

**Part 2A of Form ADV: *Firm Brochure***

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March 9, 2012

This brochure provides information about the qualifications and business practices of Empyrion Wealth. If you have any questions about the contents of this brochure, please contact us at 916-786-7626 or [kimberly@empyrionwealth.com](mailto:kimberly@empyrionwealth.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Empyrion Wealth also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. Our firm's CRD number is 105888.

## **Item 2     Material Changes**

The SEC adopted "Amendments to Form ADV" in July, 2010. This Firm Brochure, dated March 9, 2012, is our disclosure document prepared according to the SEC's new requirements and rules. As you will see, this document is a narrative that is substantially different in form and content, and includes some new information that we were not previously required to disclose.

After our initial filing of this Brochure, this Item will be used to provide our clients with a summary of new and/or updated information. We will inform you of the revision(s) based on the nature of the updated information.

Consistent with the new rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business' fiscal year. Furthermore, we will provide you with other interim disclosures about material changes as necessary.

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## **Item 4    Advisory Business**

Empyryon Wealth Management, LLC is an SEC-registered investment adviser with its principal place of business located in Roseville, California. Empyryon Wealth Management, LLC began conducting business in 1990.

Kim Linnea Foss-Erickson, President and Chief Compliance Officer of Empyryon Wealth Management, LLC, is the firm's founder and principal shareholder (i.e., those individuals and/or entities controlling 25% or more of this company).

Empyryon Wealth Management, LLC offers the following advisory services to our clients:

### **PORTFOLIO MANAGEMENT SERVICES:**

Our firm provides continuous advice to a client regarding the investment of client funds based on the individual needs of the client. Through personal discussions in which goals and objectives based on a client's particular circumstances are established, we develop a client's personal investment policy and create and manage a portfolio based on that policy. During our data-gathering process, we determine the client's individual objectives, time horizons, risk tolerance, and liquidity needs. As appropriate, we also review and discuss a client's prior investment history, as well as family composition and background.

We manage these advisory accounts on a discretionary or non-discretionary basis depending on client preference. Account supervision is guided by the client's stated objectives (i.e., maximum capital appreciation, growth, income, or growth and income), as well as tax considerations. Clients may impose reasonable restrictions on investing in certain securities, types of securities, or industry sectors.

Our investment recommendations are not limited to any specific product or service offered by a broker-dealer or insurance company and will generally include advice regarding the following securities:

- Exchange-listed securities, including individual equities and exchange traded funds (ETFs);
- Securities traded over-the-counter;
- Foreign issuers;
- Corporate debt securities;
- Certificates of deposit;
- Municipal securities;
- Variable annuities;
- Mutual fund shares;
- United States governmental securities;

We will allocate the client's assets among various investments taking into consideration the overall management style selected by the client. Mutual funds and ETFs will be selected on the basis of any or all of the following criteria: the fund's performance history; the industry sector in which the fund invests; the track record of the fund's manager; the fund's investment objectives; the fund's management style and philosophy; and the fund's management fee structure. Each client's individual needs and circumstances will determine portfolio weighting between funds and market sectors.

Because some types of investments involve certain additional degrees of risk, they will only be implemented/recommended when consistent with the client's stated investment objectives, tolerance for risk, liquidity and suitability.

## **FINANCIAL PLANNING/BOUTIQUE FINANCIAL SERVICES**

We also provide financial planning services. Financial planning is a comprehensive evaluation of a client's current and future financial state by using currently known variables to predict future cash flows, asset values and withdrawal plans. Through the financial planning process, all questions, information and analysis are considered as they impact and are impacted by the entire financial and life situation of the client. Clients purchasing this service receive a written report which provides the client with a detailed financial plan designed to assist the client achieve his or her financial goals and objectives.

