professionals be reviewed and approved by the CEO and the Chief Compliance Officer who ensure that the benefit received is not excessive.

4. Revenue from a Financial Professional's Outside Business Activities (OBAs): Financial professionals are permitted to engage in certain EFS-approved business activities other than the provision of brokerage and advisory services through EFS. These business activities are not related to the sale of investment products or services and the compensation received is incidental to their compensation from EFS. Financial professionals are required to obtain approval from the Chief Compliance Officer prior to engaging in any Outside Business Activity.

A financial professional's OBAs are separate and distinct from their EFS activities. Additional information about your financial professionals outside business activities is available on FINRA's website at http://brokercheck.finra.org.

Products: Fees, Costs, and Compensation

A. Mutual Funds, Closed-end Funds, and Exchange Traded Funds

1. Mutual Funds and 529 Plans

Mutual funds are professionally managed portfolios of securities that pool the assets of individuals and organizations to invest toward a common objective, such as current income or long-term growth. All mutual funds are offered for sale through a prospectus, which you should read prior to investing in a fund. The prospectus describes the sales charges and expenses applicable to the fun and it describes the fund's investment objective.

A 529 plan is a college savings plan that offers tax and financial aid benefits. 529 plans may also be used to save and invest for K-12 tuition in addition to college costs. The investments in 529 plans generally include various mutual funds and are offered as a single investment as well as in risk-based or enrollment (or age-based) portfolios.

All mutual funds charge investment management fees and ongoing expenses for operating the fund and these expenses can vary by the share class purchased. The most common types of mutual funds are Class A and Class C shares and EFS generally offers these two types in commissionable brokerage accounts.

Some funds offer no-load share classes available in advisory programs. Funds may also offer special share classes for qualified retirement plans. The key distinctions between share classes relate to costs: the sales charge and operating expenses. Your financial professional's compensation is determined by the type of share class purchased.

Class A Shares: For Class A share mutual funds, you typically pay a front-end sales charge, called a sales load, which is deducted from the initial investment. Mutual funds with front-end loads generally reduce the sales charge as the amount of your investment increases above certain levels, according to a breakpoint schedule. Sales charges for mutual funds investing predominantly in equities generally are higher than those of mutual funds investing primarily in bonds. Your front-end charges may be reduced or eliminated as the amount of your investment with the mutual fund company increases above certain levels. Such reduced charges are known as breakpoint discounts. At a certain level, typically $1 million, you may stop paying sales charges. Annual operating expenses for Class A shares are generally lower than for Class C shares. Please refer to the prospectus for the specific sales charges and expenses.

Class C Shares: For Class C share mutual funds, you are normally not charged a front-end sales charge or a contingent deferred sales charge (CDSC) unless you sell shares within a short period of time, usually one year. The operating expenses are usually higher than those of Class A shares. Class C shares do not offer breakpoint discounts. Class C shares typically are more appropriate for investors with a shorter investment time frame. Class C shares are more expensive than Class A shares over time. If your expected hold time is 6 years or more, Class C shares will be the more expensive choice.

The mutual fund company pays EFS a commission at the time you make your investment with the amount varying depending on the share class purchased and any applicable break point discounts.
EFS pays a portion of this commission to your financial professional. The product sponsor also pays us an ongoing distribution and/or service fee (12b-1 fees) that are paid out of fund assets for as long as you own your shares and we are the broker of record. Your financial professional receives a portion of these trail payments. Please ask your financial professional how he or she is paid for mutual fund transactions.

Money Market Mutual Funds: A money market mutual fund contains short term debt and monetary investments and has an objective of maintaining a stable net asset value of $1 per share. There are no sales charges when you buy a money market fund. There typically is no fee to redeem money fund shares unless the fund's board has determined to impose liquidity fees in certain circumstances. The fund's prospectus contains information regarding the fund's objectives, risks, investments, fees and expenses. EFS does not charge commissions for the purchase or liquidation of money market funds. In limited circumstances, a transaction fee may be charged by our clearing firm. We do receive 12b-1 fees for distribution services we provide but do not share these with your financial professional.

