

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

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This brochure provides information about the qualifications and business practices of Executive Wealth Management, LLC. If you have any questions about the contents of this brochure, please contact us at 810-229-6446 or [craig@efp-inc.com](mailto:craig@efp-inc.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. Executive Wealth Management, LLC is a registered investment adviser. Reference made to the firm as being registered does not imply any particular level of skill or training.

Additional information about Executive Wealth Management, LLC 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 140736.

**Item 2 MATERIAL CHANGES**

We have not made material changes to our Form ADV Part 2A Disclosure Brochure since our last filing in October 2011.

<b>Item 3</b>	<b>TABLE OF CONTENTS</b>	<b>Page</b>
Item 1	Cover Page	1
Item 2	Material Changes	2
Item 3	Table of Contents	3
Item 4	Advisory Business	4
Item 5	Fees and Compensation	5
Item 6	Performance-Based Fees and Side-By-Side Management	7
Item 7	Types of Clients	7
Item 8	Methods of Analysis, Investment Strategies and Risk of Loss	7
Item 9	Disciplinary Information	10
Item 10	Other Financial Industry Activities and Affiliations	10
Item 11	Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	11
Item 12	Brokerage Practices	13
Item 13	Review of Accounts	16
Item 14	Client Referrals and Other Compensation	17
Item 15	Custody	17
Item 16	Investment Discretion	18
Item 17	Voting Client Securities	19
Item 18	Financial Information	19

#### **Item 4     ADVISORY BUSINESS**

Executive Wealth Management, LLC (EWM) is a SEC-registered investment adviser with its principal place of business located in Brighton, Michigan. EWM began conducting business as a registered investment adviser in 2006. Albert P. Herzog is President and majority owner of EWM.

EWM offers the following advisory services to our clients:

##### **Fortunatus Separately Managed Account Services**

We offer portfolio management services to clients as the sponsor and investment manager of Fortunatus Separately Managed Account Services, a wrap fee program (hereinafter “Separately Managed Account Services” or “the Program”). A wrap-fee program is an investment management program that provides the client with advisory and brokerage execution services for an inclusive fee. The client is not charged separate fees for these respective components of the total service, though there may be additional costs for fees and expenses charged by mutual funds and exchange traded funds (ETFs) or exchange traded notes (ETNs) to their shareholders, exchange fees, transfer taxes or certain administrative fees for wire transfers or certificate issues. Transactions in Program accounts are effected 'net,' i.e., without separate commission charge to the client, and a portion of the wrap fee is generally considered as being in lieu of commissions. In evaluating the Program, clients should consider therefore that, depending upon the level of the wrap fee charged, the amount of portfolio activity in the client's account, the value of custodial and other services which are provided under the arrangement, and other factors, the wrap fee may or may not exceed the aggregate cost of such services if they were to be provided separately and if EWM were to negotiate commissions and seek best price and execution of transactions for the client's account.

We have also entered into arrangements with certain unaffiliated third party investment adviser's (each a “third party Sponsor”) to make the Fortunatus portfolios available on investment platforms provided by the third party Sponsors. These third party Sponsors in turn will make the Fortunatus portfolios available to its clients or the clients of other third party advisers as part of a wrap fee program or otherwise. EWM will provide the Fortunatus model portfolios and trading cues to assist the third party Sponsor in its own direct management of its client's accounts. If requested by the Sponsor, we may alternatively (or additionally) provide our Fortunatus model portfolios and trading cues to a third party administrator that has also been separately engaged by the third party Sponsor to execute trades on behalf of its clients. EWM will have no direct relationship with these firms' end user clients. Under these circumstances, the third party Sponsor will typically compensate us for providing the Fortunatus portfolios through a fee based on a percentage of the total fee charged to clients utilizing the models through the third party Sponsor's platform. These firms' clients should refer to the Sponsor's disclosure documents for complete information regarding these programs.

A minimum account size of \$2,500 is required to participate in the Program. This minimum account size may be negotiable at our discretion. For more information regarding the Program, including the fee schedule and other important considerations, clients should refer to the disclosure document for the Program.