In general, the financial plan can address any or all of the following areas:

- Proactive tax strategies
- Financial life planning and coaching
- Monte Carlo Simulation and dynamic portfolio design
- Survivorship needs analysis and guidance
- Strategic integration with wealth advisors
- Future generation coaching
- Non-Profit Organization Planning & Coaching

Empyrion Wealth gathers required information through in-depth personal interviews. Information gathered includes a client's current financial status, future goals and attitudes towards risk. Related documents supplied by the client are carefully reviewed, including a questionnaire completed by the client, and a written report is prepared. Should a client choose to implement the recommendations contained in the plan, Empyrion Wealth suggests the client work closely with his/her attorney, accountant, insurance agent, and/or stockbroker. Alternatively, Empyrion Wealth may refer clients to such independent professionals in the event that the client does not have an existing relationship. Utilization of these unaffiliated professionals is strictly at the client's discretion. Implementation of financial plan recommendations is entirely at the client's discretion.

## **COMPREHENSIVE FINANCIAL REVIEW**

We will evaluate the client's assets, earnings, investments, retirement, and estate planning considerations, liabilities and tax position and design an integrated plan providing an overall long-range strategy for attaining financial goals. This written report will include, as necessary:

- Estate Analysis,
- Education,
- Rental and Residential Analysis,
- Investment Performance Summary Report, and
- Preliminary Employee Benefit or Retirement Plan Design.

## **ESTATE PLANNING ANALYSIS**

We conduct an analysis of the client's current and proposed estate plan and prepare an analysis of tax calculations and settlement costs. We then prepare a written explanation of the costs and computer analysis of various scenarios using different assumptions. This service includes an analysis of property ownership and probate, application of tax advantaged trusts, estimated federal estate tax; cost and liquidity situation reports, and capital needs analysis. We will coordinate with the client's attorney and accountant as required.

## EDUCATION EXPENSE ANALYSIS

We will assist the client in determining how to pay for a child's education through an educational needs funding analysis which projects the cost of meeting future educational goals based on current and periodic investments and various rates of inflation. We will prepare a written report which calculates lump sum, annual, or monthly savings, or investment necessary to achieve educational objectives for one, or more children and provides a strategy to finance this important expense.

## PRE-RETIREMENT PLANNING

We will prepare a summary of your present financial situation and a proposed scenario for financing a comfortable retirement. This report will aggregate all income and expenses to calculate the surplus or shortage for each year beginning with your desired retirement date and adjustments required to manage income shortfall. The report will also provide an analysis of existing pension assets and development of optimum strategy for pay out.

Typically the financial plan is presented to the client within six months of the contract date, provided that all information needed to prepare the financial plan has been promptly provided.

Financial Planning recommendations are not limited to any specific product or service offered by a broker-dealer or insurance company. All recommendations are of a generic nature.

## CONSULTING SERVICES

Clients can also receive investment advice on a more focused basis. This may include advice on only an isolated area(s) of concern such as estate planning, retirement planning, or any other specific topic. We also provide specific consultation and administrative services regarding investment and financial concerns of the client.

Consulting recommendations are not limited to any specific product or service offered by a broker-dealer or insurance company. All recommendations are of a generic nature.

## AMOUNT OF MANAGED ASSETS

As of 12/31/2011, we were actively managing **\$126,617,767** of clients' assets on a discretionary basis plus **\$52,310** of clients' assets on a non-discretionary basis.

## Item 5 Fees and Compensation

### PORTFOLIO MANAGEMENT FEES

The annualized fee for Portfolio Management Services is charged as a percentage of assets under management, according to the following schedule:

<b><u>Assets Under Management</u></b>	<b><u>Annual Fee</u></b>
\$1.00 - \$1,000,000	1.15%
\$1,000,001 - \$2,000,000	1.00%
\$2,000,001 - \$3,000,000	.75%
\$3,000,001 - \$10,000,000	0.50%
Amounts over \$10,000,000	Negotiable

Empyryon Wealth has established a different fee schedule for client's whose accounts are referred through the

Schwab Advisor Network as set forth below. Please refer to Item 14 of this Brochure for additional information regarding Schwab Advisor Network referrals.

<b><u>Assets Under Management</u></b>	<b><u>Annual Fee</u></b>
\$750,000 - \$2,000,000	1.15%
\$2,000,001 - \$3,000,000	1.00%
\$3,000,001 - \$10,000,000	0.75%
Amounts over \$10,000,000	0.55%

Our fees are billed quarterly, in advance, at the beginning of each calendar quarter based upon the value (market value or fair market value in the absence of market value), of the client's account at the end of the previous quarter. Fees will be debited from the account in accordance with the client authorization in the Client Services Agreement.

