

**Part 2A Appendix 1 of Form ADV: *Wrap Fee Program Brochure***

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**Fortunatus Separately Managed Account Services**

03/26/2014

This wrap fee program 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 [crumler@ewmadvisors.com](mailto:crumler@ewmadvisors.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. Registration 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**

Consistent with SEC rules, we seek to ensure that our clients receive a summary of any material changes to this and subsequent Disclosure Brochures within 120 days after the close of our fiscal year. We may also provide you with other disclosures at other times during the year in the event of any material changes to our business.

Please review carefully the following material changes that have been made since our last annual updating amendment of this Appendix 1:

- We have amended Item 4 to clarify with additional specificity certain services and transaction costs that are not covered by Program fees and that are charged separately to the client.
- We have amended Item 4 to disclose conflicts or potential conflicts of interest arising from a promissory note entered into with INVEST Financial Corporation, an unaffiliated broker dealer with which certain EWM staff is separately licensed as registered representatives.
- Item 4 has also been amended to provide a summary of our trade error policy and practices.
- We no longer participate in the TD Ameritrade, Inc. Coaching Program and have removed the disclosure related to this program at Item 9.

Please note that the foregoing represents only material changes made since our March, 2013 annual updating amendment to this Appendix 1.

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## ITEM 4 SERVICES FEES AND COMPENSATION

### Services

Executive Wealth Management, LLC (hereinafter "EWM") is an SEC-registered investment adviser with our principal place of business located in Brighton, Michigan. EWM began conducting business in 2006.

We sponsor the Fortunatus Separately Managed Account Services (hereinafter the "Program"), a wrap fee program. A wrap fee program is an advisory program under which a specified fee or fees not based directly on transactions in the client's account is charged for advisory services, which includes portfolio management and the execution of client transactions. This Wrap Fee Program Brochure is limited to describing the services, fees, and other necessary information clients should consider prior to becoming a client within the Program. For a complete description of the other services offered by our firm and the fees charged for those services, clients should refer to our Form ADV Part 2: Firm Brochure.

You may obtain a copy of our Firm Brochure by contacting us at 810-229-6446 or [crumler@ewmadvisors.com](mailto:crumler@ewmadvisors.com).

### Program Description

EWM is the sponsor and investment manager of Fortunatus Separately Managed Account Services, a wrap fee program. EWM manages investment advisory accounts through the Program using proprietary model portfolios (hereinafter "Fortunatus portfolios"). Each model portfolio is designed to meet a particular investment goal. Fortunatus is currently in the process of seeking registration as an investment adviser with the SEC.

Through personal discussions and a comprehensive information gathering process, each client's investment goals, objectives and risk tolerances are established. In certain circumstances, this information may be obtained and documented by a third party professional that has referred the client to the Program and provided this information to EWM. From this information, EWM will determine which Fortunatus Portfolio is best suited to the client's particular circumstances. EWM may, if appropriate, suggest modifications to the model portfolios or an allocation among two or more of the model portfolios to more adequately address the client's individual needs. Once the appropriate portfolio(s) has been determined, the account is generally managed based on the portfolio's goal, rather than on each client's individual needs. Clients, nevertheless, will have the opportunity to place reasonable restrictions on the types of investments to be held in the client's account. Clients will retain individual ownership of all portfolio securities. In addition, depending on a client's investment needs and in order to better address those needs, EWM may invest a portion of the client's Program account in investments that are not part of the selected, standard model. However, under these circumstances, the client will typically incur transaction charges with respect to those assets in addition to the Program fees as set forth below.

We will manage Program accounts on a discretionary or non-discretionary basis, depending on the client's preference. Account supervision is guided by the stated objectives of the client. Each model portfolio is constructed primarily of mutual funds, exchange traded funds (ETFs) and exchange traded notes (ETNs), but may also include individual equities, corporate debt securities, certificates of deposit, municipal bonds, unit investment trusts (UITs), variable life insurance or annuities, United States government securities or and interests in partnerships investing in real estate or oil and gas. We will allocate the client's assets among various investments (and/or subadvisers) taking into consideration the overall management style selected by the client. Weighting among asset classes is determined by the appropriate model. 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.

