

**Item 1 – Cover Page**

FORM ADV PART 2

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December 21, 2012

This Brochure provides information about the qualifications and business practices of Empirical Financial Services, LLC d/b/a Empirical Wealth Management. If you have any questions about the contents of this Brochure, please contact us at (206) 923-3474 and/or [compliance@empirical.net](mailto:compliance@empirical.net). 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.

Empirical Financial Services, LLC d/b/a Empirical Wealth Management is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser.

Additional information about Empirical Financial Services, LLC d/b/a Empirical Wealth Management also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC's web site also provides information about any persons affiliated with EFS who are registered, or are required to be registered, as investment adviser representatives of EFS.

## **Item 2 – Material Changes**

EFS updates this document annually, or more frequently in the event of certain material changes. This section outlines and summarizes the specific changes made since the document was previously updated. EFS will deliver a copy of this section to its clients within 120 days of the close of its fiscal year to make sure clients are aware of any material changes to the firm's business philosophies or practices.

This disclosure document, dated December 21, 2012, includes the material changes below since the last update of this document on March 27, 2012. EFS' clients may request a full copy of the latest version of this document at any time by contacting Jaime Holderman at 206.923.3474 or [compliance@empirical.net](mailto:compliance@empirical.net).

### **Amendments:**

1. On December 31, 2012, EFS purchased Empirical Wealth Management, LLC from its remaining original members, re-merging companies as a Washington LLC.
2. Jack Monteith is now a minority owner of EFS
3. EFS now has two new locations:

9755 SW Barnes Rd – Suite 2010  
Portland, OR 97225

1400 Executive Parkway – Suite 245  
Eugene, OR 97401

### **Item 4: Advisor Business**

EFS is no longer offering consulting services to clients.

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

From the merger, EFS now receives referrals from Focus Financial Services, LLC

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#### **Item 4 – Advisory Business**

EFS provides investment management services on a fee-only basis. Each client's portfolio is continuously managed based on the client's investment objective. However, clients have the opportunity to place reasonable restrictions on the types of investments to be held in their accounts.

Kenneth Smith started Empirical Financial Services in October 2010. The company is a spin-off from Empirical Wealth Management, an Oregon LLC that Ken was a founding member of in 2006. On December 31, 2012, EFS purchased Empirical Wealth Management from its remaining original members, re-merging companies as a Washington LLC. Ken Smith is the principal owner.

#### **Investment Advisory Services**

Advisory services encompass a wide range of investment objectives, from conservative to aggressive, giving the client and the advisor the flexibility to design a custom portfolio and asset allocation that meets the client's specific investment needs. Each client's portfolio is continuously managed based on the client's investment objective and we maintain continuous discretionary authority for your accounts. We can execute our investment recommendations in accordance with the Investment Policy Statement on your behalf, without the approval of each specific transaction, unless specifically restricted by you. We will choose which model is appropriate for you based upon the items discussed above. We offer several investment portfolios designed to meet various needs, but portfolios are not designed specifically for each client.

Clients have the opportunity to impose restrictions on investing in certain securities or types of securities. Account restrictions are generally for tax purposes in situations where you may incur a large amount of taxable gain from the sale of your positions. In these cases, we may code the positions as "Legacy" and not to be traded, may determine a strategy with you for slowly getting out the position over time, or may require you to transfer assets into a separate "non-discretionary" account. We do not accept responsibility for non-standard positions inside your account, either brought in or bought at your instructions, but not generally purchased in client portfolios as part of our investment portfolio. We will allow these positions to be held in your managed account and may charge fees for such, but will not be held responsible for their performance or monitoring.

EFS recognizes that as individuals, our clients have unique goals and interest. As such, we tailor our advisory services to the individual needs of our clients. We begin by offering a comprehensive financial plan that helps us to create a picture of the client's financial condition as well as learn about the client's personal financial goals. The plan also acts as a tool, which helps the client clarify their investment and life objectives. Out of this plan and together with the client, an investment strategy and asset allocation decisions are agreed upon.

#### **Financial Planning**

EFS may occasionally engage in stand-alone financial planning services to non-advisory clients. EFS will meet with potential financial planning clients in advance of beginning preparation of plan to

determine the amount to be billed. A financial planning contract will be signed before services commence. Financial planning consists of assisting the client in defining personal financial planning goals and objectives to be pursued in various areas which include, but are not limited to:

- Business planning
- Small business retirement savings strategies
- Pension consulting
- Children's education
- Retirement planning
- Retirement cash flow planning
- Estate planning
- Tax planning
- Insurance coverage review
- Long-term care insurance review
- Disability protection
- Stock option and deferred compensation plan strategies
- 10b(5)-1 predetermined trading plans
- 401(k) recommendations
- Investment account aggregation advice
- Asset protection services

You may not wish to engage in the financial planning portion of our service, but these services are available to you as part of your quarterly fee or on a flat-fee basis for non-advisory clients.

Providing financial planning services may cause a conflict of interest between EFS' interest and the interest of EFS' client. The following disclosure is made in the case where a conflict of interest does exist: a) a conflict of interest exists between EFS' interests and the interest of EFS' client; b) EFS' client is not obligated to act upon EFS' recommendation; and c) if the client elects to act on any of the recommendations, the client is not obligated to effect the transaction through EFS.

### **Tax Preparation Assistance**

EFS also offers tax preparation and electronic filing services to clients by partnering with SurePrep, LLC. The only tax returns eligible for this service are Forms 1040 – U.S. Individual Income Tax Return. SurePrep, LLC provides both offshore (outside the United States) and onshore (inside the United States) preparation of personal tax returns and makes tax returns available to EFS on their secure electronic network.

Clients with assets under management above \$1,000,000 will receive this service at no additional cost, above their management fee. Clients with assets under management below \$1,000,000 will be charged a nominal fee, in addition to their management fee.

### **By All Accounts**

We have added a new service for outside account aggregation. If you would like us to link to and make recommendations for your outside account(s) through your employer or other investment

adviser, you may sign up for our aggregation service which utilizes ByAllAccounts services. This will allow us to have a complete view of linked outside holdings. We will offer advice and recommendations on the outside accounts but it will be your sole responsibility to implement allocation recommendations in these outside accounts linked to us for viewing purposes. Clients can give EFS access to only view accounts or to view, make recommendations and monitor the outside accounts. Should the client choose to allow EFS to view, make recommendations and monitor outside accounts, the client may be charged a fee. If a client is charged a fee, the fee for linking outside accounts is .25% per annum of assets in the client's outside account, which will be taken out of the client's managed fee account or invoices upon request. Fees will not be deducted directly from outside accounts.

As of December 21, 2012 EFS manages \$418,410,970 on a discretionary basis and \$1,146,125 on a non-discretionary basis. On December 31, 2012, when the buyout of Empirical Wealth Management, LLC is complete EFS will manage an additional \$187,709,237 on a discretionary basis and \$9,902,376 on a non-discretionary basis.

## **Item 5 – Fees and Compensation**

### **Investment Advisory Services**

The specific manner in which fees are charged by EFS is established in a client's written agreement with EFS. In consideration of EFS' services hereunder, client will pay EFS a fee quarterly. Lower fees for comparable services may be available from other sources. All fees are negotiable. There is a minimum annual fee of \$10,000. We may modify these terms on at least 30 days prior written notification or upon execution of a new contract.

Assets	Portfolio Annual Fee*
First \$2,500,000	1.00%
\$2,500,000 - \$5,000,000	.80%
\$5,000,001 - \$10,000,000	.70%
Over \$10,000,000	.50%

\*Annual Fee is charged over a four (4) quarter period (example:  $1.00\%/4 = .25\%$  per quarter)

Advisory fees are tailored to the individual needs of clients. Some clients will pay different fees based upon their contract fee schedules. EFS will not treat higher paying clients more favorably. Fees schedules will vary for clients based on the length of their relationship with EFS. Fee schedules may be reduced the longer a client maintains a relationship with EFS.