##### **Adviser Managed Portfolios**

Adviser Managed Portfolios are investment accounts managed directly by representatives of EWM. These accounts are constructed by the EWM representative from a list of investments that have been pre-approved by EWM's Investment Committee. Through personal discussions in which goals and objectives based on a client's particular circumstances are established, EWM, through its investment

adviser representative, develops a client's personal investment policy and creates and manages the Adviser Managed portfolio based on that policy. Adviser Managed accounts are managed on a non-discretionary basis only. Account supervision is guided by the stated objectives of the client. Adviser Managed portfolios generally tend to hold fewer investments than clients invested through the Fortunatus Separately Managed Account Services portfolios. Due to the smaller size of these accounts or other client needs, Adviser Managed portfolios are generally designed for clients whose investment needs and/or account value require investment in mutual funds, variable annuities, ETFs and/or ETNs rather than other types of investment products in order obtain adequate market exposure in each asset class as determined appropriate by EWM. Mutual funds, ETFs and ETNs will be selected on the basis of any or all of the following criteria as they relate to the security or its underlying index: performance history; industry sector; the investment manager, management style and philosophy; track record; investment objectives; composition and focus, and; fee structure and expenses. Each client's individual needs and circumstances will determine portfolio weighting between funds and market sectors. Clients will retain individual ownership of all securities.

While our Investment Committee continuously monitors the underlying securities in Adviser Managed accounts, each client portfolio is reviewed at least quarterly by the representative assigned to the account and is rebalanced as necessary. If EWM believes that a reallocation is necessary, for example, that a particular investment is performing inadequately, or that a different investment is more appropriate for the client account, then EWM will recommend a different investment to the client. Under these circumstances, EWM will assist the client in selecting a new investment. However, any change to the portfolio is solely at the discretion of the client.

### **Education and Workshops**

EWM provides educational seminars or workshops on various wealth topics that may include retirement planning and investment planning or other similar topics. The investment information provided under this service is educational in nature and does not purport to meet the objectives or needs of any particular attendee. EWM seminars are typically sponsored by and provided for select groups or organizations but may also be open to the public.

### **Amount of Managed Assets**

As of 12/31/2011, we were actively managing \$270,314,768 of clients' assets on a discretionary basis. Assets managed on a nondiscretionary basis totaled \$15,757,712.

## **Item 5 FEES AND COMPENSATION**

### **Adviser Managed Portfolios**

The annual fee for Adviser Managed Portfolios will be charged as a percentage of assets under management, according to the following schedule:

<u>Assets Under Management</u>	<u>Annual Fee (%)</u>
First \$249,999	1.50%
\$250,000 - \$499,999	1.25%
\$500,000 - \$1,000,000	1.00%
Over \$1,000,000	0.75%

There is no minimum account size required for this service. EWM may group certain related client accounts for the purposes of determining the annualized fee.

In addition to the asset based management fee, Adviser Managed Portfolios clients will be charged an annual administrative fee equal to **0.30%** of assets under management.

Client accounts will be directly debited, as authorized, 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. Administrative fees are also charged quarterly, in advance.

### **Education and Workshops**

EWM may charge for Education and Workshop Services when providing speakers and/or materials for a workshop sponsored by a third party. Fees associated with these services may be charged to Workshop sponsor or host, attendee, and/or Seminar co-presenter.

Fees charged to the sponsor or host and/or co-presenters are negotiable and will typically range from \$1,000 to \$5,000 depending on the nature and complexity of the event. However, because a seminar presents a forum by which attendees become familiar with EWM and the services it provides (potentially leading to new client relationships) as well as the material presented, EWM may opt to waive or reduce its fee for workshop services depending on the circumstances. EWM reserves the right to have Seminar clients reimburse EWM for any reasonable travel expenses incurred by EWM during the execution of the Seminar.

### **General Information**

***Negotiability of Fees:*** In certain circumstances, all fees may be negotiable. In addition, certain family members and personal acquaintances of EWM's affiliated persons may receive advisory services at a discounted rate which is not available to advisory clients generally.

***Termination:*** 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. Clients always have the right to terminate an agreement without penalty within five business days after entering into the agreement.

***Fund Fees and Expenses:*** All fees paid to EWM for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds, ETFs and ETNs to their shareholders. In the case of mutual funds, 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 fund directly, without the services of EWM. In that case, the client would not receive the services provided by EWM which are designed, among other things, to assist the client in determining which 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 the fees charged by EWM 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 EWM's advisory fees, Advisor Managed Portfolios clients are also responsible for the fees and expenses charged by custodians and imposed by broker dealers. Such fees may include, but are not limited to, any transaction charges, fees for duplicate statements and transaction confirmations, and fees for electronic data feeds and reports. As disclosed above, clients enrolled in the Fortunatus Separately Managed Account Services wrap fee program will not incur separate brokerage charges for transactions executed in their account. Please refer to the "Brokerage Practices" section (Item 12) of this Form ADV for additional information.