Because some types of investments and strategies involve certain additional degrees of risk, they will only be recommended when consistent with the client's stated investment objectives, tolerance for risk, liquidity and suitability. To ensure that EWM's initial determination of an appropriate model portfolio continues to be suitable and that the client's account continues to be managed in a manner fitting to the client's financial circumstances, EWM seeks to maintain current client suitability information on file at all times. As such, EWM respectfully requests prompt notification of any material change in the client's financial circumstances.

**Investment Discretion.** Clients may grant us investment discretion over his/her Program account through the Investment Management Agreement entered into with our firm. Should the client wish to impose reasonable limitations on this discretionary authority, such limitations shall be included in this written authority statement. Clients may change/amend these limitations as desired. Such amendments shall be submitted in writing. Advisory clients who elect not to grant such discretionary authority to EWM are advised that trades in their accounts could, in some instances, be executed subsequent to trades placed in discretionary accounts for the same security due to the time involved in obtaining the requisite client approval. In some cases, trades for non-discretionary clients may, out of necessity, be placed on a different day than clients granting discretion authority. Consequently, non-discretionary clients may be excluded from blocked trades and there may be a difference in the price paid per share of a given security and, if applicable, the commission rates or mark-up/down paid by these clients as compared to other clients.

**Program Administration.** EWM has engaged Atria Investments, LLC ("Atria"), an unaffiliated third party investment adviser, to provide certain back office and administrative and technical support services for Program accounts, including trading and rebalancing client portfolios as instructed by EWM, portfolio reporting and fee calculation, among other things.

**Directed Brokerage.** EWM does not have the discretionary authority to determine the broker dealer/custodian to be used for Program client accounts. EWM has negotiated an arrangement with TD Ameritrade, Inc. an unaffiliated, FINRA-member broker dealer, to provide custodial and brokerage services to Program accounts. EWM has evaluated TD Ameritrade and believes that it will provide EWM clients with a blend of execution services, costs and professionalism that will assist EWM in meeting its fiduciary obligations to clients. The designation of a broker other than TD Ameritrade would generally be incompatible with the Program platform. As such, Program clients are requested to direct EWM, in writing, to custody the client's Program assets with and to place trades in the client's Program account through TD Ameritrade. EWM reserves the right to decline acceptance of any client account for which the client directs the use of a broker dealer/custodian other than TD Ameritrade. Clients should note that EWM participates in the institutional customer program ("the TD Program") offered to independent investment advisers by TD Ameritrade. TD Ameritrade Institutional is a division of TD Ameritrade, Inc., member FINRA/SIPC/NFA ("TD Ameritrade"), an unaffiliated SEC-registered broker dealer and FINRA member. TD Ameritrade offers to independent investment adviser services which include custody of securities, trade execution, clearance and settlement of transactions.

EWM receives certain benefits from TD Ameritrade through its participation in the program (Refer to the "Benefits Received" Section of Item 9 below for additional information).

Notwithstanding the client's directive to execute securities transactions for the client's account through TD Ameritrade, as applicable, for transactions in certain fixed income securities such as bonds, EWM generally requests that the client provide a separate direction to execute such trades through the Bond Center, a division of INVEST Financial Corporation. As disclosed at Item 9 of this Brochure Appendix

1, 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). No person affiliated with EWM will receive transaction based compensation on any fixed income trade placed through the Bond Center.

In evaluating our arrangement with TD Ameritrade and the Bond Center, the client should recognize that brokerage commissions (as applicable) for the execution of transactions in the client's Program account are not negotiated by EWM on a trade-by-trade basis, and best execution may not be achieved. With respect to TD Ameritrade, clients should note that many, but not all, transactions in the client's account are effected without separate commission charge to the client, and a portion of the wrap fee is generally considered as being in lieu of commissions. However, clients whose accounts trade in fixed income securities through the Bond Center will incur a \$25 transaction fee with respect to each such trade in addition to EWM's Program fees and any mark-up/mark-down incorporated into the price of the security. These additional transaction costs are integrated into the price of the security and, therefore, are not readily transparent.