Fees are due and payable on the first day of each calendar quarter and are generally deducted directly from client accounts. In some cases, clients may also elect to be invoiced, in which case an invoice is delivered to you and payment is due upon receipt.

Existing clients are charged quarterly, in advance. New clients are charged quarterly, in arrears, using an average daily balance calculation. Existing clients, being charged quarterly in advance, will gradually be migrated to the average daily balance calculation in alphabetical order.

- The fee for those clients paying quarterly in advance will be calculated using the fee schedule listed above, multiplied by the market value of the account on the last day of the quarter.
- The fee for clients under the average daily balance fee schedule is calculated by using the fee schedule above, multiplied by the average market value of the account through the preceding quarter.

Fees for partial quarters at the commencement or termination of this agreement will be prorated based on the number of days the account was funded during the quarter. Significant contributions and/or withdrawals of \$100,000 or more, (except margin debt which is considered managed and will not be excluded from billing or offered prorated rebating) taking place within the first ten (10) weeks of the calendar quarter will also be rebated or billed on the above pro-rated basis. Clients may withdraw or terminate the relationship at anytime by submitting a request to disassociate to either the Adviser or the Custodian in writing. Termination will be considered effective immediately and prorated fees will be refunded within fourteen (14) days. Clients whose fee is calculated using average daily balance will be directly bill before being delinked, or invoiced with payment due immediately upon receipt, for any balance due and owing.

### **Financial Planning Services**

For non-advisory clients who would like to engage in stand-alone financial planning, the fees are paid on an hourly or fixed fee basis. Hourly rates are \$300 per hour, while fixed fees may range from \$500 - \$10,000, depending on the complexity of the plan.

We receive fees based on assets under management. However, other fees may be required from other companies, such as custodians, brokers or investment products, involved with the assets or trading of assets. These fees are your responsibility and are separate and in addition to our management fees. We endeavor to use investment products with the most competitive internal expenses within their asset class and custodians with competitive pricing and services. Item 12 further describes the factors that EFS considers in selecting or recommending broker-dealers for *client* transactions and determining the reasonableness of their compensation (*e.g.*, commissions).

The following fees are paid directly from your account:

- Mutual funds and index fund internal expenses
- Margin interest (if applicable)
- Wire transfer fees
- Custodial fees for holding non-standard assets (i.e. alternative investments)
- Brokerage commissions
- Custodial fees
- Services charges
- Stock transfer fees

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

EFS does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client). Therefore, we do not have side-by-side management.

### **Item 7 – Types of Clients**

EFS provides investment advice to:

- Individuals
- High net worth individuals
- Pensions and profit sharing plans
- Trusts
- Estates
- Charitable organizations
- Corporations or business entities

Some clients may require and/or receive more services than others, not all clients will require/receive the same amount of time from the EFS. EFS requires a minimum investment level for its clients of \$500,000.00, although it is at the discretion of EFS to waive the minimum investment level and the minimum fee.

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

Our investment philosophy is based upon Modern Portfolio Theory (MPT). MPT states that assets should be selected on the basis of how they interact with one another, rather than how they perform in isolation. Capital markets are composed of many classes of securities, including stocks and bonds, both domestic and international. A group of securities with shared economic traits is commonly referred to as an asset class. There are several asset classes, all with average price movements, that are distinct from one another. According to MPT, investors can benefit by combining the different asset classes in a structured portfolio.

We typically incorporate 12-21 distinct asset classes when building client portfolios. When determining which asset classes to use in our model portfolios, we incorporate correlation research conducted by Eugene Fama and Kenneth French dating back to the Great Depression. Our goal is to choose investments that offer good asset class diversification at a low price. We then determine the amount to allocate to each asset class based upon each asset class' risk characteristics and the investment goal of the model portfolio. We invest in mutual funds and exchange traded funds chosen upon their diversification characteristics, internal expenses and tax efficiency. We often choose institutional funds (investment available only through an investment advisor) and investments that fall in the lowest quartile of expenses for their category.

We may offer advice on a multitude of security types including:

- Equities
- Corporate debt
- Commercial paper
- Certificates of deposit
- Municipal securities
- Investment company securities
- United states government securities
- Options contract
- Futures contracts
- Partnerships and others (including limited partnerships and third party money managers)

We do not generally recommend all of these options, but may recommend some or none of the above to you depending on your unique situation and current market conditions.

EFS uses fundamental data, cyclical data, research materials prepared by other corporate rating services, annual reports, prospectuses, filings with the SEC, company press releases, financial newspapers and magazines, academic journals and articles as well as historical return information as sources of information and methods of analysis.

The investment strategies EFS may use to implement investment advice given to clients include: long term purchases, short term purchases, trading, short sales, margin transactions and option writing. Some of these, including option writing and margin transactions, can result in increased risk to a client's portfolio.

EFS will use its best judgment and good faith effort in rendering services to client. EFS cannot warrant or guarantee any particular level of account performances, or that an account will be profitable over time. Not every investment decision or recommendation made by EFS will be profitable. Except as may otherwise be provided by law, EFS will not be liable to client for:

- Any loss that client may suffer by reason of any investment decision made or other action taken or omitted in good faith by EFS with that degree of care, skill, prudence and diligence under the circumstances that a prudent person acting in a fiduciary capacity would use
- Any loss arising from EFS' adherence to client's instructions
- Any act or failure to act by a custodian of client's account
- The insolvency of the custodian
- Any acts of the agents or employees of the custodian whether any amount of such loss is covered by the Securities Investor Protection Corporation (SIPC) or any other insurance which may be carried by the custodian

Clients should understand that the SIPC provides only limited protection for the loss of property held by the custodian.

Nothing in the Investment Advisory Agreement or in this disclosure shall relieve EFS from any responsibility or liability under state or federal statutes. Investing in securities involves risk of loss that clients should be prepared to bear.

Clients assume all market risk involved in the investment of account assets and understands that investment decisions made for the account are subject to various market, currency, economic, political and business risks. Other risks involved in EFS' investment strategy include the following:

- Equities: market risk, small premium risk, value premium risk, foreign currency risk, country risk, emerging markets risk, real estate risk, tracking error risk, liquidity risk
- Commodities: issuer risk, commodities risk, futures risk, liquidity risk
- Fixed Income: interest rate risk, reinvestment risk, corporate risk, municipal credit risk, inflation risk, tracking error risk, liquidity risk
- Options hedging: options risk, liquidity risk

Clients should be aware that all investing involves the risk that investments may decline or be lost. No investments are guaranteed. All investments contain risk, and volatility should be expected. Over a long period of time, it is reasonable to expect higher returns from stocks than from bonds. Our strategy relies on the belief that this pattern should hold true in the future because investors demand a higher return from stocks due to the increased risk stocks present over bonds.

We attempt to manage risk in several ways:

- By designing our portfolios for the long-term investment horizon
- By mixing stocks with bonds in order to lower volatility
- By investing in multiple asset classes that are not correlated to each other (asset classes that do not move up and down in tandem)
- By investing in highly diversified mutual funds and ETFs that provide access to a large number of investments within each asset class
- By investing in short-term bonds when interest rates are low and longer term bonds when interest rates are higher
- By investing in inflation protection bonds and highly rated corporate and government bonds
- By minimizing investment cost including taxes and internal fund expenses

However, our strategy does not alleviate all investment risk and depending on your allocation, your portfolio may not contain all of these risk management components. Stock investments generally have a higher level of loss than bonds. Some of the stock asset classes we invest in have higher than average volatility (example: small cap and growth stocks) and some may experience extreme volatility (example: emerging markets stocks). Bond investments generally have a risk of not outperforming inflation and are affected by changing interest rates. Lower rated bonds have higher risk of default by issuers. US investments have the risk that the dollar may not outperform other international currencies. International investments have the risk that their currencies may not outperform the dollar. Emerging market stocks often contain the risk of unstable governing countries. You should understand that the higher the expected return of a portfolio, the higher the risk of volatility and loss.