***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.

## **Item 6 PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

EWM does not charge performance-based fees to any client.

## **Item 7 TYPES OF CLIENTS**

EWM provides advisory services to individuals, including high net worth individuals, pension and profit sharing plans (other than plan participants), trusts, estates, charitable organizations, corporations and other businesses.

As previously disclosed at Item 5 of this Brochure, we do not currently impose minimum account balance requirements for opening or maintaining an account with our firm.

## **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.

***Technical Analysis.*** We analyze past market movements and apply that analysis to the present in an attempt to recognize recurring patterns of investor behavior and potentially predict future price movement.

Technical analysis does not consider the underlying financial condition of a company. This presents a risk in that a poorly-managed or financially unsound company may underperform regardless of market movement.

***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 other fund 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 fund or ETF less suitable of the client's portfolio.

**Legacy Holdings.** Investment advice may be offered on any investments held by a client at the start of the advisory relationship. In general, depending on tax considerations and client sentiment, these investments will be sold over time and the assets invested in the appropriate EWM strategy. As with any investment decision, there is the risk that EWM's timing with respect to the sale and reinvestment of these assets will be less than ideal or even result in a short term or long term loss to the client.

**Other Investment Vehicles.** As appropriate, investment advice may also be provided on investments in commodity pool fund of funds, limited partnerships and private placement partnerships (each a "Private Fund"). For private investments such as these, traditional fundamental, technical or other securities analysis is not possible when formulating recommendations. Instead, we rely on our due diligence process of the Private Funds and their investment managers in determining which funds to invest in on behalf of our clients.

It is our policy and practice to conduct initial due diligence with respect to the investment manager of any prospective Private Fund investment and to monitor any selected investment manager on an on-going basis to determine and evaluate the portfolio management team's background, experience and philosophy; the process by which the manager makes investment decisions; how those decisions are implemented; the manager's investment track record in both up and down markets; the manager's risk management controls, parameters and evaluation process, and the adequacy and effectiveness of the manager's operational and compliance controls and infrastructure. It is our policy and practice to seek to avoid investment in any Private Fund where we determine that the manager of such fund has failed to adopt certain minimal operational and compliance controls and safeguards.

The principal driver of portfolio selection is the relative skill set of the underlying fund managers in research, trading, risk management and organization building, with integrity of the individual(s) managing the Private Funds the paramount consideration. A primary source of information used to identify potential Private Funds for investment include personal references, qualitative reviews of fund's portfolio managers as described above, and review of the Fund Offering Memorandum, Limited Partnership Agreement, Subscription Agreement, performance records and other documents.

One of the primary risks of investing with a third-party fund manager based, in part, on successful past performance is that he/she may not be able to replicate that success in the future. In addition, as we do not control the underlying investments in a third-party manager's portfolio, there is also a risk that a manager may deviate from the stated investment mandate or strategy of the portfolio, making it a less suitable investment for our clients. Moreover, as we do not control the manager's daily business and compliance operations, it is possible for us to miss the absence of internal controls necessary to prevent fraud or other business, regulatory or reputational deficiencies.

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

***Asset Allocation.*** The primary investment strategy used by EWM is based on diversification of the client's assets among a variety of investment vehicles and asset classes, popularly termed "Asset Allocation." The focus of EWM's recommendations then is primarily to achieve a diversified portfolio of investment assets with risk and return characteristics similar to those desired by EWM's clients. This strategy may include evaluation of the current percentage allocation of assets among or within various broad categories with recommendations to reposition assets to work toward the client's desired results.

EWM's Investment Committee meets regularly to evaluate new and reevaluate existing investment opportunities and, as appropriate, subadvisers. During these meetings EWM will deliberate issues regarding the proper allocation of client assets based on the current economic conditions.

***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 advantages 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.

***Short-term purchases.*** When utilizing this strategy, we purchase securities with the idea of selling them within a relatively short time (typically a year or less). We do this in an attempt to take advantage of conditions that we believe will soon result in a price swing in the securities we purchase.

A short-term purchase strategy poses risks should the anticipated price swing not materialize; we are then left with the option of having a long-term investment in a security that was designed to be a short-term purchase, or potentially taking a loss.

In addition, this strategy involves more frequent trading than does a longer-term strategy, and will result in increased brokerage and other transaction-related costs, as well as less favorable tax treatment of short-term capital gains.