Not all advisers require clients to direct it use a particular broker dealer, though the sponsors of wrap fee programs often do.

### **Program Fees and Costs**

EWM charges clients an annual "wrap-fee" for participation in the Program. 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.

An annual wrap fee will be charged according to the following fee schedule:

<b><u>Assets Under Management</u></b>	<b><u>Annual Fee (%)</u></b>
First \$249,999	2.50%
\$250,000 - \$499,999	2.00%
\$500,000 - \$999,999	1.75%
\$1,000,000 - \$1,999,999	1.25%
Over \$2,000,000	1.00%

EWM may group certain related client accounts for the purposes of determining the annualized fee. There is no minimum account size required to participate in the Program.

In addition to the asset based management fee, Fortunatus Separately Managed Account Services clients will be charged an annual administrative fee ranging from 0.50% to 0.60% of assets under management. Administrative fees are also charged quarterly, in advance.

As sponsor and portfolio manager to the Program, EWM generally retains the portion of the fee paid by the client that is not attributable to commissions and other transaction costs that may be incurred by the firm in managing Program accounts, if any (and that are not separately charged to the client) or otherwise paid to subadvisers for their services, as applicable.

**What services are covered by the Program fees?** Program fees pay for our firm's advisory services to clients under the Program, administrative expenses of the Program, quarterly performance reporting, brokerage services for Program accounts to the extent that trades are placed as necessary to conform the account to one or more of the standard Program models through TD Ameritrade, Inc. (hereinafter "Standard Program Model Assets") and custody charges for clients' Standard Program

Model Assets custodied at TD Ameritrade, Inc.

**What services are not covered by the Program fees?** The Program fees do not cover brokerage to the extent that trades are conducted through brokers or dealers other than TD Ameritrade, Inc. or custody charges if client assets are custodied anywhere other than TD Ameritrade, Inc. Program fees do not cover commissions or other transaction costs incurred for trades placed in the client's Program account that are not required by one or more of the Program models (hereinafter "non-Standard Program Model Assets"), even if placed through TD Ameritrade, Inc. Such additional charges may be incurred upon the sale of legacy holdings and trades ordered by EWM to better conform the client's Program account to the client's financial circumstances, among other things. In addition, custody charges are not covered by the Program fees with respect to non-Standard Program Model Assets, even if those assets are custodied with TD Ameritrade, Inc. Program fees do not include expenses of mutual funds and exchange traded funds or similar pooled investment vehicles such as fund management fees charged to each fund's investors, exchange fees, transfer taxes, odd-lot differentials, or certain administrative fees for wire transfers or certificate issues as well as applicable administrative fees charged by EWM as described above.

Also, as described above, clients whose accounts trade in fixed income securities through the Bond Center will incur a \$25 transaction fee with respect to each such trade in addition to EWM's Program fees and any mark-up/mark-down incorporated into the price of the security. These additional transaction costs are integrated into the price of the security and, therefore, are not readily transparent.

Clients may incur charges for other account services provided that are not directly related to the execution and clearing of transactions, including, but not limited to, IRA custodial fees, safekeeping fees, wire transfer fees, interest charges on margin loans, exchange fees, and fees for transfers of securities.

**Additional Information about Program fees.** In considering the investment program described in this Brochure, clients are cautioned that depending on the level of fees charged by the executing broker-dealer, and the amount of portfolio activity in the clients' account, the value of the services provided under this Program may exceed the total cost of such services had they been provided separately. In addition, the Program Fee may be higher or lower than that charged by other sponsors of comparable wrap fee programs. The factors that should be considered by a prospective client include the size of a client's portfolio, the nature of the investments to be managed, commission costs, custodial expenses, if any, the anticipated level of trading activity and the amount of advisory fees only for managing the client portfolio.