EFS' Targeted Premium Equity Portfolio are designed to offer varying levels of exposure to investment asset classes such as emerging markets, global exposure to small companies and global exposure to value companies. At times these segments of the global investment market may be

more volatile and may present additional risks as related to a passively weighted global index portfolio.

EFS' Targeted Credit Portfolios are designed to offer varying levels of exposure to credit risks associated with investing in bonds that may include high yield or emerging markets debt. These bond asset classes will be more volatile than treasuries or a total bond market index.

EFS does not recommend primarily a particular type of security. Instead, we recommend a diversified portfolio of stocks, bonds and other investment vehicles. EFS selects investments within the context of achieving adequate levels of diversification rather than any single specific security type.

### **Item 9 – Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of EFS or the integrity of EFS' management. EFS has no information applicable to this Item.

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

EFS has a partner, Jack Monteith, who also operates a separate CPA business, Jack D. Monteith, CPA. Some clients of our may also be clients of the CPA firm. Jack spends less than 5% of his time on the CPA business. Jack will occasionally be unavailable or less available to client because of this venture.

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

EFS has adopted a Code of Ethics for all access persons (any director, officer, general partner, employee or intern) of the firm describing its high standard of business conduct, and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All access persons at EFS must acknowledge the terms of the Code of Ethics annually, or as amended. Clients may request a copy of EFS' Code of Ethics by contacting their representative or the firms' Chief Compliance Officer.

EFS must refrain from rendering any advice or service concerning securities of companies in which any of EFS' related person may have a substantial economic interest, unless the Adviser either determines in good faith that it may appropriately do so without disclosing such conflict to client or discloses such conflict to client prior to rendering such advice or services with respect to the account.

Our employees may trade securities for their personal accounts identical to or different than those recommended to EFS' clients. It is our expressed policy that no person employed by us will prefer his or her own interest to that of the client or make personal investment decisions based upon the clients' investment decisions. Our code of ethics prohibits the use of material non-public information and requires all access persons to act with the fundamental principles of openness, integrity, honesty diligence, respect, trust, competence, dignity and in an ethical manner when dealing with the public, clients, prospects, employers, and fellow employees. We will act the fiduciary that owes each of our clients, duties of care and loyalty with respect to all services undertaken on the clients' behalf. We will use reasonable care and exercise independent judgment when conducting investment analysis, making investment recommendations, taking investment actions and engaging in other professional activities. We will maintain knowledge of and comply with all applicable laws, rules and regulations and not knowingly participate or assist in any violations of such. Employees will report any known issues of the Code of Ethics to the compliance department immediately. Any individual not in observance of the above may be subject to termination.

The Code of Ethics is designed so that the personal securities transactions, activities and interests of the employees of EFS 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 Code of Ethics prohibits the use of material non-public information. Under the Code of Ethics, certain classes of securities have been designated as exempt transactions, based upon a determination that these would materially not interfere with the best interest of our clients. In addition, the Code of Ethics requires pre-clearance of many transactions, and in some cases restricts trading in close proximity to client trading activity. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. Employee trading is continually monitored under the Code of Ethics to reasonably prevent conflicts of interest between EFS and its clients.

It is our policy that we will not affect any principal or agency cross transactions for your accounts. Principal transactions are generally defined as transactions where an advisor, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sell any security to the client. A principal transaction may also be deemed to have occurred if a security is crossed between an affiliated hedge fund and another client account. An agency cross transaction in which the investment advisor, or any person controlled by or under common control with the investment advisor, acts as broker for both you and for another person on the other side of the transaction. Agency cross transactions may arise where an advisor is dually registered as a broker-dealer or has an affiliated broker-dealer. We will also not cross trade between client's accounts. This means we will not sell securities from one client's account to another client.

Nothing in the Code of Ethics or this disclosure limits or restricts EFS or any of its directors, officers, affiliates or employees from buying, selling, or trading in any securities or other assets for its own account.

## **Item 12 – Brokerage Practices**

Except to the extent the client directs otherwise, EFS will use its discretion in recommending the broker-dealer and therefore the commission charged. In selecting or recommending the broker-dealer, EFS will comply with the Securities Exchange Act of 1934 and with its fiduciary duty to obtain best execution. EFS will take into account such relevant factors as:

- Price
- The broker-dealers facilities, reliability, and financial responsibility
- The ability of the broker-dealer to effect transactions, particularly with regards to such Aspects as timing, order size and execution of order
- The research and related brokerage services provided by such broker-dealer to EFS, notwithstanding that the account may not be direct or exclusive beneficiary of such services
- Any other factors EFS considers to be relevant

EFS does not maintain custody of client's assets. Client's assets must be maintained in an account at a "qualified custodian", generally a broker-dealer or bank. EFS recommends that clients establish a brokerage account with the Schwab Institutional division of Charles Schwab & Co., Inc. ("Schwab"), a FINRA-registered broker-dealer, member SPIC, to maintain custody of clients' assets and to effect trades for their account. Schwab will hold your assets in a brokerage account and buy and sell securities when we instruct them to. Although EFS recommends that clients establish accounts at Schwab, it is the client's decision to custody assets with Schwab and the client will open their account directly with Schwab. EFS does not open the account for you, although we may assist in doing so. EFS is independently owned and operated and not affiliated with Schwab.

Additionally, EFS uses TIAA-CREF, which is comprised of two organizations – Teachers Insurance and Annuity Associate of America, a life insurance company, and the College Retirement Equities Fund, an open-ended diversified management investment company registered with the SEC. Through TIAA-CREF's Advisor Services, clients are able to purchase low cost variable annuities only that EFS is then able to connect to, manage and potentially bill. EFS does not pay any fees to TIAA-CREF for this service and does not receive referrals from TIAA-CREF. Clients are responsible for any fees associated with the fund and administrations fees, which are paid to TIAA-CREF. TIAA-CREF's Advisor Services provide EFS with online access, data downloads, fee deduction capabilities, expanded eligibility to proprietary retirement products and access to an Insurance specialist to work one-on-one with EFS and our clients. Additionally, EFS has the ability to view accumulations, see history, process transactions and create annuity and minimum distribution illustrations. The

availability to EFS of the above services will depend on the level of authorization granted by the client.

### **Research and Other Soft Dollar Benefits**

Schwab Adviser Services (formerly called Schwab Institutional) makes available to EFS other products and services that benefit EFS, but may not directly benefit its client's accounts. They provide EFS and our clients with access to institutional brokerage – trading, custody, reporting and related services – many of which are not typically available to Schwab retail customers. Schwab also makes available various support services. Some of those services help us manage or administer our clients' accounts while others help us manage and grow our business. Schwab's support services are generally available on an unsolicited basis (we don't have to request them) and at no charge to us as long as we keep a total of at least \$10 million of our clients' assets in account at Schwab. Below is a more detailed description of Schwab's support services:

Services that Benefit Clients: Schwab's institutional brokerage services include access to a broad range of investment products, execution of securities transactions and custody of client assets. The investment products available through Schwab include some to which we might not otherwise have access or that would require a significantly higher minimum initial investment by our clients. Schwab's services described in this paragraph generally benefit the client and their account.

Services that May Not Directly Benefit You: Schwab also makes available to us other products and services that benefit the client and their account. These products and services assist in managing and administering out clients' accounts. They include investment research, both Schwab's own and that of third parties. We may use this research to service all or some substantial number of our clients' accounts, including accounts not maintained at Schwab. In addition to investment research, Schwab also makes available software and other technology that:

- Provide access to client data (such as trade confirmations and account statements)
- Facilitate trade execution and allocate aggregate trade orders for multiple accounts
- Provide pricing and other market data
- Facilitate payment of EFS' fees from client accounts
- Assist with back office functions, record keeping and client reporting.