A minimum of \$1,000,000 of assets under management is generally required for this service. This account size may be negotiable under certain circumstances. We may group certain related client accounts for the purposes of achieving the minimum account size requirements and determining the annualized fee. Furthermore, we require a non-negotiable \$11,500 minimum annual fee. As a result, our Portfolio Management Services may not be appropriate for certain smaller accounts.

**Limited Negotiability of Advisory Fees:** Although Empyrion Wealth has established the aforementioned fee schedule(s), we retain the discretion to negotiate alternative fees on a client-by-client basis. Client facts, circumstances and needs are considered in determining the fee schedule. These include the complexity of the client, assets to be placed under management, anticipated future additional assets; related accounts; portfolio style, account composition, reports, among other factors. The specific annual fee schedule is identified in the contract between the adviser and each client.

Discounts, not generally available to our advisory clients, may be offered to family members and friends of associated persons of our firm.

## **FINANCIAL PLANNING SERVICES/BOUTIQUE FINANCIAL SERVICES FEES**

Empyrion Wealth's Financial Planning fee is determined based on the nature of the services being provided and the complexity of each client's circumstances. All fees are agreed upon prior to entering into a contract with any client.

Our Financial Planning fees are calculated and charged on a fixed fee basis, typically ranging from \$2,500. to \$5,000, depending on the specific services requested and the specific arrangement reached with the client. The minimum required fixed fees for specific modules are set forth below.

**COMPREHENSIVE FINANCIAL REVIEW:** \$2,500 minimum fixed fee.

**ESTATE PLANNING ANALYSIS:** \$1000 minimum fixed fee.

**EDUCATION EXPENSE ANALYSIS:** \$500 minimum fixed fee.

**PRE-RETIREMENT PLANNING:** \$1,000 minimum fixed fee.

We may request a retainer upon completion of our initial fact-finding session with the client; however, advance payment will never exceed \$1,200 for work that will not be completed within six months. The balance is due upon completion of the plan.

## CONSULTING SERVICES FEES

Empyryon Wealth's Consulting Services fee is determined based on the nature of the services being provided and the complexity of each client's circumstances. All fees are agreed upon prior to entering into a contract with any client.

Our Consulting Services fees are calculated and charged on an hourly basis, ranging from \$45 - \$225 per hour. An estimate for the total hours is determined at the start of the advisory relationship.

Up to 50% of the estimated total fee may be due upon signing the advisory agreement, with the balance (based upon the services rendered and/or actual hours spent) due upon completion of the service.

## GENERAL INFORMATION

***Termination of the Advisory Relationship:*** A client agreement may be canceled at any time, by either party, for any reason upon receipt of 30 days written notice. As disclosed above, certain fees are paid in advance of services provided. Upon termination of any account, any prepaid, unearned fees will be promptly refunded. In calculating a client's reimbursement of fees, we will pro rate the reimbursement according to the number of days remaining in the billing period.

***Fund Fees:*** All fees paid to Empyryon Wealth Management, LLC for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds and/or ETFs to their shareholders. These fees and expenses are described in each fund's prospectus. These fees will generally include a management fee, other fund expenses, and a possible distribution fee. If the fund also imposes sales charges, a client may pay an initial or deferred sales charge. A client could invest in a mutual fund directly, without our services. In that case, the client would not receive the services provided by our firm which are designed, among other things, to assist the client in determining which mutual fund or funds are most appropriate to each client's financial condition and objectives. Accordingly, the client should review both the fees charged by the funds and our fees to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

***Additional Fees and Expenses:*** In addition to our advisory fees, clients are also responsible for the fees and expenses charged by custodians and imposed by broker dealers. Please refer to the "Brokerage Practices" section (Item 12) of this Form ADV for additional information.

***Grandfathering of Minimum Account Requirements:*** Pre-existing advisory clients are subject to Empyryon Wealth Management, LLC's minimum account requirements and advisory fees in effect at the time the client entered into the advisory relationship. Therefore, our firm's minimum account requirements will differ among clients.

***Advisory Fees in General:*** Clients should note that similar advisory services may (or may not) be available from other registered (or unregistered) investment advisers for similar or lower fees.