### **General Information**

**Promissory Note:** In 2009, EWM entered into an amended and restated promissory note with INVEST Financial Corporation, Inc., an unaffiliated broker dealer with which certain EWM staff is separately licensed as registered representatives. The note is forgivable upon meeting certain levels of gross revenue as generated by EWM representatives. EWM does not generally execute equity trades for its advisory clients or generate commissions or other transaction-based revenue that will reduce the amount payable under the note with INVEST (or the Bond Center, a division of INVEST). However, INVEST does receive a percentage of the advisory fees charged by EWM to its clients and these fees do reduce the amount due to INVEST under the note. It is important to note that our advisory fees are charged in accordance with the agreement entered into with each client and do not increase or otherwise fluctuate in any way based on the number of transactions entered in the account or with which broker dealer those transactions are entered. Nevertheless, the promissory note with INVEST does create certain conflicts of interest or potential conflicts of interest including

incentive to direct transactions to INVEST and to conduct more frequent transactions with INVEST in order to generate more revenue. (Please refer to Item 10 regarding the affiliation of certain EWM staff with INVEST and to Item 12 for additional information regarding our brokerage practices).

**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. Upon termination of any account, any prepaid, unearned fees will be promptly refunded.

**Other 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.

**Exchange-Traded Funds.** Shares of ETFs and ETNs held in client accounts are bought and sold on an exchange and not, like mutual funds, directly from the fund itself. The price of ETF/ETN shares fluctuates in accordance with changes in the net asset value (NAV) per share, as well as in response to market supply and demand. Accordingly, ETF/ETN shares may trade at a price which differs from NAV per share of the ETF/ETN.

**Additional Considerations:** Advisory fees may vary among EWM's clients based upon a number of factors, including the size of the client's account, the types of investments, the nature of related services provided and the length of the advisory relationship with a client among other things.

The amount of compensation received by EWM, as a result of the client's participation in the Program may or may not be more than what EWM would receive if the client paid separately for investment advice, brokerage and other services. Therefore, EWM may have a financial incentive to recommend the Program over other advisory programs or services. Inasmuch as EWM will pay the execution costs of securities transactions executed in Program client accounts, it may also have a disincentive to enter trades on behalf of Program participants.

**Third Party Programs.** We have 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.

**Trade Aggregation and Rotation:** It is EWM's policy and practice to block trades where possible and when advantageous to clients. Blocking trades permits EWM to trade an aggregate block of securities composed of assets from multiple client accounts. Block trading may permit equity trades to be executed in a timely and equitable manner while allowing EWM to obtain an average share price for clients participating in the block.

Generally, only trades in accounts participating in the same Fortunatus model portfolio strategy are aggregated. As a result, EWM will generally seek to rotate the order of execution in each Fortunatus model portfolio, i.e., when an aggregated trade is placed for a particular model strategy first, that model strategy will be traded last the next time an aggregated trade is made. By these means, EWM seeks to ensure that, over time, no client is systematically advantaged or disadvantaged as a result of the order in which their account is traded. 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 (a non-wrap fee investment management service also offered by EWM) 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 TD Ameritrade. When a new client account is invested in a strategy (or when a client changes strategies), the trades required to implement the (new) 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 accounts that are 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 the price paid or received by other clients participating in the aggregated trade.

Partial fills of blocked trades will generally be allocated on a pro rata basis. However, adjustments to this pro rata allocation may be made to avoid having odd amounts of shares held in any client account or to avoid deviations from pre-determined minimum/maximum holdings limits established for any account among other acceptable allocation considerations.

**Trades by Administrative Support Service Provider:** As disclosed at Item 4 above, EWM has conducted due diligence regarding Atria Investments, LLC ("Atria"), an unaffiliated third party investment adviser, 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.

**Trade Error Policy:** While EWM endeavors at all times to enter trades correctly, errors will sometimes occur. It is EWM's policy and practice to seek to identify and correct trade errors promptly without disadvantaging the client in any way. Should EWM discover a trade error attributable to the action or inaction of EWM or its staff, it is the firm's policy to correct the error so as to place the client in as good a position as he/she would have been in had the error not occurred. If a trade error results in a profit, the gains will be donated to a 501(c)(3) charity of EWM's choosing.

**Limited Prepayment of Fees:** Under no circumstances do we require or solicit payment of fees in excess of \$1,200 more than six months in advance of services rendered.