***Short sales.*** We may borrow shares of a stock for your portfolio from someone who owns the stock on a promise to replace the shares on a future date at a certain price. Those borrowed shares are then sold. On the agreed-upon future date, we buy the same stock and return the shares to the original owner. We engage in short selling based on our determination that the stock will go down in price after we have borrowed the shares. If we are correct and the stock price has gone down since

the shares were purchased from the original owner, the client account realizes the profit.

Short selling results in some unique risks:

- *Losses can be infinite.* A short sale loses when the stock price rises, and a stock is not limited (at least, theoretically) in how high it can go. For example, if you short 100 shares at \$50 each, hoping to make a profit but the shares increase to \$75 per share, you'd lose \$2,500. On the other hand, the price of a stock cannot fall below \$0, which limits your potential upside.
- *Short squeezes can wring out profits.* As stock prices increase, short seller losses also increase as sellers rush to buy the stock to cover their positions. This increase in demand, in turn, further drives the prices up.
- *Timing.* Even if we are correct in determining that the price of a stock will decline, we run the risk of incorrectly determining when the decline will take place, i.e., being right too soon. Although a company is overvalued, it could conceivably take some time for the price to come down; during which you are vulnerable to interest, margin calls, etc.
- *Inflation.* History has shown that over the long term, most stocks appreciate. Even if a company barely improves over time, inflation should drive its share price up somewhat. In fact, short selling may not be appropriate in times of inflation for that very reason, as prices may adjust upwards regardless of the value of the stock.

**Margin transactions.** We will purchase stocks for your portfolio with money borrowed from your brokerage account. This allows you to purchase more stock than you would be able to with your available cash, and allows us to purchase stock without selling other holdings.

**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.

Our firm and our management personnel have no reportable disciplinary events to disclose.

## **Item 10    OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

In addition to advisory services and as appropriate, we may provide divorce consultation services to individuals for a fee. Our fee for these services may be based upon a fixed fee or an hourly rate.

EWM is related, through common ownership and control, with 401(K) GPS, Inc. ("401(K) GPS"), a registered investment adviser providing investment advice with respect to a client's 401(k), simple IRA, 403b, or 457 defined contribution retirement plans. 401(K) GPS currently shares its principal office and place of business with EWM. The services of 401(K) GPS may be recommended to advisory clients of EWM, as appropriate. EWM has entered into an agreement with 401(K) GPS whereby 401(K) GPS will compensate EWM and/or certain of its employees for client referrals. (Refer to Item 14 of this Brochure). No EWM client that is referred to 401(K) GPS is under any obligation to engage 401(K) GPS for its services.

While EWM is a registered investment adviser, the principal executive officers and other employees of EWM are also separately licensed as registered representatives of INVEST Financial Corporation, Inc., an SEC registered and FINRA-member broker dealer (INVEST). INVEST is not affiliated with EWM through common ownership or control, however, under applicable regulations, they are required to supervise certain activities of their registered persons. Associated persons of EWM are also insurance agents or brokers for one or more insurance companies that are not affiliated with EWM.

These officers and employees of EWM, in their separate capacities as registered representatives and/or insurance agents or brokers, are able to effect securities transactions and/or purchase insurance and insurance-related investment products for clients, including interests in limited partnerships, real estate investment trusts (REITs), and other securities, for which they will receive separate, yet customary compensation. Although these products may be included on a client's account statement for consolidated reporting purposes, no advisory or administrative fees are charged by EWM for these products. Neither EWM nor any related person of EWM serves as General Partner to or has any ownership stake in any limited partnership recommended to clients. Clients are not under any obligation to engage INVEST or these individuals when considering implementation of recommendations. The implementation of any or all recommendations is solely at the discretion of the client.

Certain principal executive officers of EWM are also officers of *Executive Financial Planning, Inc.* a licensed insurance agency related to EWM through common ownership and control. The independent insurance activities of associated persons of EWM will typically be provided through this related entity.

Our Investment Committee includes an independent consultant from a third party investment manager to one or more investment products used in EWM client portfolios. In theory, the more assets invested in these products, the greater the potential revenue for the third party adviser providing investment management services to these products. Thus, an inherent conflict of interest is established whereby this independent consultant may be inclined to recommend heavier weightings of these investments in EWM portfolios. To address this conflict, only the members of the Investment Committee who are officers, directors or direct employees of EWM will have final approval of portfolio allocations and holdings.

While the officers, directors and employees of EWM endeavor at all times to put the interests of the clients first as part of EWM's fiduciary duty, clients should be aware that the receipt of additional compensation for outside, related activities itself creates an inherent conflict of interest, which may unknowingly affect the judgment of these individuals when making recommendations.

#### **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.

EWM 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.