***Limited Prepayment of Fees:*** Under no circumstances do we require or solicit payment of fees in excess of \$1200 more than six months in advance of services rendered.

## Item 6 Performance-Based Fees and Side-By-Side Management

Empyryon Wealth Management, LLC does not charge performance-based fees.



## Item 7 Types of Clients

Empyryon Wealth provides advisory services to the following types of clients:

- Individuals (including high net worth individuals);
- Pension and profit sharing plans (other than plan participants);
- Trusts, Estates or Charitable Organizations; and
- Corporations or other businesses.

As previously disclosed in Item 5, our firm has established certain initial minimum account requirements for establishing and maintaining an account, based on the nature of the service(s) being provided. For a more detailed understanding of those requirements, please review the disclosures provided in each applicable service.

## Item 8 Methods of Analysis, Investment Strategies and Risk of Loss

### METHODS OF ANALYSIS

We use the following methods of analysis in formulating our investment advice and/or managing client assets:

**Fundamental Analysis.** We attempt to measure the intrinsic value of a security by looking at economic and financial factors (including the overall economy, industry conditions, and the financial condition and management of the company itself) to determine if the company is underpriced (indicating it may be a good time to buy) or overpriced (indicating it may be time to sell).

Fundamental analysis does not attempt to anticipate market movements. This presents a potential risk, as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating the stock.

**Asset Allocation.** Rather than focusing solely on securities selection, we attempt to identify an appropriate ratio of securities, fixed income, and cash suitable to the client's investment goals and risk tolerance.

A risk of asset allocation is that the client may not participate in sharp increases in a particular security, industry or market sector. Another risk is that the ratio of securities, fixed income, and cash will change over time due to stock and market movements and, if not corrected, will no longer be appropriate for the client's goals.

**Mutual Fund and/or ETF Analysis.** We look at the experience and track record of the manager of the mutual fund or ETF in an attempt to determine if that manager has demonstrated an ability to invest over a period of time and in different economic conditions. We also look at the underlying assets in a mutual fund or ETF in an attempt to determine if there is significant overlap in the underlying investments held in another fund(s) in the client's portfolio. We also monitor the funds or ETFs in an attempt to determine if they are continuing to follow their stated investment strategy.

A risk of mutual fund and/or ETF analysis is that, as in all securities investments, past performance does not guarantee future results. A manager who has been successful may not be able to replicate that success in the future. In addition, as we do not control the underlying investments in a fund or ETF, managers of different funds held by the client may purchase the same security, increasing the risk to the client if that security were to fall in value. There is also a risk that a manager may deviate from the stated investment mandate or strategy of the fund or ETF, which could make the holding(s) less suitable for the client's portfolio.

**Risks for all forms of analysis.** Our securities analysis methods rely on the assumption that the companies whose securities we purchase and sell, the rating agencies that review these securities, and other publicly-available sources of information about these securities, are providing accurate and unbiased data. While we are alert to indications that data may be incorrect, there is always a risk that our analysis may be compromised by

inaccurate or misleading information.

## **INVESTMENT STRATEGIES**

We use the following strategy in managing client accounts, provided that such strategy are appropriate to the needs of the client and consistent with the client's investment objectives, risk tolerance, and time horizons, among other considerations:

**Long-term purchases.** We purchase securities with the idea of holding them in the client's account for a year or longer. Typically we employ this strategy when:

- we believe the securities to be currently undervalued, and/or
- we want exposure to a particular asset class over time, regardless of the current projection for this class.

A risk in a long-term purchase strategy is that by holding the security for this length of time, we may not take advantage of short-term gains that could be profitable to a client. Moreover, if our predictions are incorrect, a security may decline sharply in value before we make the decision to sell.

**Risk of Loss.** Securities investments are not guaranteed and you may lose money on your investments. We ask that you work with us to help us understand your tolerance for risk.

## **Item 9 Disciplinary Information**

We are required to disclose any legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management.

Neither our firm nor our management personnel have reportable disciplinary events to disclose.

## **Item 10 Other Financial Industry Activities and Affiliations**

Neither our firm nor any of our management personnel are engaged in other financial industry activities nor do we or our management personnel have other financial industry affiliations.