### **Program Marketing and Compensation**

We enter into marketing arrangements with independent investment adviser and/or broker-dealer firms pursuant to which representatives of those firms (each a "Solicitor") offer our Program services to the public. Through these arrangements, we pay a cash referral fee to the Solicitor and/or to their firm based upon a percentage of our advisory fee. The payment of referrals fees will not increase the amount of the fees paid by Program participants. However, clients should be aware that the receipt of this compensation may create an incentive for the individual to recommend participation in this Program over others for which no such compensation may be received. In addition, the amount of compensation earned for these referrals may be greater than the compensation that would otherwise be received if the advisory and brokerage elements of the Program were provided separately. Accordingly, there may be a greater incentive for these individuals to recommend participation in this program than other types of investment programs.

As required by applicable law, the details of the solicitation arrangement, including the compensation payable to the solicitor, will be described to the client in a separate document provided to the client at the time of the referral.

## **ITEM 5 ACCOUNT REQUIREMENTS AND TYPES OF CLIENTS**

### **Minimum Account Requirements**

There is a minimum account requirement of \$2,500 for participation in this wrap fee program. This minimum account size may be negotiable at our discretion. In addition, clients will be charged an annual administrative fee ranging from 0.50% to 0.60% of assets under management in addition to the asset based management fee set forth at Item 4 above.

As disclosed at Item 4 of this Wrap Fee Brochure, we have 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. Clients accessing the Fortunatus portfolios through these platforms should refer the third party Sponsor's disclosure document for information regarding any minimum account requirements imposed for managing an account. See Item 4 of this Wrap Fee Brochure for additional information.

Fortunatus Separately Managed Account Services Program clients must direct EWM as to the broker dealer/custodian to be used in managing their account. As a condition for program participation, clients are required to direct us to custody their assets with and to place trades through TD Ameritrade, Inc. TD Ameritrade, Inc. is an unaffiliated FINRA-member broker dealer and the clearing firm and custodian that we use for brokerage accounts. We reserve the right to decline acceptance of any client account for which the client directs the use of a broker dealer/custodian other than TD Ameritrade, Inc. Please refer to the "Benefits Received" section of Item 9 for additional information.

### **Types of Clients**

EWM provides advisory services through the Fortunatus Separately Managed Account Services Program, where appropriate, to individuals, including high net worth individuals, pension and profit sharing plans (other than plan participants), trusts, estates, charitable organizations, corporations and other businesses.

## **ITEM 6 PORTFOLIO MANAGER SELECTION AND EVALUATION**

### **Portfolio Manager Selection**

As previously disclosed, all participating clients' assets are managed either directly or indirectly by advisory personnel of our firm. These individuals must possess, minimally, a college degree and/or appropriate business experience and all required licenses. As disclosed at Item 4 of this Brochure, EWM has conducted due diligence on one or more independent registered investment advisers with demonstrated asset management excellence within certain asset classes or markets (e.g., fixed income). As appropriate, EWM may allocate all or a portion of the client's portfolio to one or more of these subadvisers. Although the subadviser will directly manage the portion of any client's account allocated to it, under the terms of the agreement entered into by EWM and any subadviser utilized in the Program, EWM retains the authority to hire and fire the subadviser and to move client assets among subadvisers as it deems appropriate in accordance with the discretionary authority provided by the client.

Initially, our subadviser selection process is based on a perceived need for additional expertise within a particular investment asset category. As part of our subadviser selection process, we examine the experience, expertise, investment philosophies, and past performance of independent third-party investment managers 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 will then monitor the manager's underlying holdings, strategies, concentrations and leverage as part of our overall periodic risk assessment. We conduct appropriate due diligence on all subadvisers, making reasonable inquiries into their performance calculations, policies and procedures, Code of Ethics, and other operational and compliance matters deemed important to account performance and regulatory and enterprise risk management.

After a subadviser is selected, we will continuously monitor that manager's performance and conduct at least quarterly formal reviews of the subadviser's results. If we determine that a particular subadviser is not providing sufficient management services to the clients, or is not managing the clients' portfolios in a manner consistent with the stated objectives of the client or has drifted from its stated asset category, we will remove client assets from that subadviser and place client assets with another subadviser on into another investment vehicle at our discretion and without prior consent from the client.