Services that Generally Benefit Only Us: Schwab also offers other services to help EFS and further develop its business enterprise. These services include:

- Educational conferences and events
- Consulting on technology, compliance, legal and business needs
- Publications and conferences on practice management and business succession
- Access to employee benefit providers, human capital consultants, and insurance providers

Schwab may provide some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to us. Schwab may discount or waive fees it would otherwise charge for some of these services or pay all or part of the fees of a third-party providing these

services to EFS. Schwab may also provide us with other benefits, such as occasional business entertainment of EFS' personnel.

In some instances, some fund companies including, but not limited to, Ishares and Dimensional Fund Advisers make available to EFS products and services that may benefit EFS, but may not directly benefit each client account. These include software and other technology that provide research, pricing information and other market data, and assist with back-office functions. Some fund companies may discount or waive fees they 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 the EFS. These products and services are not contingent upon EFS committing to fund companies any specific amount of business. As a fiduciary, EFS endeavors to act in its client's best interest. However, the aforementioned benefit may create a potential conflict of interest.

- When using brokerage commissions to obtain research or other products or services, EFS received a benefit because EFS does not have to produce or pay for the research, products, or services.
- EFS may have an incentive to select or recommend a broker-dealer based on EFS' interest in receiving client referrals, rather than on the clients' interest in receiving most favorable execution.

#### Our Interest in Schwab Services

The availability of these services from Schwab benefits us because we do not have to produce or purchase them. We don't have to pay for Schwab's services so long as we keep a total of at least \$10 million of client assets in accounts at Schwab. Beyond that, these services are not contingent upon us committing any specific amount of business to Schwab in trading commissions or assets in custody. The \$10 million minimum may give us an incentive to request that you maintain your account with Schwab, based on our interest in receiving Schwab's services that benefit our business rather than based on your interest in receiving the best value in custody services and the most favorable execution of your transactions. This is a potential conflict of interest. We believe, however, that our selection of Schwab as custodian and broker is in the best interest of our clients. Our selection is primarily supported by the scope, quality and price of Schwab's services and not Schwab services that benefit only us. We have over \$500 million in client assets under management and we do not believe that requesting our clients to collectively maintain at least \$10 million of those assets at Schwab in order to avoid paying Schwab quarterly services fees presents a material conflict of interest.

#### Brokerage for Client Referrals

EFS receives client referrals from Charles Schwab & Co., Inc. through the participation in Schwab Adviser Network. The Service is designed to help investors find an independent investment adviser. Schwab is a broker-dealer independent of, and unaffiliated with, EFS. Schwab does not supervise EFS and has no responsibility for EFS' management of client's portfolios or EFS' other advice or services. EFS pays Schwab fees to receive client referrals through the Service. EFS' participation in the Service may raise potential conflicts of interest described below.

EFS pays Schwab a participation fee on all referred clients' accounts that are maintained in custody at Schwab and non-Schwab custody fee on all accounts that are maintained at, or transferred to, another custodian. The participation fee paid by EFS is a percentage of the value of the assets in the client's account. EFS pays Schwab Participation Fees for so long as the referred client's accounts remain in custody at Schwab. Participation fees are billed to EFS quarterly and may be increased, decreased or waived by Schwab from time to time. Participation Fees are paid by EFS and not the client. EFS does not charge clients, referred through the Service, fees or costs greater than the fee or costs EFS charges client with similar portfolios who were not referred through the Service.

EFS generally pays Schwab a non-Schwab custody fee if custody of a referred client's account is not maintained by, or assets in the account are transferred from Schwab. This fee does not apply if the client was solely responsible for the decision not to maintain custody at Schwab. The non-Schwab custody fee is a one-time payment equal to the percentage of the assets placed with a custodian other than Schwab. The non-Schwab custody fee is higher than the participation fees adviser generally would pay in a single year. Thus EFS will have an incentive to recommend that client accounts be held in custody at Schwab.

The participation and non-Schwab custody fees are based on the amount of assets in accounts of EFS' clients who were referred by Schwab and those referred clients' family members living in the same household. Thus, EFS 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 adviser's fees directly from the accounts.

For accounts of EFS' clients maintained in custody at Schwab, Schwab generally does not charge the client separately for custody, but will receive compensation from EFS' clients in the form of commissions or other transaction-related compensation on securities trades. 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, EFS may have an incentive to cause trades to be executed through Schwab rather than another broker-dealer. EFS, 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 EFS' other clients. Thus, trades for accounts held in custody at Schwab may be executed at different times and different prices than trades for other accounts that are executed at other broker-dealer.

EFS may have an incentive to select or recommend a broker-dealer based on EFS' interest in receiving client referrals, rather than on EFS' clients' interest in receiving most favorable execution.

Some individuals associated with referral sources may also be clients of EFS. They may receive a discounted fee schedule, which may cause a conflict of interest. They will not be treated more favorable than other clients.

### **Directed Brokerage**

EFS recommends that clients establish brokerage accounts with the Schwab institutional division of Charles Schwab & Co., Inc., a FINRA-registered broker-dealer, member SPIC, to maintain custody of

client's assets and to effect trades for their accounts. Although EFS recommends that clients establish accounts at Schwab, it is the client's decision to custody assets with Schwab. EFS is independently owned and operated and not affiliated with Schwab. Not all advisers require their clients to direct brokerage. By directing brokerage EFS may be unable to achieve most favorable execution of client transactions, and this practice may cost clients more money.

Schwab provides EFS with access to its institutional trading and custody services, which are not typically available to Schwab retail investors. These services generally are available to independent investment advisers on an unsolicited basis, at no charge to them as long as a total of at least \$10 million of the adviser's clients' assets are maintained in accounts at Schwab Institutional. Their services are not contingent upon adviser 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 EFS' 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 trade that are executed through Schwab or that settle into Schwab accounts.

In the event the client directs EFS to use a particular broker-dealer, EFS may not be authorized under those circumstances to negotiate commissions and may not be able to obtain volume discounts or best execution. In addition, under these circumstances a disparity in commission charges may exist between the commission charged to clients who direct EFS to use a particular broker-dealer and the other clients who do not direct EFS to use a particular broker-dealer. Also, EFS may trade discretionary accounts before non-discretionary accounts which may have an impact on trading. EFS may also trade directed brokerage after non-directed brokerage accounts which could make the trades more or less favorable to certain clients. Directing brokerage may cost clients more money. For example, in a directed brokerage account, the client may pay higher brokerage commissions because EFS may not be able to aggregate orders to reduce transaction costs, or the client may receive less favorable prices.

#### How We Select Brokers/Custodians

We seek to use a custodian/broker who will hold your assets and execute transactions on terms that are, overall, most advantageous when compared to other available providers and their services. We consider a wide range of factors, including among others:

- Combination of transaction execution services and asset custody services (generally without a separate fee for custody)
- Capability to execute, clear and settle trades (buy and sell securities for your account)
- Capability to facilitate transfers and payments to and from accounts (wire transfers, check requests, etc.)
- Breadth of available investment products (stocks, bonds, mutual funds, exchange traded funds (ETFs), etc.)
- Availability of investment research and tools that assist us in making investment decisions

- Quality of services
- Competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate the prices
- Reputation, financial strength and stability
- Prior service to us and our clients
- Availability of other products and services that benefit us

### **Aggregation of Orders**

EFS aggregates orders when performing the same trade across many accounts, which typically occur only when making a broad change to the investment strategy. EFS rarely has the opportunity to aggregate trade orders as most trading is done at the individual level, considering the specific needs of the client. When transactions are aggregated, the actual prices applicable to the aggregated transaction will be averaged, and the client's account will be deemed to have purchased or sold its proportionate share of the securities or instruments involved at the average price so obtained. Stock exchange regulations may in certain instances prevent the executing broker-dealer from delivering to your account a confirmation slip with respect to its participation in the aggregated transaction.

### **Item 13 – Review of Accounts**

Client accounts are reviewed at least quarterly on an internal basis and as special situations arise, such as, strategy changes by the Investment Committee, material flow of funds, or client directed allocation changes. Account reviews may include, but are not limited to:

- Review of client cash needs
- Analysis of account allocation targets
- Review of tax goals and realized gain/loss for the year
- Retirement projections and distribution strategies
- The performance of each account in relation to appropriate benchmarks
- Any other financial questions the client may have

All taxable accounts are reviewed for tax purposes. Account reviewers include both portfolio managers and portfolio administrators.