EWM'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 [crumler@efpadvisors.com](mailto:crumler@efpadvisors.com), or by calling us at 810-229-6446.

EWM and individuals associated with our firm are prohibited from engaging in principal or agency cross transactions.

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 security(ies) 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.

As these situations present actual or potential conflicts of interest to our clients, we have established the following policies and procedures for implementing our firm's Code of Ethics, to ensure our firm complies with its regulatory obligations and provides our clients and potential clients with full and fair disclosure of such conflicts of interest:

- No principal or employee of our firm may put his or her own interest above the interest of an advisory client.
- No principal or employee of our firm may buy or sell securities for their personal portfolio(s) where their decision is a result of information received as a result of his or her employment unless the information is also available to the investing public.
- 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. This prevents such employees from benefiting from transactions placed on behalf of advisory accounts.
- Our firm requires prior approval for any IPO or private placement investments by related persons of the firm.
- We maintain a list of all reportable securities holdings for our firm and anyone associated with this advisory practice that has access to advisory recommendations ("access person"). These holdings are reviewed on a regular basis by our firm's Chief Compliance Officer or his/her designee.
- All of our principals and employees must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.

- We require delivery and acknowledgement of the Code of Ethics by each supervised person of our firm.
- We have established policies requiring the reporting of Code of Ethics violations to our senior management.
- Any individual who violates any of the above restrictions may be subject to disciplinary action up to and including termination.

As disclosed at Item 10 of this Brochure, related persons of our firm are separately registered as securities representatives of a broker-dealer, investment adviser representatives of another registered investment adviser, and/or licensed as an insurance agent/broker of various insurance companies. Please refer to the preceding section for a detailed explanation of these relationships and important conflict of interest disclosures.

## **Item 12    BROKERAGE PRACTICES**

### **Fortunatus Separately Managed Account Services / Adviser Managed Portfolios**

EWM does not accept the discretionary authority to determine the broker dealer to be used or the commission rates to be paid on a trade-by-trade basis. As such, clients must direct the firm regarding which broker dealer to use for trades placed in the client's account. EWM requests that clients direct the use of TD Ameritrade, Inc., an unaffiliated, FINRA-member broker dealer (TD Ameritrade), for custody and brokerage services related to the client's account. TD Ameritrade Institutional is a division of TD Ameritrade, Inc. ("TD Ameritrade") member FINRA/SIPC/NFA. TD Ameritrade is an independent and unaffiliated SEC-registered broker-dealer and FINRA member. There is no employee or agency relationship between EWM and TD Ameritrade. TD Ameritrade offers to independently registered investment advisers services which include custody of securities, trade execution, and clearance and settlement of transactions. EWM receives some benefits from TD Ameritrade through its participation in the Program as discussed below.

In the alternative, clients may maintain their accounts at National Financial Services, LLC (NFS), an affiliate of Fidelity Brokerage Services, LLC (Fidelity) and to direct the firm to place trades through Fidelity, an unaffiliated SEC registered and FINRA member broker dealer. EWM also receives certain benefits from Fidelity discussed below.

EWM has evaluated TD Ameritrade and Fidelity and believes that either firm can provide our clients with a blend of execution services, commission costs and professionalism that will assist EWM in meeting its fiduciary obligations to clients.

We reserve the right to decline acceptance of any client account custodied at a firm other than TD Ameritrade or NFS or for which the client directs the use of a broker other than TD Ameritrade or Fidelity if we believe that the client's choice would hinder our ability to service the account. In directing the use of TD Ameritrade, Fidelity, or any other particular broker dealer, it should be understood that EWM will not have authority to negotiate commissions on a trade-by-trade basis 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 a different broker dealer). This may result in higher costs to the client than may otherwise be obtained if we were free to select the broker dealer on a trade-by-trade basis. Clients should note, while EWM has a reasonable belief that both TD Ameritrade and Fidelity are able to obtain competitive prices, EWM will abide by the client's brokerage instructions and

will not independently seek best execution price capability through other broker dealers on a trade-by-trade basis.

Clients should note that EWM participates in TD Ameritrade's Institutional customer program. There is no direct link between EWM's participation in the program and the investment advice it gives to its clients, although EWM receives economic benefits through its participation in the program that are typically not available to TD Ameritrade retail investors. These benefits include the following products and services provided without cost to EWM: duplicate client statements and confirmations; research related products and tools; consulting services; access to a dedicated trading desk serving advisor participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts); the ability to have advisory fees deducted directly from client accounts; access to an electronic communications network for client order entry and account information; access to mutual funds with no transaction fees and to certain Institutional money managers; discounts on compliance, marketing, research, technology, and practice management products or services provided by third party vendors, and; low-cost or no cost business consulting, coaching and development services provided to EWM by third party vendors referred to EWM by TD Ameritrade.