### **Portfolio Performance Reporting**

EWM has adopted a policy and procedures designed to ensure that account reporting of client portfolios and investments reflect current, fair and accurate market valuations. In general, we rely on the qualified custodian holding client assets for timely valuation information of advisory client securities (typically TD Ameritrade). Whenever valuation information for illiquid, foreign, private or other investments is not available through pricing services or custodians, EWM will obtain and document price information from at least one independent source, whether a broker-dealer, bank, pricing service or other reputable source. We also require periodic, random, internal reviews of account reports to identify any incorrect, stale or mispriced securities. Although we consistently apply our methodology, we do not engage a third party to conduct reviews of performance information nor do we seek to comply with any particular industry standard when calculating portfolio performance. Moreover, although we inquire into the reasonableness of the Program managers' policies and procedures for performance calculations, neither our firm nor any third-party independently calculates the selected subadviser's performance information and therefore, it is possible that performance information may not be calculated on a uniform and consistent basis.

## Affiliated Portfolio Managers

As previously disclosed, all client assets in the Program are either directly or indirectly managed by our portfolio managers. Please refer to Item 4 for a detailed description of Fortunatus Separately Managed Account Services Program's services and fees.

## Performance-Based Fees

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

## 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 under-priced (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 employed by EWM includes trend following and relative strength analysis.

**Trend Following:** Trend following is a method of analysis that objectively determines whether our client portfolios should have exposure to a rising asset class or preserve capital during unfavorable market environments.

**Relative Strength:** This method of analysis seeks to objectively identify market strength in order to ensure that clients invest in the best performing segments while underweighting or avoiding the weaker segments.

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.

A risk in margin trading is that, in volatile markets, securities prices can fall very quickly. If the value of the securities in your account minus what you owe the broker falls below a certain level, the broker will issue a “margin call”, and you will be required to sell your position in the security purchased on margin or add more cash to the account. In some circumstances, you may lose more money than you originally invested.

**Risk of Loss.** Clients should understand that investing in any securities, including mutual funds, involves a risk of loss of both income and principal.

### **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 7 CLIENT INFORMATION PROVIDED TO PORTFOLIO MANAGERS**

Typically, individuals affiliated with our firm are responsible for developing an initial financial profile of the prospective client. Prior to opening an account, we assist in determining a participant's profile for the Program by obtaining from the participant appropriate information (i.e., investment objectives, risk tolerance, time horizon, and any reasonable restrictions the client wishes to impose upon the management of the account). In certain circumstances, this information may be obtained and documented by a third party professional that has referred to the client to the Program and provided this information to EWM. Under these circumstances, the client’s initial investment strategy may be jointly determined based on an assessment of the information provided by the client.

While we provide the client with periodic reminders, it remains the client's responsibility to advise us of any changes to the information previously provided that might impact the ongoing suitability of any prior determined investment strategy(ies) and/or objectives. We will promptly communicate any

reported changes to the client's portfolio manager.

EWM's investment adviser representative or the client's relationship manager will seek to directly contact each wrap fee program client at least annually to verify that there has been no change in the client's financial circumstances and/or investment objectives, and determine whether the client wishes to impose any reasonable restrictions on the management of the account(s). Any such changes or requests are communicated in writing to the client's portfolio manager, who is responsible for implementing appropriate adjustments to the client's portfolio.

## **ITEM 8 CLIENT CONTACT WITH PORTFOLIO MANAGERS**

The client's account representative is available to discuss the management and performance of the client's account and changes in the client's situation which may have an impact on the management of the client's account.

## **ITEM 9 ADDITIONAL INFORMATION**

### **Disciplinary Information**

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

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

### **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, LLC. ("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.

EWM is also related through common ownership and control to Fortunatus Investments, LLC ("Fortunatus") an entity formed to provide back office support to EWM representative. Fortunatus is currently in the process of seeking registration as an investment adviser with the SEC.