EFS uses portfolio software that allows us to enter specific trading restrictions for each account. The software analyzes accounts daily to determine if the accounts are in line with their restrictions. If there is any item that needs to be addressed, the trader will be alerted. The restrictions include:

- Amount of cash to keep available
- Asset allocation parameters
- Taxable status and tax restrictions
- Gains restrictions
- Legacy stock restrictions

Review meetings may take place in person, using web-based services, or over the phone. While these meetings are important whenever a client's circumstances or needs change, EFS encourages clients to make time for review meetings even when the client believes there is no compelling reason to.

A quarterly report is sent to all clients. This report includes a portfolio appraisal, which contains a description of all securities and the amount held in each client account, a description of the management fees for the quarter and a letter updating the client on our current investment strategies and thoughts for the future. Frequency and content of other reports will generally vary with the needs and requests of the client.

Generally, portfolio review meetings are offered to clients on a quarterly basis, unless the client requests a differing review frequency, and include a report which reviews the following:

- Account objectives
- Details of investment holdings and performance – both year-to-date and from inception
- Investment allocation details
- Individual appraisals
- Realized gain and loss, year-to-date

During the portfolio review meetings, a verbal discussion may include:

- Current needs
- Upcoming lifestyle and financial changes
- Financial status
- Review of beneficiaries
- Review of current investment allocation and time horizon
- Contribution and withdrawals, existing and needed
- Portfolio performance

Periodically, EFS may deliver personal financial information and other communications, notices and required disclosure to clients through electronic means, such as email or secure website. This delivery may include notifications of availability of such document(s) on a website which will constitute 'delivery'. EFS asks clients with emails addresses to keep this information current at all times by promptly notifying EFS of any change.

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

We receive an economic benefit from Schwab in the form of support products and services it makes available to us and other independent investment advisors that have their clients maintain accounts at Schwab. These products and services, how they benefit us and the related conflicts of interest are described above (Please see Item 12 – Brokerage Practices for information about EFS' referral agreement with Charles Schwab through the Schwab Advisor Network). The availability to us of

Schwab's products and services is not based on us giving particular investment advice, such as buying particular securities for our clients.

In addition to the referrals received as being part of the Schwab Advisor Network referenced in Item 12 – Brokerage Practices, EFS also receives client referrals from SigFig Wealth Management, LLC. This service is designed to help investors find an independent investment advisor. SigFig is independent of, and unaffiliated with, EFS. SigFig does not supervise EFS and has no responsibility for EFS' management of client's portfolios or EFS' other advice or services. EFS pays SigFig fees to receive client referrals through its referral program. While SigFig endeavors to act in its' client's best interest, their recommendation of our services may be based in part on the benefit to SigFig of a portion of the ongoing management fee and not solely on the nature, cost or quality of our services, which may create a conflict of interest.

EFS pays SigFig a fee on any person introduced by SigFig that becomes a client of EFS during the term of the agreement with SigFig, and within two years after termination of the agreement. The fee paid by EFS is a percentage of any management fees received by EFS from the referred client for as long as the referred client's accounts are with EFS. Fees are paid by EFS to SigFig within 30 days after EFS receives SigFig's invoice. Fees are paid by EFS and not the client. EFS does not charge clients, referred through SigFig, fees or costs greater than the fee or costs EFS charges clients with similar portfolios who were not referred through SigFig.

EFS also pays a fee to Wiseradviser.com to receive referrals, which are based on the geographical location of the prospective client. The fee paid is based on the number of referrals that are made each month, which may fluctuate from month-to-month. When looking for an advisor, the prospective client would go to the Wiser Advisor site, fill out a short form identifying the advisory services they are looking for, the size of their portfolio and their contact information. Wiser Advisor will then send the prospective a list of 4 advisors in their geographical area that meets their criteria. EFS does not charge clients, referred through Wiser Advisor, fees or costs greater than the fee or costs EFS charges clients with similar portfolios who were not referred through Wiser Advisor.

Furthermore, EFS is a member of The National Association of Personal Financial Advisors (NAPFA). NAPFA is a network of fee-only advisors. Individuals looking for an advisor use NAPFA to find fee-only advisors in their geographical area. EFS pays an annual fee to be a NAPFA member. Prospective clients searching for an advisor can go to the NAPFA site and type in the zip code for where they are looking for an advisor. The results will return all advisors that are NAPFA members in that particular zip code, as well as in a 20 mile radius.

Lastly, we receive client referrals from Focus Financial Services (Focus Financial) to whom we pay a fee of 25% of the collected client fee to as solicitor. Focus Financial is a registered investment advisor, independent of us. Focus Financial does not supervise us and has no responsibility for our management of client portfolios or our other advice or services. We pay Focus Financial a portion of the client management fee to receive client referrals. While Focus Financial endeavors to act in

its' clients' best interest, the recommendation of our services may be based, in part, on the benefit to of receiving a portion of the ingoing management fee and not solely on the nature, cost or quality of our services. This creates a conflict of interest.

The principals of Focus Financial do have custody of come client funds through another business and this creates potential conflicts of interest. We will not engage in services for those clients who the principals of Focus Financial have custody of fund in order to avoid any possible conflict.

### **Item 15 – Custody**

Under government regulations, we are deemed to have custody of your assets if EFS if authorized to instruct Schwab to deduct our advisory fees directly from client's accounts. Schwab maintain actually custody of client assets.

Clients should receive at least quarterly statements from the qualified custodian that holds and maintains client's investment assets. EFS urges you to carefully review statements and compare official custodial records to the account statements that we may provide to you. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

### **Item 16 – Investment Discretion**

EFS usually receives ongoing and continuous discretionary authority from the client at the outset of an advisory relationship to select the identity and amount of securities to be bought of sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account.

When selecting securities and determining amounts, EFS observes the investment policies, limitations and restrictions of the clients for which it advises. Investment guidelines and restrictions must be provided to EFS in writing. For registered investment companies, EFS' authority to trade securities may also be limited by certain federal securities and tax laws that require diversification of investments and favor the holding of investments once made.

In some cases, clients may instruct us not to trade certain positions without prior authorization or to trade only under certain market or price conditions. In these cases, we will deem these funds to be "legacy" and only to be traded under the restrictions place by the client. We prefer that "legacy" positions or in some cases entire "legacy" accounts be separated from the managed assets and be considered unmanaged. However, in certain circumstances, tax or financial planning needs or preferences of the client may require that we keep these positions co-mingled with managed assets, in which case we will be held to the investment guidelines and restrictions given to us.

We do not have investment discretion on linked outside accounts. We will offer advice and recommendations on the outside accounts but it will be your sole responsibility to implement

allocation recommendations in these outside accounts linked to us for viewing purposes. These accounts will be deemed as “Non-Managed” and non-discretionary.

#### **Item 17 – Voting *Client* Securities**

As a matter of firm policy and practice, EFS does not have any authority to and does not vote proxies on behalf of advisory clients. Clients retain the responsibility for receiving and voting proxies for any and all securities maintained in client portfolios. EFS may provide advice to clients regarding the clients’ voting of proxies.

#### **Item 18 – Financial Information**

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about EFS’ financial condition. EFS has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.