## **Item 11 Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

Our firm has adopted a Code of Ethics which sets forth high ethical standards of business conduct that we require of our employees, including compliance with applicable federal securities laws.

Empyrion Wealth and our personnel owe a duty of loyalty, fairness and good faith towards our clients, and have an obligation to adhere not only to the specific provisions of the Code of Ethics but to the general principles that guide the Code.

Our Code of Ethics includes policies and procedures for the review of quarterly securities transactions reports as well as initial and annual securities holdings reports that must be submitted by the firm's access persons. Among other things, our Code of Ethics also requires the prior approval of any acquisition of securities in a limited offering (e.g., private placement) or an initial public offering. Our code also provides for oversight, enforcement and recordkeeping provisions.

Empyrion Wealth's Code of Ethics further includes the firm's policy prohibiting the use of material non-public information. While we do not believe that we have any particular access to non-public information, all employees are reminded that such information may not be used in a personal or professional capacity.

A copy of our Code of Ethics is available to our advisory clients and prospective clients. You may request a copy by email sent to [kim@empyryonwealth.com](mailto:kim@empyryonwealth.com), or by calling us at 916-786-7626.

Our Code of Ethics is designed to assure that the personal securities transactions, activities and interests of our employees will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts.

Our firm and/or individuals associated with our firm may buy or sell for their personal accounts securities identical to or different from those recommended to our clients. In addition, any related person(s) may have an interest or position in a certain securities which may also be recommended to a client.

It is the expressed policy of our firm that no person employed by us may purchase or sell any security prior to a transaction(s) being implemented for an advisory account, thereby preventing such employee(s) from benefiting from transactions placed on behalf of advisory accounts.

## **Item 12 Brokerage Practices**

As our firm does not have the discretionary authority to determine the broker-dealer to be used or the commission rates to be paid, clients must direct Empyryon Wealth as to the broker-dealer to be used.

Empyryon Wealth typically recommends Charles Schwab & Company, Inc. ("Schwab") to clients in need of brokerage and custodial services, provided that such recommendation is consistent with our firm's fiduciary duty to the client. Schwab is an SEC registered, FINRA-member broker unaffiliated with Empyryon Wealth. Empyryon Wealth has evaluated Schwab and believes that it will provide our clients with a blend of execution services, commission costs and professionalism that will assist our firm to meet our fiduciary obligations to clients. However, our clients must evaluate any Schwab (or any other recommended broker) before opening an account. The factors considered by Empyryon Wealth when making such a recommendation is the broker's ability to provide professional services, our experience with the broker, the broker's reputation, the quality of its execution services and costs of such services, among other factors. Clients are not under any obligation to effect trades through any recommended broker.

We reserve the right to decline acceptance of any client account for which the client directs the use of a broker other than Schwab if we believe that this choice would hinder our fiduciary duty to the client and/or our ability to service the account. In directing the use of Schwab, it should be understood that Empyryon Wealth will not have authority to negotiate commissions or to necessarily obtain volume discounts, and best execution may not be achieved. In addition, a disparity in commission charges may exist between the commissions charged to the client and those charged to other clients (who may direct the use of another broker).

Clients should note, while Empyryon Wealth has a reasonable belief that Schwab is able to obtain best execution and competitive prices, our firm will not be independently seeking best execution price capability through other brokers. Not all advisers request that clients direct it to use a particular broker-dealer.

Empyryon Wealth will block trades where possible and when advantageous to clients. This blocking of trades permits the trading of aggregate blocks of securities composed of assets from multiple client accounts, so long as transaction costs are shared equally and on a pro-rated basis between all accounts included in any such block.

Block trading may allow us to execute equity trades in a timelier, more equitable manner, at an average share price. Empyryon Wealth will typically aggregate trades among clients whose accounts can be traded at a given broker, and generally will rotate or vary the order of brokers through which it places trades for clients on any particular day. Empyryon Wealth's block trading policy and procedures are as follows:

- 1) Transactions for any client account may not be aggregated for execution if the practice is prohibited by or

inconsistent with the client's advisory agreement with Empyryon Wealth, or our firm's order allocation policy.