TD Ameritrade may also pay for or reimburse expenses (including travel, lodging, meals and entertainment expenses) for our personnel to attend conferences or meetings relating to the program or to TD Ameritrade's advisor custody and brokerage services generally. Some of the products and services made available by TD Ameritrade through the program may benefit EWM but may not benefit its client accounts. These products or services may assist EWM in managing and administering client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help EWM manage and further develop its business enterprise. The benefits received by EWM or its personnel through participation in the program do not depend on the amount of brokerage transactions directed to TD Ameritrade. Clients should be aware, however, that the receipt of economic benefits by EWM or its related persons in and of itself creates a potential conflict of interest and may indirectly influence our recommendation of TD Ameritrade for custody and brokerage services.

Our firm may also receive coaching services referrals from TD Ameritrade through its participation in TD Ameritrade Institutional Coaching Program. In addition to meeting the minimum eligibility criteria for participation in the TD Ameritrade Institutional Coaching Program, we may have been selected to participate in the TD Ameritrade Institutional Coaching Program based on the amount and potential profitability to TD Ameritrade of the assets in, and trades placed for, client accounts maintained with TD Ameritrade. TD Ameritrade has established the TD Ameritrade Institutional Coaching Program as a means of assisting independent unaffiliated advisers to grow and maintain their respective investment adviser businesses. TD Ameritrade does not supervise EWM and has no responsibility for our management of client portfolios or other advice or services. Clients should note that our participation in the TD Ameritrade Institutional Coaching Program raises potential conflicts. In order to participate in the TD Ameritrade Institutional Coaching Program, we have an incentive to recommend that clients custody their assets with TD Ameritrade and to place our clients' portfolio trades through TD Ameritrade.

EWM also receives from TD Ameritrade certain additional economic benefits ("Additional Services") that may or may not be offered to any other independent investment advisors participating in the program. Specifically, the Additional Services include payment of the fees and taxes associated with the Morningstar Advisor Workstation, a tool which provides EWM with the latest Morningstar data, tools and reports, as well as payment of the fees and taxes associated with the services provided by Adhesion Wealth (as described above and on Appendix 1 to Form ADV, Part 2A, our *Wrap Fee Brochure*). TD Ameritrade provides the Additional Services to EWM in its sole discretion and at its own expense, and EWM does not pay any fees to TD Ameritrade for the Additional Services. EWM and TD

Ameritrade have entered into a separate agreement (“Additional Services Addendum”) to govern the terms of the provision of the Additional Services.

EWM’s receipt of Additional Services also raises potential conflicts of interest. In providing Additional Services to EWM, TD Ameritrade most likely considers the amount and profitability to TD Ameritrade of the assets in, and trades placed for, EWM’s client accounts maintained with TD Ameritrade. TD Ameritrade has the right to terminate the Additional Services Addendum with EWM, in its sole discretion, provided certain conditions are met. Consequently, in order to continue to obtain the Additional Services from TD Ameritrade, EWM may have an incentive to recommend to its clients that the assets under management by EWM be held in custody with TD Ameritrade and to place transactions for client accounts with TD Ameritrade. Neither the receipt of Additional Services nor our participation in the TD Ameritrade Institutional Coaching Program diminishes our duty to act in the best interests of its clients, including seeking best execution of trades placed for client accounts. (Please see Item 14 of this Brochure for additional disclosure regarding EWM’s participation in TD Ameritrade’s AdvisorDirect Program).

We also participate in Fidelity’s platform services offered to independent investment advisers by Fidelity. As part of these services, EWM receives benefits that it would not receive if it did not offer investment advice to clients.

Through Fidelity’s platform, Fidelity and NFS provide EWM with a number of benefits including, among other things, brokerage, custodial, administrative support, record keeping and related services that are intended to support intermediaries like EWM in conducting business and in serving the best interests of our clients.

Fidelity charges brokerage commissions and transaction fees for effecting certain securities transactions (i.e., transactions fees are charged for certain no-load mutual funds, commissions are charged for individual equity and debt securities transactions). Fidelity enables EWM to obtain many no-load mutual funds without transaction charges and other no-load funds at nominal transaction charges. Fidelity’s commission rates are generally considered discounted from customary retail commission rates. However, the commissions and transaction fees charged by Fidelity may be higher or lower than those charged by other custodians and broker-dealers. As part of the platform services arrangement, Fidelity also makes available to our firm, at no additional charge to us, certain research and brokerage services, including research services obtained by Fidelity directly from independent research companies, as selected by EWM (within specified parameters). Without this arrangement, we might be compelled to purchase the same or similar services at our own expense.