### **Item 1- Cover Page**

## **Kenneth Smith**

Chief Executive Officer

Empirical Financial Services, LLC

1420 5<sup>th</sup> Avenue – Suite 3150

Seattle, WA 98101

206.923.3474

January 1, 2013

*This Brochure Supplement provides information about Kenneth Smith that supplements the Empirical Financial Services Brochure. Please contact the Chief Compliance Officer if you did not receive Empirical Financial Services' Brochure or if you have any questions about the contents of this supplement.*

Additional information about Kenneth Smith is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

### **Item 2- Educational Background and Business Experience**

Kenneth R. Smith, CFP®, MS

Year of birth: 1972

Formal education after high school:

Master of Science in Financial Analysis – College for Financial Planning

CFP – College for Financial Planning

Bachelor of Arts and Sciences in Finance and Accounting - University of Arizona

Business Background:

2010 to present: Chief Executive Officer – Empirical Financial Services, LLC

2006 – 2010: Chief Executive Officer/Managing Partner – Empirical Wealth Management, LLC

2001 – 2006: Regional Vice President – Chinook Capital Management, LLC

Professional designations held: CFP®

*For an explanation of the minimum qualifications for these designations, see pages 29-31.*

### **Item 3- Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of each supervised person providing investment advice. No information is applicable to this Item.

### **Item 4- Other Business Activities**

Kenneth Smith is involved in one real estate limited liability company. It is not registered with the SEC and is not considered a private fund. Clients of Empirical Wealth Management are not invested in this company nor are they allowed to invest in this company. Ken spends less than 5% of his time on this business.

### **Item 5- Additional Compensation**

Kenneth Smith is owner of EFS and receives dividend payments for his ownership interest. Therefore, Ken indirectly receives compensation from all sources of company revenue.

### **Item 6 - Supervision**

Kenneth Smith provides financial advice directly to a handful of clients. Indirectly, Kenneth gives financial advice to clients by selecting the investments for clients' portfolios. His investment advice and investment decisions are based upon investment decisions, procedures and protocols agreed upon by our investment committee and upon his experience as an Adviser and CFP. The compliance department monitors his activities, and uses checks and balances to ensure decisions that are made follow the policies and procedures of the company and investment committee to the extent possible for client accounts.

### Item 1- Cover Page

## Ethan Broga

### Financial Advisor/Principal

Empirical Financial Services, LLC

1420 5<sup>th</sup> Ave - Suite 3150

Seattle, WA 98101

206.923.3474

January 1, 2013

*This Brochure Supplement provides information about Ethan Broga that supplements the Empirical Financial Services Brochure. Please contact the Chief Compliance Officer if you did not receive Empirical Financial Services' Brochure or if you have any questions about the contents of this supplement.*

*Additional information about Ethan Broga is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).*

### Item 2- Educational Background and Business Experience

Ethan Broga, CFP®, MS

Year of birth: 1972

Formal education after high school:

Master of Science in Personal Financial Planning – College for Financial Planning

CFP – College for Financial Planning

Bachelors of Arts in Finance from Washington State University

Business Background

2010 to present: Financial Advisor/Principal – Empirical Financial Services, LLC

2006 – 20010: Regional Vice President – Empirical Wealth Management, LLC

2001 – 2006: Portfolio Manager – Chinook Capital Management, LLC

Professional designations held: CFP®

*For an explanation of the minimum qualifications for these designations, see pages 29-31.*

### Item 3- Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of each supervised person providing investment advice. No information is applicable to this Item.

### Item 4- Other Business Activities

Supervised person, Ethan Broga, is not actively engaged in any other investment-related business or occupation.

### Item 5- Additional Compensation

Ethan Broga is owner of EFS and receives dividend payments for his ownership interest. Therefore, Ethan indirectly receives compensation from all sources of company revenue.

### Item 6 - Supervision

Ethan Broga is supervised by Kenneth Smith, who can be reached at (206) 923-3474. His investment advice and investment decisions are based upon investment decisions, procedures and protocols agreed upon by our investment committee and upon his experience as an Adviser and CFP. The compliance department monitors his activities, and uses checks and balances to ensure decisions that are made follow the policies and procedures of the company and investment committee to the extent possible for client accounts.

### Item 1- Cover Page

## Michael Van Sant

### Financial Advisor/Principal

Empirical Financial Services, LLC

1420 5<sup>th</sup> Avenue – Suite 3150

Seattle, WA 98101

206.923.3474

January 1, 2013

*This Brochure Supplement provides information about Michael Van Sant that supplements the Empirical Financial Services Brochure. Please contact the Chief Compliance Officer if you did not receive Empirical Financial Services' Brochure or if you have any questions about the contents of this supplement.*

*Additional information about Michael Van Sant is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).*

### Item 2- Educational Background and Business Experience

Michael Van Sant, CFP®

Year of birth: 1971

Formal education after high school:

CFP – College for Financial Planning

Bachelor of Arts in Business Administration with an emphasis on International Business - University of Colorado

Business Background

2010 to present: Financial Advisor/Principal – Empirical Financial Services, LLC

2006 – 2010: Vice President – Empirical Wealth Management, LLC

Professional designations held: CFP®

*For an explanation of the minimum qualifications for these designations, see pages 29-31.*

### Item 3- Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of each supervised person providing investment advice. No information is applicable to this Item.

### Item 4- Other Business Activities

Supervised person, Michael Van Sant, is not actively engaged in any other investment-related business or occupation.

### Item 5- Additional Compensation

Michael Van Sant is owner of EFS and receives dividend payments for his ownership interest. Therefore, Michael indirectly receives compensation from all sources of company revenue.

### Item 6 - Supervision

Michael Van Sant is supervised by Kenneth Smith, who can be reached at (206) 923-3474. His investment advice and investment decisions are based upon investment decisions, procedures and protocols agreed upon by our investment committee and upon his experience as an Adviser and CFP. The compliance department monitors his activities, and uses checks and balances to ensure decisions that are made follow the policies and procedures of the company and investment committee to the extent possible for client accounts.

### Item 1- Cover Page

## Lorne Enquist

Financial Advisor  
Empirical Financial Services, LLC  
1420 5<sup>th</sup> Avenue – Suite 3150  
Seattle, WA 98101  
206.923.3474  
January 1, 2013

*This Brochure Supplement provides information about Lorne Enquist that supplements the Empirical Financial Services Brochure. Please contact the Chief Compliance Officer if you did not receive Empirical Financial Services' Brochure or if you have any questions about the contents of this supplement.*

*Additional information about Lorne Enquist is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).*

### Item 2 – Educational Background and Business Experience

Lorne Enquist, CPA/PFS, MPAcc  
Year of birth: 1973

#### Formal education after high school:

Master of Professional Accounting, Taxation - University of Washington  
CPA/PFS – America Institute of CPAs  
Bachelor of Arts in Business Administration, Accounting from University of Washington

#### Business Background

2011 to present: Financial Advisor – Empirical Financial Services, LLC  
2009 – 2011: Independent Financial Advisor – Berthel Fisher & Co.  
2006 – 2009: Financial Advisor – AG Edwards/Wachovia/Wells Fargo Advisors  
2005 – 2006: Tax Manager – King & Oliaison, LLP

Professional designations held: CPA/PFS, MPAcc

*For an explanation of the minimum qualifications for these designations, see pages 29-31.*

### Item 3- Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of each supervised person providing investment advice. No information is applicable to this Item.

### Item 4- Other Business Activities

Supervised person, Lorne Enquist, is not actively engaged in any other investment-related business or occupation.

### Item 5- Additional Compensation

Lorne Enquist does not receive any economic benefits from someone who is not a client for providing advisory services.

### Item 6 - Supervision

Lorne Enquist is supervised by Kenneth Smith, who can be reached at (206) 923-3474. His investment advice and investment decisions are based upon investment decisions, procedures and protocols agreed upon by our investment committee and upon his experience as an Adviser and CPA. The compliance department monitors his activities, and uses checks and balances to ensure decisions that are made follow the policies and procedures of the company and investment committee to the extent possible for client accounts.