2) The trading desk in concert with the portfolio manager must determine that the purchase or sale of the particular security involved is appropriate for the client and consistent with the client's investment objectives and with any investment guidelines or restrictions applicable to the client's account.

3) The portfolio manager must reasonably believe that the order aggregation will benefit, and will enable Empyryon Wealth to seek best execution for each client participating in the aggregated order. This requires a good faith judgment at the time the order is placed for the execution. It does not mean that the determination made in advance of the transaction must always prove to have been correct in the light of a "20-20 hindsight" perspective. Best execution includes the duty to seek the best quality of execution, as well as the best net price.

4) Prior to entry of an aggregated order, a written order ticket must be completed which identifies each client account participating in the order and the proposed allocation of the order, upon completion, to those clients.

5) If the order cannot be executed in full at the same price or time, the securities actually purchased or sold by the close of each business day must be allocated pro rata among the participating client accounts in accordance with the initial order ticket or other written statement of allocation. However, adjustments to this pro rata allocation may be made to participating client accounts in accordance with the initial order ticket or other written statement of allocation. Furthermore, adjustments to this pro rata allocation may be made to avoid having odd amounts of shares held in any client account, or to avoid excessive ticket charges in smaller accounts.

6) Generally, each client that participates in the aggregated order must do so at the average price for all separate transactions made to fill the order, and must share in the commissions on a pro rata basis in proportion to the client's participation. Under the client's agreement with the custodian/broker, transaction costs may be based on the number of shares traded for each client.

7) If the order will be allocated in a manner other than that stated in the initial statement of allocation, a written explanation of the change must be provided to and approved by the Chief Compliance Officer no later than the morning following the execution of the aggregate trade.

8) Empyryon Wealth's client account records separately reflect, for each account in which the aggregated transaction occurred, the securities which are held by, and bought and sold for, that account.

9) Funds and securities for aggregated orders are clearly identified on Empyryon Wealth's records and to the broker-dealers or other intermediaries handling the transactions, by the appropriate account numbers for each participating client.

10) No client or account will be favored over another.

As set forth above, we may recommend that clients establish brokerage accounts with the Schwab, a FINRA registered broker-dealer, member SIPC, to maintain custody of clients' assets and to effect trades for their accounts. Although we recommend that clients establish accounts at Schwab, it is the client's decision to custody assets with Schwab.

Clients should note that Schwab provides Empyryon Wealth with access to its institutional trading and custody services, which are typically not available to Schwab retail investors. These services generally are available to independent investment advisers on an unsolicited basis, at no charge to them so long as a total of at least \$10 million of the adviser's clients' assets are maintained in accounts at Schwab Institutional. These services are contingent upon our firm committing to Schwab any specific amount of business (assets in custody or trading commissions). Schwab's brokerage services include the execution of securities transactions, custody, research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

For our client accounts maintained in its custody, Schwab generally does not charge separately for custody

services but is compensated by account holders through commissions and other transaction-related or asset-based fees for securities trades that are executed through Schwab or that settle into Schwab accounts.

Schwab Institutional also makes available to our firm other products and services that benefit Empyryon Wealth but may not directly benefit our clients' accounts. Many of these products and services may be used to service all or some substantial number of our client accounts, including accounts not maintained at Schwab.

Schwab's products and services that assist us in managing and administering our clients' accounts include software and other technology that

- i. provide access to client account data (such as trade confirmations and account statements);
- ii. facilitate trade execution and allocate aggregated trade orders for multiple client accounts;
- iii. provide research, pricing and other market data;
- iv. facilitate payment of our fees from clients' accounts; and
- v. assist with back-office functions, recordkeeping and client reporting.

Schwab Institutional also offers other services intended to help us manage and further develop our business enterprise. These services may include:

- i. compliance, legal and business consulting;
- ii. publications and conferences on practice management and business succession; and
- iii. access to employee benefits providers, human capital consultants and insurance providers.