As a result of receiving such services for no additional cost, we may have an incentive to continue to use or expand the use of Fidelity’s services. We examined this potential conflict of interest when we chose to enter into the relationship with Fidelity and have determined that the relationship is in the best interests of EWM’s clients and satisfies our client obligations, including our duty to seek best execution. A client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where we determine in good faith that the commission is reasonable in relation to the value of the brokerage and research services received.

For trades placed in Fortunatus Separately Managed Accounts, we 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 allows EWM to execute equity trades in a timely and equitable manner and may reduce overall commission charges.

Generally, only trades in accounts participating in the same Fortunatus model portfolio strategy are aggregated. Certain technical, procedural and practical constraints may further limit EWM's ability to aggregate trades among clients. For example, trades placed in Adviser Managed Portfolios will typically not be aggregated with trades placed in the same security on the same day for other EWM clients. In addition, EWM will not be able to block trades for client accounts who direct the use of broker other than Fidelity or TD Ameritrade. When a new client account is invested in a strategy, the trades required to implement that strategy are not typically aggregated with other client account trades placed on the same day. In addition, from time to time, a model portfolio strategy is implemented across a number of related client accounts, such as by combining several related household accounts for a single client. When a particular security is bought or sold for several of these related accounts, EWM may not aggregate these household accounts in a single trade.

Clients should note that clients excluded from blocked trades may receive more or less favorable terms for the transaction and a disparity may exist between the price paid or received by the client and/or the commission charged to the client and the price paid or received and/or commissions charged to other clients participating in an aggregated trade.

EWM has conducted due diligence regarding Atria Investments, LLC (Atria), an unaffiliated third party investment adviser and wholly-owned subsidiary of Adhesion Wealth Advisor Solutions, to provide certain back office and administrative support services for EWM client accounts, including trading, and rebalancing client portfolios as instructed by EWM, portfolio reporting and fee calculation, among other things. Although Atria will not separately manage its own advisory client accounts or those of any other adviser using EWM's model portfolios, Atria may, from time to time, trade the same or similar securities in its client portfolios that are traded for EWM clients and that, when this occurs, EWM clients may receive a better or worse price or execution than Atria's clients depending on the order of trade execution, the type of security traded, and the broker dealer implementing the trades.

## **Item 13 REVIEW OF ACCOUNTS**

### **Fortunatus Separately Managed Account Services**

Clients enrolled in the Program should refer to the Schedule H disclosure document for information regarding the nature and frequency of reviews and reports provided.

### **Adviser Managed Portfolios**

While the underlying securities within Adviser Managed Portfolio Services accounts are continuously monitored, these accounts are reviewed at least quarterly by the advisory representative assigned to the account or by one or more members of our Investment Committee. 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.

In addition to the monthly statements and confirmations of transactions that Portfolio Management Services clients receive from their broker dealer, EWM will provide written annual reports summarizing account performance, balances and holdings.

### **Education and Workshop Services**

Due to the nature of this service, there is no account to review nor do we typically provide regular written reports to any Seminar client.



#### **Item 14 CLIENT REFERRALS AND OTHER COMPENSATION**

We may from time to time compensate, either directly or indirectly, third parties, whether a natural person or a company, for client referrals. We are aware of the special considerations promulgated under Section 206(4)-3 of the Investment Advisers Act of 1940 and similar state regulations. As such, appropriate disclosure shall be made, all written instruments will be maintained by EWM and all applicable Federal and/or State laws will be observed. The fee paid to a solicitor by us will be specified in a separate disclosure document provided to the client.

As disclosed at Item 10 of this Brochure, our firm and investment adviser representatives act as solicitors for 401(K) GPS, our affiliated investment adviser. For referring clients to 401(K) GPS, we receive an initial and/or an ongoing solicitation fee. This solicitation arrangement creates a conflict of interest to the extent that we may be motivated to make client referrals, at least in part, by the prospect of financial gain. We address this conflict of interest in the following ways:

- We clearly disclose the existence of our solicitation arrangement to existing and prospective clients in our Disclosure Brochures so that they can assess the inherent conflicts of interest and make a fully informed investment decision; and
- We observe all rules promulgated under Section 206(4)-3 of the Investment Advisers Act of 1940 and/or similar applicable state laws and regulations.