2. Exchange Traded Funds (ETFs)

An ETF is an exchange-traded security combining attributes of conventional stocks with mutual funds. ETFs are pooled investment funds that offer investors an interest in a professionally managed portfolio of securities that track an index, a commodity or a basket of assets. ETFs may be actively managed or passively-managed and they trade on stock exchanges where they may experience price changes throughout the day as they are bought and sold. Certain types of ETFs, namely leveraged ETFs and inverse ETFs are significantly riskier than basic ETFs. For this reason, EFS does not allow financial professionals to solicit the purchase of these types of ETFs.

We act as an agent for your ETF transactions, which means we send your order to an external venue to buy or sell shares of the ETF. You pay a commission based on the amount of the transaction, which we share with your financial professional. ETFs also carry built-in operating expenses that affect the ETF's return. For more information, please refer to the applicable offering document.

3. Closed-end Funds

A closed-end fund is a type of investment company that is typically actively managed in an effort to outperform market indexes. Closed-end funds have a fixed number of shares that are publicly traded on an exchange. The share prices fluctuate based on investor supply and demand and there is no requirement that the share price match the Net Asset Value (NAV). Many closed-end funds trade at a discount to NAV. Open end mutual funds, on the other hand, are priced each day at NAV. Closed-end funds are not required to redeem shares.

We act as an agent for your closed-end fund transactions. This means we send your order to an exchange to buy or sell shares of the closed-end fund. You pay a commission based on the amount of the transaction. Closed-end funds also carry built-in operating expenses that affect the fund's return. Your financial advisor receives a percentage of the commissions from closed-end fund trades.

B. Unit Investment Trusts (UITs)

A UIT is an SEC-registered investment company that invests in a fixed, diversified group of professionally selected securities according to a specific investment strategy. Unlike open end mutual funds, the securities within the UITs portfolio generally are not actively traded and instead maintains more of a buy and hold approach to investing. As a holder of a UIT you own a portion of the securities in the trust.

UITs have a set termination date where the portfolio securities are sold and the proceeds are paid to investors. Prior to the UIT's termination, a holder may redeem shares by tendering back to the sponsor. The amount received will be based on the current value at the date of redemption, which may be less than the original amount invested. UIT sponsors continuously offer new series of UITs, which makes it possible for investors to purchase a new series of the UIT upon expiration of the current UIT.

In brokerage accounts, you typically pay either a front-end sales charge or a combination of front-end and deferred sales charges. The deferred sales charge is usually deducted from your account in periodic installments. We receive a portion of that sales charge from the provider sponsoring the UIT. The trust sponsor may also charge a "creation and development" fee (C&D) to compensate for the costs of organizing and offering the portfolio.

UITs have built-in operating expenses that affect their return. Details on the operating expenses and organizational fees are included in each UIT's prospectus. We may receive additional compensation based on our overall sales, or volume concessions, which are received from the unit trust sponsor. The potential volume concession amounts are detailed in each UIT's prospectus. For information about volume concession, please see the corresponding prospectus.

Your financial professional receives a percentage of the overall dealer concessions the product sponsor pays to EFS as outlined in the prospectus. For fixed-income trusts, the dealer concession may vary based on the number of units underwritten. For information about underwriting concession, please see the corresponding prospectus. Your financial professional does not receive commissions from the sale or liquidation of UITs. Also, your financial professional does not receive direct compensation or any portion of volume concession payments we may receive from UIT sponsor.

C. Variable Annuities

Variable annuities are contracts issued by insurance companies into which the buyer makes a lump-sum payment or series of payments. In return, the insurer agrees to provide either a regular stream of payments beginning immediately (or at some future date) or a lump sum payout at a future time. The client pays premiums to the issuing insurance company. At the client's direction, the insurer allocates the client's premium payments to investment options, or sub-accounts (which are similar to mutual funds) comprised of stocks, bonds, or other investments. When you invest in a variable annuity, any growth credited to your account is credited to your account but is not taxed until you take distributions, at which point you pay taxes on any gains. Withdrawals before the age of 59 ½ may also incur a federal tax penalty. Please refer to the prospectus for information specific to the variable annuity you purchase.

Fees and charges: Because variable annuities possess insurance features, they have fees and/or expenses that are not found in other investment products. The fees or expenses that you pay vary depending on the terms and share class of the annuity purchased. The most common fees are as follows:

- **Surrender charge.** Most variable annuities do not have an initial sales charge. However, insurance companies usually assess a surrender charge — often called a contingent deferred sales charge (CDSC) — to an annuity owner who liquidates a contract or makes a withdrawal in excess of the free withdrawal provision (typically 10%) during the surrender charge period specified in the prospectus. The CDSC typically decreases over several years. Please read the prospectus carefully with regard to the applicable surrender charges.