Schwab may make available, arrange and/or pay third-party vendors for the types of services rendered to Empyryon Wealth. Schwab Institutional may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to our firm. Schwab Institutional may also provide other benefits such as educational events or occasional business entertainment of our personnel. In evaluating whether to recommend or require that clients custody their assets at Schwab, we may take into account the availability of some of the foregoing products and services and other arrangements as part of the total mix of factors we consider and not solely on the nature, cost or quality of custody and brokerage services provided by Schwab, which may create a potential conflict of interest.

In addition to the above, Empyryon Wealth receives client referrals from Schwab through its participation in the Schwab Advisor Network (the "Service"). Although Empyryon Wealth does not make commitments to compensate Schwab for these referrals through brokerage or dealer transactions, we do pay a fee to participate in the Service and the fee arrangement is structured to encourage us to recommend the custodial services of Schwab creating an inherent conflict of interest when recommending custodial services to our clients. Please see Item 14 of this Brochure for additional information regarding this conflict.

## **Item 13    Review of Accounts**

### **PORTFOLIO MANAGEMENT SERVICES**

**REVIEWS:** While the underlying securities within Portfolio Management Services client accounts are continually monitored, these accounts are reviewed at least monthly. Accounts are reviewed in the context of each client's stated investment objectives and guidelines. More frequent reviews may be triggered by material changes in variables such as the client's individual circumstances, or the market, political or economic environment.

These accounts are reviewed by **Kim Foss-Erickson, President and Chief Compliance Officer** of Empyryon

Wealth.

**REPORTS:** In addition to the monthly statements and confirmations of transactions that clients receive from their broker-dealer, we provide quarterly reports summarizing account performance, balances and holdings.

### **FINANCIAL PLANNING SERVICES**

**REVIEWS:** While reviews may occur at different stages depending on the nature and terms of the specific engagement, typically no formal reviews will be conducted for Financial Planning clients unless otherwise contracted for.

These accounts are reviewed by **Kim Foss-Erickson, President and Chief Compliance Officer** of Empyryon Wealth.

**REPORTS:** Financial Planning clients will receive a completed financial plan. Additional reports will not typically be provided unless otherwise contracted for.

### **CONSULTING SERVICES**

**REVIEWS:** While reviews may occur at different stages depending on the nature and terms of the specific engagement, typically no formal reviews will be conducted for Consulting Services clients unless otherwise contracted for. Such reviews will be conducted by Kim Foss-Erickson, President and Chief Compliance Officer of Empyryon Wealth.

**REPORTS:** Consulting Services clients will not typically receive reports due to the nature of the service.

## **Item 14 Client Referrals and Other Compensation**

### **CLIENT REFERRALS**

As disclosed at Item 12 of this Brochure, we previously received client referrals from Schwab through our participation in the Schwab Advisor Network service. This arrangement is no longer in effect and Empyryon is no longer engaging in the referral activity. That stated, Empyryon is obligated to continue to pay Schwab a fee as a result of previous engagements and will continue to do so for as long as the referred client's account remains in custody at Schwab. The Participation Fee is billed to Empyryon Wealth quarterly and may be increased, decreased or waived by Schwab from time to time. The Participation Fee is paid by Empyryon Wealth and not by the client.

The Non-Schwab Custody Fee is higher than the Participation Fees Advisor generally would pay in a single year. Thus, a conflict of interest is established whereby Empyryon Wealth will have an incentive to recommend that client accounts be held in custody at Schwab. The Participation and Non-Schwab Custody Fees will be based on assets in accounts of Empyryon Wealth's clients who were referred by Schwab and those referred client's family members living in the same household. Thus, Empyryon Wealth will have incentives to encourage household members of clients referred through the Service to maintain custody of their accounts and execute transactions at Schwab and to instruct Schwab to debit Empyryon Wealth's fees directly from the accounts.

For accounts of Empyryon Wealth's clients maintained in custody at Schwab, Schwab will not charge the client separately for custody but will receive compensation from Empyryon Wealth's clients in the form of commissions or other transaction-related compensation on securities trades executed through Schwab. Schwab also will receive a

fee (generally lower than the applicable commission on trades it executes) for clearance and settlement of trades executed through broker-dealers other than Schwab. Schwab's fees for trades executed at other broker-dealers are in addition to the other broker-dealers fees. Thus, Empyrion Wealth may have an incentive to cause trades to execute through Schwab rather than another broker-dealer. Empyrion Wealth nevertheless, acknowledges its duty to seek best execution of trades for client accounts. Trades for client accounts held in custody at Schwab may be executed through a different broker-dealer than trades for Empyrion Wealth's other clients. Thus, trades for accounts with custody at Schwab may be executed at different times and different prices than trades for other accounts that are executed at other broker-dealers.