As disclosed at Item 12 of this Brochure, EWM receives certain economic benefits through its participation in TD Ameritrade's Institutional customer program. We also participate in Fidelity's platform services offered to independent investment advisers by Fidelity. As part of these services, EWM receives benefits that it would not receive if it did not offer investment advice to clients. Please refer to Item 12 of this Brochure for complete details regarding these arrangements and the conflicts of interest that arise as a result.

EWM may receive client referrals from TD Ameritrade through its participation in TD Ameritrade AdvisorDirect. In addition to meeting the minimum eligibility criteria for participation in AdvisorDirect, EWM may have been selected to participate in AdvisorDirect based on the amount and profitability to TD Ameritrade of the assets in, and trades placed for, client accounts maintained with TD Ameritrade. TD Ameritrade has established AdvisorDirect as a means of referring its brokerage customers and other investors seeking fee-based personal investment management services or financial planning services to independent investment advisers. TD Ameritrade does not supervise EWM and has no responsibility for EWM's management of client portfolios or EWM's other advice or services. EWM pays TD Ameritrade an on-going fee for each successful client referral. This fee is usually a percentage (not to exceed 25%) of the advisory fee that the client pays to EWM ("Solicitation Fee"). EWM will also pay TD Ameritrade the Solicitation Fee on any advisory fees received by EWM from any of a referred client's family members, including a spouse, child or any other immediate family member who resides with the referred client and hired EWM on the recommendation of such referred client. EWM will not charge clients referred through AdvisorDirect any fees or costs higher than its standard fee schedule offered to its clients or otherwise pass Solicitation Fees paid to TD Ameritrade to its clients. For information regarding additional or other fees paid directly or indirectly to TD Ameritrade, please refer to the TD Ameritrade AdvisorDirect Disclosure and Acknowledgement Form.

Clients should note that EWM's participation in AdvisorDirect raises potential conflicts of interest. TD Ameritrade will most likely refer clients through AdvisorDirect to investment advisers that encourage their clients to custody their assets at TD Ameritrade and whose client accounts are profitable to TD Ameritrade. Consequently, in order to obtain client referrals from TD Ameritrade, EWM may have an incentive to recommend to clients that the assets under management by EWM be held in custody with TD Ameritrade and to place transactions for client accounts with TD Ameritrade. In addition, EWM

has agreed not to solicit clients referred to it through AdvisorDirect to transfer their accounts from TD Ameritrade or to establish brokerage or custody accounts at other custodians, except when its fiduciary duties require doing so. EWM's participation in AdvisorDirect does not diminish its duty to seek best execution of trades for client accounts.

In addition, our firm and/or our officers and representatives are eligible to receive incentive awards (including prizes such as trips or bonuses) for recommending certain types of insurance policies or other investment products that we recommend.

While we endeavor at all times to put the interest of our clients first as part of our fiduciary duty, the possibility of receiving incentive awards creates a conflict of interest, and may affect the judgment of these individuals when making recommendations.

## **Item 15 CUSTODY**

We do not have actual custody of any client's account. However, as disclosed at item 5 of this brochure, we may directly debit our fees from client accounts as authorized. Under applicable regulatory interpretations, as a result of this authority, we are deemed to have constructive custody of client assets. As part of this billing process, the client's custodian is advised of the amount of our fee which the custodian then debits from the client's account. On a monthly basis, the custodian will send a statement to the client that shows all transactions in 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 this calculation, among other things. Clients should contact us directly if he/she believes that there may have been an error in the calculation of their fee or any other information provided in their statement.

Also, as disclosed at Item 13 of this brochure, we will send account statements directly to our Investment Supervisory Services clients, on a quarterly basis, in addition to the periodic statements that clients receive directly from their custodians.

## **Item 16 INVESTMENT DISCRETION**

Clients may engage us to provide discretionary asset management services only through the Fortunatus Separately Managed Accounts Services wrap fee program, 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.

Under these circumstances, 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. Clients interested in or enrolled in the Fortunatus Separately Managed Account Services Program should refer to that program's Schedule H disclosure document for additional information.

As previously disclosed in Item 4 of this brochure, our firm provides asset management services through the Advisor Managed Portfolios on a non-discretionary basis only.

**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**

EWM has no additional no financial circumstances to report.

Under no circumstances do we require or solicit payment of fees in excess of \$1,200 per client more than six months in advance of services rendered. Therefore, we are not required to include a financial statement.

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