

Mutual Fund Service Fee Payments

Our Relationships with the Mutual Funds

Nationwide Financial Services, Inc. and its subsidiaries and/or affiliates (collectively referred to as the “Nationwide companies”) offer a variety of investment options through the variable accounts that accompany their SEC-registered variable annuity and variable life insurance contracts; their privately placed variable annuity and variable life insurance contracts; and their unregistered group variable annuity contracts sold exclusively in the retirement markets. They also offer mutual funds as investment options through mutual fund platforms offered to retirement plans. (The life and annuity contracts and the mutual fund platforms are referred to collectively as “retirement products”).

The variable accounts, trust accounts, or custodial accounts (the “Accounts”) that accompany the retirement products purchase and sell shares of certain mutual funds in the aggregate each day so that the performance of the investment options corresponds to the performance of those mutual funds. When the Accounts aggregate transactions, the underlying mutual fund does not incur the expense of processing individual transactions it would normally incur if it sold its shares to the public directly. The Nationwide companies incur these expenses instead.

The Nationwide companies also incur the distribution costs of selling the retirement products (as discussed above), which benefits the mutual funds by providing contract owners and participants with investment options that correspond to the underlying mutual funds.

An investment adviser or subadviser of a mutual fund or its affiliates may provide the Nationwide companies with wholesaling services that assist in the distribution of the retirement products and may pay the Nationwide Companies to participate in educational and/or marketing activities. These activities may provide the adviser or subadviser (or their affiliates) with increased exposure to persons involved in the distribution of the retirement products.

Types of Payments the Nationwide Companies Receive

In light of the above, the underlying mutual funds and their affiliates make certain payments to the Nationwide companies (the “payments”). The amount of these payments is typically based on an agreed upon percentage times the amount of assets that the Accounts invest in the mutual funds, but in some cases may involve a flat fee. These payments are made for various purposes, including payments for the services provided and expense incurred by the Nationwide companies in promoting, marketing and administering the contracts and underlying funds. Nationwide may realize a profit on the payments received.

The Nationwide companies receive the following types of payments:

- Mutual fund 12b-1 fees, which are deducted from mutual fund assets;
- Sub-transfer agent fees or fees pursuant to administrative service plans adopted by the mutual fund, which may be deducted from mutual fund assets; and
- Payments by a mutual fund’s adviser or subadviser (or its affiliates). Such payments may be derived, in whole or in part, from the advisory fee that is deducted from mutual fund assets and reflected in the mutual fund charges.

Furthermore, the Nationwide companies benefit from assets invested in Nationwide's affiliated underlying mutual funds (*i.e.*, Nationwide Variable Insurance Trust and/or Nationwide Mutual Funds) because their affiliates also receive compensation from the underlying mutual funds for investment advisory, administrative, transfer agency, distribution, and/or other services provided. Thus, the Nationwide companies may receive more revenue with respect to affiliated underlying mutual funds than unaffiliated underlying mutual funds.

The Nationwide companies took into consideration the anticipated mutual fund service fee payments from the underlying mutual funds when it determined the charges imposed under the retirement products (apart from fees and expenses imposed by the underlying mutual funds). Without these mutual fund service fee payments, the Nationwide companies would have imposed higher charges on their retirement products.

Amount of Payments the Nationwide Companies Receive

Most underlying mutual funds or their affiliates have agreed to make payments to the Nationwide companies, although the applicable percentages may vary from mutual fund to mutual fund and some may not make any payments at all.

The amount of the actual payments the Nationwide companies receive is based on an agreed upon percentage times the amount of assets invested by the Accounts in the mutual funds. As such, the Nationwide companies may receive higher payments from mutual funds with lower percentages (but greater assets) than from mutual funds that have higher percentages (but fewer assets).

The underlying mutual funds vary by each line of business.

Identification of Mutual Funds Offered in Our Retirement Products

The Nationwide companies identify a menu of potential mutual funds that correspond to the investment options for their retirement products. They may consider several criteria when identifying those mutual funds, including some or all of the following: investment objectives, investment process, investment performance, risk characteristics, investment capabilities, experience and resources, investment consistency, and fund expenses.

Another factor the Nationwide companies consider during this process is whether the mutual fund's adviser or subadviser is one of their affiliates or whether the mutual fund, its adviser, its subadviser(s), or an affiliate will make payments such as those described above. The identification criteria vary by line of business and retirement product. In some cases, the Nationwide companies identify mutual funds based on requests and recommendations made by retirement plan sponsors and/or their advisors.

There may be mutual funds with lower fees, as well as other retirement products that

offer mutual funds with lower fees. You should consider all of the fees and charges of a retirement product in relation to the features and benefits of that product when making your decision to invest. Please note that higher product and mutual fund service fee payments and charges have a direct effect on the investment performance of your retirement product.

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