### Item 1- Cover Page

## Shan Zubair

### Financial Advisor

Empirical Financial Services, LLC  
1420 5<sup>th</sup> Avenue – Suite 3150  
Seattle, WA 98101  
206.923.3474  
January 1, 2013

*This Brochure Supplement provides information about Shan Zubair that supplements the Empirical Financial Services Brochure. Please contact the Chief Compliance Officer if you did not receive Empirical Financial Services' Brochure or if you have any questions about the contents of this supplement.*

*Additional information about Shan Zubair is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).*

### Item 2 – Educational Background and Business Experience

Shan Zubair, CFP®  
Year of birth: 1984

#### Formal education after high school:

CFP – College for Financial Planning  
Bachelor of Arts in Business Administration, Finance – Seattle University

#### Business Background

2010 to present: Financial Advisor – Empirical Financial Services, LLC  
2007 - 2010: Associate Advisor – Empirical Wealth Management, LLC

Professional designations held: CFP®

*For an explanation of the minimum qualifications for these designations, see pages 29-31.*

### Item 3- Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of each supervised person providing investment advice. No information is applicable to this Item.

### Item 4- Other Business Activities

Supervised person, Shan Zubair, is not actively engaged in any other investment-related business or occupation.

### Item 5- Additional Compensation

Shan Zubair does not receive any economic benefits from someone who is not a client for providing advisory services.

### Item 6 - Supervision

Shan Zubair is supervised by Kenneth Smith, who can be reached at (206) 923-3474. His investment advice and investment decisions are based upon investment decisions, procedures and protocols agreed upon by our investment committee and upon his experience as an Adviser and CFP. The compliance department monitors his activities, and uses checks and balances to ensure decisions that are made follow the policies and procedures of the company and investment committee to the extent possible for client accounts.

### **Item 1- Cover Page**

## **Elliott Appel**

### **Associate Financial Advisor**

Empirical Financial Services, LLC

1420 5<sup>th</sup> Avenue – Suite 3150

Seattle, WA 98101

206.923.3474

January 1, 2013

*This Brochure Supplement provides information about Elliott Appel that supplements the Empirical Financial Services Brochure. Please contact the Chief Compliance Officer if you did not receive Empirical Financial Services' Brochure or if you have any questions about the contents of this supplement.*

*Additional information about Elliott Appel is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).*

### **Item 2 – Educational Background and Business Experience**

Elliott Appel

Year of birth: 1991

Formal education after high school:

Bachelor of Arts in Business Administration, Finance – Seattle University

Business Background

2012 to present: Associate Advisor – Empirical Financial Services, LLC

Professional designations held: Enrolled in CFP® Program

*For an explanation of the minimum qualifications for these designations, see pages 29-31.*

### **Item 3- Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of each supervised person providing investment advice. No information is applicable to this Item.

### **Item 4- Other Business Activities**

Supervised person, Elliott Appel, is not actively engaged in any other investment-related business or occupation.

### **Item 5- Additional Compensation**

Elliott Appel does not receive any economic benefits from someone who is not a client for providing advisory services.

### **Item 6 - Supervision**

Elliott Appel is supervised by Kenneth Smith, who can be reached at (206) 923-3474. His investment advice and investment decisions are based upon investment decisions, procedures and protocols agreed upon by our investment committee. The compliance department monitors his activities, and uses checks and balances to ensure decisions that are made follow the policies and procedures of the company and investment committee to the extent possible for client accounts.

**Item 1- Cover Page**

**Jack Monteith**

Senior Financial Advisor/ Co-Founder

Empirical Financial Services, LLC

9755 SW Barnes Rd – Suite 210

Portland, OR 97225

503.808.9005

January 1, 2013

*This Brochure Supplement provides information about Jack Monteith that supplements the Empirical Financial Services Brochure. Please contact the Chief Compliance Officer if you did not receive Empirical Financial Services' Brochure or if you have any questions about the contents of this supplement.*

Additional information about Jack Monteith is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

**Item 2- Educational Background and Business Experience**

Jack Monteith, CFP®, CFA®

Year of birth: 1951

Formal education after high school:

CFP, CPA – College for Financial Planning

Bachelors of Science in Business Administration - Portland State University

Business Background

2013 to present: Senior Financial Advisor/Co-Founder – Empirical Financial Services, LLC

2006 – 2013: President, Managing Partner – Empirical Wealth Management, LLC

1999 – 2006: Managing Partner – Chinook Capital Management, LLC

Professional designations held: CFP®, CFA®

*For an explanation of the minimum qualifications for these designations, see pages 29-31.*

**Item 3- Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of each supervised person providing investment advice. No information is applicable to this Item.

**Item 4- Other Business Activities**

Jack Monteith is involved in one real estate limited liability company. It is not registered with the SEC and is not considered a private fund. Clients of Empirical Wealth Management are not invested in this company nor are they allowed to invest in this company. Jack spends less than 5% of his time on this business.

Jack Monteith also operates a separate CPA business, Jack D. Monteith, CPA. Some clients of Empirical Wealth Management may also be clients of the CPA firm. Jack spends less than 5% of his time on the CPA business.

**Item 5- Additional Compensation**

Jack Monteith is an owner of EFS and receives dividend payments for his ownership interest. Therefore, Jack indirectly receives compensation from all sources of company revenue.

Jack owns a CPA firm, Jack D. Monteith, CPA, from which he receives 100% of the profit for the tax preparation and tax consulting services he provides through that firm

**Item 6 - Supervision**

Jack Monteith is supervised by Kenneth Smith, who can be reached at (206) 923-3474. His investment advice and investment decisions are based upon investment decisions, procedures and protocols agreed upon by our investment committee and upon his experience as an Adviser and CPA. The compliance department monitors his activities, and uses checks and balances to ensure decisions that are made follow the policies and procedures of the company and investment committee to the extent possible for client accounts.

### Item 1- Cover Page

## Kenneth Lathon

### Financial Advisor

Empirical Financial Services, LLC  
1400 Executive Parkway – Suite 245  
Eugene, OR 97401  
541.338.3000  
January 1, 2013

*This Brochure Supplement provides information about Kenneth Lathon that supplements the Empirical Financial Services Brochure. Please contact the Chief Compliance Officer if you did not receive Empirical Financial Services' Brochure or if you have any questions about the contents of this supplement.*

*Additional information about Kenneth Lathon is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).*

### Item 2 – Educational Background and Business Experience

Kenneth Lathon  
Year of birth: 1950

#### Formal education after high school:

AWMA – College for Financial Planning  
Bachelor of Arts in Business Administration - San Jose University

#### Business Background

2013 – present – Financial Advisor – Empirical Financial Services, LLC  
2006 to 2013: Financial Advisor – Empirical Wealth Management, LLC  
2003 - 2006: Financial Advisor – Chinook Capital Management, LLC

Professional designations held: AWMA®

*For an explanation of the minimum qualifications for these designations, see pages 29-31.*

### Item 3- Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of each supervised person providing investment advice. No information is applicable to this Item.

### Item 4- Other Business Activities

Supervised person, Kenneth Lathon, is not actively engaged in any other investment-related business or occupation.

### Item 5- Additional Compensation

Kenneth Lathon does not receive any economic benefits from someone who is not a client for providing advisory services.

### Item 6 - Supervision

Kenneth Lathon is supervised by Jack Monteith, who can be reached at (503) 808-9005. His investment advice and investment decisions are based upon investment decisions, procedures and protocols agreed upon by our investment committee and upon his experience as an Adviser. The compliance department monitors his activities, and uses checks and balances to ensure decisions that are made follow the policies and procedures of the company and investment committee to the extent possible for client accounts.

### Item 1- Cover Page

## Jeannie Pedersen

### Financial Advisor

Empirical Financial Services, LLC  
9755 SW Barnes Rd – Suite 210  
Portland, OR 97225  
503.808.9005  
January 1, 2013

*This Brochure Supplement provides information about Jeannie Pedersen that supplements the Empirical Financial Services Brochure. Please contact the Chief Compliance Officer if you did not receive Empirical Financial Services' Brochure or if you have any questions about the contents of this supplement.*

*Additional information about Jeannie Pedersen is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).*

### Item 2 – Educational Background and Business Experience

Jeannie Pedersen  
Year of birth: 1974

#### Formal education after high school:

Bachelor of Arts in Financial Economics; minor in History – University of San Francisco

#### Business Background

2013 – present – Financial Advisor – Empirical Financial Services, LLC  
2012 to 2013: Portfolio Administrator – Empirical Wealth Management, LLC  
2005 – 2012 – Senior Portfolio Manager – Maxim Global Wealth Advisors

Professional designations held: Enrolled in CFP® Program

*For an explanation of the minimum qualifications for these designations, see pages 29-31.*

### Item 3- Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of each supervised person providing investment advice. No information is applicable to this Item.