- **Mortality & Expense Risk charge (M&E).** The insurance company charges you this fee for the insurance risks it assumes by providing you guaranteed future payments and basic death benefits. In addition, this fee helps offset the cost of commissions paid.

- **Administrative fees.** These fees cover administrative costs associated with servicing the annuity, including the cost of transferring funds, tracking purchase payments, issuing confirmations and statements, recordkeeping, and customer service.

- **Contract maintenance fee.** This is an annual flat fee — approximately $25 or $30 a year — to keep the contract active. This fee may be waived on variable annuity contracts with account values over a certain dollar amount (for example, $50,000). See the prospectus for details.

- **Underlying fund expenses on subaccounts.** These fees cover the cost of managing the investments within the subaccounts.

- **Optional Rider costs.** Additional riders that provide protection for death and/or provide income may cost extra.

Commissions and Compensation: In brokerage accounts, we primarily offer B-share variable annuities, which are characterized by deferred sales charges that typically range from 5% - 7% in the first year and subsequently decline to zero after five to seven years. The commission payable to EFS, which we share with your financial professional, ranges from between 3-6% of your initial investment, with an annual trail commission of up to 1% of the total value of the annuity. Your financial professional has the option to choose from a higher upfront commission with a lower trail payment or, conversely, a lower upfront commission with a higher trail payment. The total compensation paid with each of these options is generally comparable over time.

E. Fixed Indexed Annuities

Fixed indexed annuities are contracts issued by insurance companies where the returns are based upon the performance of a market index, such as the S&P 500. The index annuity provides a guaranteed minimum accumulation value, subject to the solvency of the issuer. The performance is subject to predetermined rate caps and floors, meaning the performance of your fixed indexed annuity will not exceed or fall below the specified return levels as described in the prospectus, regardless of market conditions.

Typically, index annuities do not have a front-end sales charge when you purchase them but you may pay a CDSC to the insurance company if you liquidate the contract before the end of a certain period of time. The percentage amount of the CDSC usually declines over time. Typically, you do not pay any sales charges or annual operating expenses when you purchase a fixed indexed or buffered annuity. The insurance company considers all its costs, including commissions, when determining the interest rate, caps, participation rates, and CDSC.

The insurance company pays EFS a commission at the time you pay your premium and, for some contracts, at the time of any subsequent renewal. The commission is not deducted from your initial premium or renewal amount. We share this commission with your financial professional.

F. General Securities (Stocks and Bonds and Certificates of Deposit)

1. Common and preferred stocks: when you buy or sell stock, we will act as your agent and route your order to an exchange to buy or sell shares. You pay a commission based on the amount of the transaction, which we share with your financial professional. In the event of trade errors and corrections, we can either earn a profit or loss.

2. Bonds (Corporate, Municipal, Government): When you purchase or sell bonds, we act as agent. As agent, we will charge you a commission, expressed as a percentage of the dollar amount you buy and sell. The amount of the commission will be reflected on the trade confirmation. We share this compensation with your financial professional.

3. Certificates of Deposit (CDs) and Structured CDs:
CDs issued by banks or S&Ls and have fixed interest rates and set maturity dates. CDs are FDIC insured.

Structured CDs are offered by private issuers, are usually senior unsecured obligations of the issuer, and are not FDIC insured. While not FDIC insured, these CDs are principal protected if held to maturity, subject to the creditworthiness of the issuer. Some structured CDs may be callable, which gives the issuer the right to, or obligation to, call the security away from the owner at preset dates and index levels. Please read the prospectus to information relating to investment objectives, risks, charges, and expenses of structured CDs before investing.

For new issues, clients pay the initial offering price, which is set by the issuer. The offering price includes costs and fees associated with purchasing the security and includes selling concessions paid to EFS. Clients are not charged additional sales charges or commissions. The offering price and a description of the costs and fees associated with a security can be found in the prospectus. We share the selling commission received with your financial professional.

For CDs purchased or sold in the secondary market, we act as agent. As agent, we will charge you a commission, expressed as a percentage of the dollar amount you buy or sell. The amount of the commission will be reflected on the trade confirmation. We share this compensation with your financial professional.