Payment of referral fees for client referrals also creates a potential conflict of interest to the extent that such a referral is not unbiased and the solicitor is, at least partially, motivated by financial gain. Therefore, Empyrion Wealth may be referred to a prospective client even though our advisory services may not be the best suited to the prospective client's circumstances or when entering into an advisory relationship with us is not, overall, in the best interest of the client. As these situations represent a conflict of interest, we have established the following restrictions in order to ensure our fiduciary responsibilities:

1. All such referral fees are paid in accordance with the requirements of Rule 206(4)-3 of the Investment Advisers Act of 1940, and any applicable state securities law requirements;
2. Any such referral fee will be paid solely from our investment management fee, and will not result in any additional charge to the client;
3. We will confirm that at the time of the solicitation, the third party solicitor provided each prospective client with a copy of our Form ADV Part 2 Brochure, together with a copy of the written disclosure statement disclosing the terms of the solicitation arrangement between our firm and the solicitor, including the compensation to be received by the solicitor from us; and
4. All referred clients will be carefully screened to ensure that our fees, services, and investment strategies are suitable to their investment needs and objectives.

## **Item 15 Custody**

We previously disclosed in the "Fees and Compensation" section (Item 5) of this Brochure that our firm directly debits advisory fees from client accounts.

As part of this billing process, the client's custodian is advised of the amount of the fee to be deducted from that client's account. On at least a quarterly basis, the custodian is required to send to the client a statement showing all transactions within the account during the reporting period.

Because the custodian does not calculate the amount of the fee to be deducted, it is important for clients to carefully review their custodial statements to verify the accuracy of the calculation, among other things. Clients should contact us directly if they believe that there may be an error in their statement.

In addition to the periodic statements that clients receive directly from their custodians, we also send account statements directly to our clients on a quarterly basis. We urge our clients to carefully compare the information provided on these statements to ensure that all account transactions, holdings and values are correct and current.

## **Item 16 Investment Discretion**

Clients may hire us to provide discretionary asset management services, in which case we place trades in a client's account without contacting the client prior to each trade to obtain the client's permission.

Our discretionary authority includes the ability to do the following without contacting the client:

- determine the security to buy or sell; and/or
- determine the amount of the security to buy or sell

Clients give us discretionary authority when they sign a discretionary agreement with our firm, and may limit this authority by giving us written instructions. Clients may also change/amend such limitations by once again providing us with written instructions.

For client's electing not to grant us discretionary authority over his/her account, we will implement recommendations made for the account only upon Client's consent and subject to any limitation imposed by client with respect to the transaction.

Should a client elect not to grant us investment discretion over their account, we note that trades in their accounts will typically be executed after trades in the same securities are placed in discretionary accounts, due to the time involved in obtaining the requisite client approval. Consequently, these clients may not participate in blocked trades and there may be a difference in the price paid per share of a given security and the commission rates paid by these clients as compared to other clients depending, in part, on the type of security traded.

## **Item 17 Voting Client Securities**

As a matter of firm policy, we do not vote proxies on behalf of clients. Therefore, although our firm may provide investment advisory services relative to client investment assets, clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets. Clients are responsible for instructing each custodian of the assets, to forward to the client copies of all proxies and shareholder communications relating to the client's investment assets.

We may provide clients with consulting assistance regarding proxy issues if they contact us with questions at our principal place of business.

## **Item 18 Financial Information**

Under no circumstances do we require or solicit payment of fees in excess of \$1200 per client more than six months in advance of services rendered. Therefore, we are not required to include a financial statement.

As an advisory firm that maintains discretionary authority for client accounts, we are also required to disclose any financial condition that is reasonable likely to impair our ability to meet our contractual obligations. Empyrion Wealth has no additional financial circumstances to report.

Empyrion Wealth has not been the subject of a bankruptcy petition at any time during the past ten years.