### Item 4- Other Business Activities

Jeannie Pedersen, is secretary for Chutzpah, Inc. an S-Corp, which owns a franchise and is a non-investment related business. Clients of EFS are not invested in this company nor are they allowed to invest in this company. Jeannie spends about one hour per month on this business during non-trading/non-business hours.

Jeannie Pederson is also 50% owner of an S-Corp, H&H Tacos. She spends one hour per month on this business during non-trading/non-business hours.

### Item 5- Additional Compensation

From time to time, Jeannie may receive dividend payments for her share of ownership in the above mentioned S-Corps. At this time, the companies are not paying dividends.

### Item 6 - Supervision

Jeannie Pedersen is supervised by Jack Monteith, who can be reached at (503) 808-9005. Her investment advice and investment decisions are based upon investment decisions, procedures and protocols agreed upon by our investment committee and upon her experience as an Adviser. The compliance department monitors her activities, and uses checks and balances to ensure decisions that are made follow the policies and procedures of the company and investment committee to the extent possible for client accounts.

## Professional Designation Qualifications

### Certified Public Accountant (CPA)

CPAs are licensed and regulated by their state boards of accountancy. While state laws and regulations vary, the education, experience and testing requirements for licensure as a CPA generally include minimum college [education](#) (typically 150 credit hours with at least a baccalaureate degree and a concentration in accounting), minimum [experience](#) levels (most states require at least one year of experience providing services that involve the use of accounting, attest, compilation, management advisory, financial advisory, tax or consulting skills, all of which must be achieved under the supervision of or verification by a CPA), and successful passage of the Uniform CPA Examination. In order to maintain a CPA license, states generally require the completion of 40 hours of continuing professional education (CPE) each year (or 80 hours over a two year period or 120 hours over a three year period). Additionally, all American Institute of Certified Public Accountants (AICPA) members are required to follow a rigorous *Code of Professional Conduct* which requires that they act with integrity, objectivity, due care, competence, fully disclose any conflicts of interest (and obtain client consent if a conflict exists), maintain client confidentiality, disclose to the client any commission or referral fees, and serve the public interest when providing financial services. The vast majority of state boards of accountancy have adopted the AICPA's *Code of Professional Conduct* within their state accountancy laws or have created their own.

### Personal Financial Specialist (PFS)

The PFS credential demonstrates that an individual has met the minimum education, experience and testing required of a CPA in addition to a minimum level of expertise in personal financial planning. To attain the PFS credential, a candidate must hold an unrevoked CPA license, fulfill 3,000 hours of personal financial planning business experience, complete 80 hours of personal financial planning CPE credits, pass a comprehensive financial planning exam and be an active member of the AICPA. A PFS credential holder is required to adhere to AICPA's *Code of Professional Conduct*, and is encouraged to follow AICPA's *Statement on Responsibilities in Financial Planning Practice*. To maintain their PFS credential, the recipient must complete 60 hours of financial planning CPE credits every three years. The PFS credential is administered through the [AICPA](#).

*From AICPA, March 2012*

### CERTIFIED FINANCIAL PLANNER™ (CFP®)

The Certified Financial Planner™, CFP® and federally registered CFP (with flame design) marks (collectively, the “CFP® marks”) are professional certification marks granted in the United States by Certified Financial Planner Board of Standards, Inc. (“CFP Board”).

The CFP® certification is a voluntary certification; no federal or state law or regulation requires financial planners to hold CFP® certification. It is recognized in the United States and a number of other countries for its (1) high standard of professional education; (2) stringent code of conduct and standards of practice; and (3) ethical requirements that govern professional engagements with clients. Currently, more than 62,000 individuals have obtained CFP® certification in the United States.

To attain the right to use the CFP® marks, an individual must satisfactorily fulfill the following requirements:

- **Education** – Complete an advanced college-level course of study addressing the financial planning subject areas that CFP Board’s studies have determined as necessary for the competent and professional delivery of financial planning services, and attain a Bachelor’s Degree from a regionally accredited United States college or university (or its equivalent from a foreign university). CFP Board’s financial planning subject areas include insurance planning and risk management, employee benefits planning, investment planning, income tax planning, retirement planning, and estate planning;
- **Examination** – Pass the comprehensive CFP® Certification Examination. The examination, administered in 10 hours over a two-day period, includes case studies and client scenarios designed to test one’s ability to correctly diagnose financial planning issues and apply one’s knowledge of financial planning to real world circumstances;
- **Experience** – Complete at least three years of full-time financial planning-related experience (or the equivalent, measured as 2,000 hours per year); and
- **Ethics** – Agree to be bound by CFP Board’s Standards of Professional Conduct, a set of documents outlining the ethical and practice standards for CFP® professionals.

Individuals who become certified must complete the following ongoing education and ethics requirements in order to maintain the right to continue to use the CFP® marks:

- **Continuing Education** – Complete 30 hours of continuing education hours every two years, including two hours on the Code of Ethics and other parts of the Standards of Professional Conduct, to maintain competence and keep up with developments in the financial planning field; and
- **Ethics** – Renew an agreement to be bound by the Standards of Professional Conduct. The Standards prominently require that CFP® professionals provide financial planning services at a fiduciary standard of care. This means CFP® professionals must provide financial planning services in the best interests of their clients.

CFP® professionals who fail to comply with the above standards and requirements may be subject to CFP Board’s enforcement process, which could result in suspension or permanent revocation of their CFP® certification.

*Rev 12/16/10 by the Certified Financial Planner Board of Standards, Inc.*

#### **ACCREDITED WEALTH MANAGEMENT ADVISOR (AWMA®)**

Financial Advisors holding the Accredited Wealth Management Advisor <sup>SM</sup> designation have taken coursework to gain advanced, yet practical knowledge about these critical aspects of the financial services industry: asset management, allocation, and selection; investment performance and strategies; and taxation of investment products. The course also includes training in investment for retirement, strategies for small business owners, and the management of deferred compensation plans. In addition, instruction will cover insurance, estate planning, asset protection, and tax reduction issues.

The College for Financial Planning® awards the ACCREDITED WEALTH MANAGEMENT ADVISOR SM AND AWMA® designation to students who:

- \*successfully complete the program;
- \*pass the final examination; and
- \*comply with the Code of Ethics, which includes agreeing to abide by the Standards of Professional Conduct and Terms and Conditions. Applicants must also disclose of any criminal, civil, self-regulatory organization, or governmental agency inquiry, investigation, or proceeding relating to their professional or business conduct. Conferment of the designation is contingent upon the College for Financial Planning's review of matters either self-disclosed or which are discovered by the College that are required to be disclosed.

Students must sign and return the Code of Ethics forms within six months of passing the final exam. Failure to complete and submit the forms within this time frame may result in termination of the individual's candidacy. If an individual wishes to apply for authorization to use the Marks in the future, he or she may be required to fulfill the initial designation requirements in place at the time of passing the exam.

Successful students receive a certificate and are granted the right to use the designation on correspondence and business cards for a two-year period.

Continued use of the AWMA® designation is subject to ongoing renewal requirements. Every two years individuals must renew their right to continue using the AWMA® designation by:

- \*completing 16 hours of continuing education;
- \*reaffirming to abide by the Standards of Professional Conduct, Terms and Conditions, and self disclose any criminal, civil, self-regulatory organization, or governmental agency inquiry, investigation, or proceeding relating to their professional or business conduct; and
- \*paying a biennial renewal fee of \$75.

*From College for Financial Planning, December 2012*