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. Other than transactions placed on a discretionary basis in a Program account, the implementation of any or all recommendations is solely at the discretion of the client. No affiliated person of EWM receives commission or other transaction-based compensation in connection with trades placed in any account managed by EWM on a discretionary basis.

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. EWM endeavors at all times to put the interest of its clients first as part of our fiduciary duty as a registered investment adviser; we take the following steps to address this conflict:

- we disclose to clients the existence of all material conflicts of interest, including the potential for our firm and our employees to earn compensation from advisory clients in addition to our firm's advisory fees;
- we disclose to clients that they are not obligated to purchase recommended investment products from our employees or affiliated companies;
- we collect, maintain and document accurate, complete and relevant client background information, including the client's financial goals, objectives and risk tolerance;
- our firm's management conducts regular reviews of each client account to verify that all recommendations made to a client are suitable to the client's needs and circumstances;
- we require that our employees seek prior approval of any outside employment activity so that we may ensure that any conflicts of interests in such activities are properly addressed;
- we periodically monitor these outside employment activities to verify that any conflicts of interest continue to be properly addressed by our firm; and

- we educate our employees regarding the responsibilities of a fiduciary, including the need for having a reasonable and independent basis for the investment advice provided to clients.

### **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@ewmadvisors.com](mailto:crumler@ewmadvisors.com), or by calling us at 810-229-6446.

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 previously disclosed, 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.

EWM and individuals associated with our firm are prohibited from engaging in principal or agency cross transactions. (A principal transaction occurs when our firm or individuals associated with our firm may buy securities for the firm or for themselves from our advisory clients; or sell securities owned by the firm or the individual(s) to our advisory clients. An agency cross transaction occurs where our firm acts as an investment adviser in relation to a transaction in which any person controlled by or under common control with our firm, acts as broker for both the advisory client and for another person on the other side of the transaction).

### **Review of Accounts**

While the underlying securities within Program accounts are continuously monitored, these accounts are reviewed at least quarterly by the advisory representative assigned to the account, by the client's relationship manager, 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.

With respect to any subadviser selected to manage portion of a client's portfolio through the Program, EWM's Investment Committee will review the performance of these managers as reported by the manager on at least a quarterly basis. However, EWM does not require that subadvisers standardize their approach to performance reporting along specific industry guidelines.

In addition to the monthly statements and confirmations of transactions that Program clients receive from their broker dealer, EWM will provide written quarterly reports summarizing account performance, balances and holdings. We urge our clients to carefully compare the information provided on these statements to ensure that all account transactions, holdings and values are correct and current.

### **Client Referrals and Other Compensation**

As disclosed at the “Program Marketing and Compensation” section of Item 4 above, EWM receives client referrals for participation in the Program through representatives of **unaffiliated** investment adviser firms (each a “Solicitor”). Clients should refer to Item 4 for additional information regarding compensation paid to Solicitors and the inherent conflicts of interest arising as a result. 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 the “Other Financial Industry Activities and Affiliations” section of Item 9 above, 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 set forth below, EWM receives certain economic benefits through its participation in TD Ameritrade’s Institutional customer program. As part of these services, EWM receives benefits that it would not receive if it did not offer investment advice to clients.

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 is a discount broker-dealer independent of and unaffiliated with Advisor and there is no employee or agency relationship between them. 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 advisors. 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 that do not arise under other referral arrangements. TD Ameritrade will most likely refer clients through AdvisorDirect to investment advisors 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.

### **Other Compensation**

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.

### **Benefits Received**

As disclosed at Item 4 of this Wrap Fee Brochure, we request that Program clients direct the use of TD Ameritrade for trades placed in the client's Program account. Clients should note that EWM participates in TD Ameritrade's Institutional customer program and EWM may recommend TD Ameritrade to clients for custody and brokerage services. There is no direct link between EWM's participation in the program and the investment advice provided to clients. As a result of our participation in this program, EWM receives economic benefits 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; and discounts on compliance, marketing, research, technology, and practice management products or services provided to EWM by third party vendors.

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.

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 the Program administrator and Adhesion. 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. The receipt of Additional Services does not diminish our duty to act in the best interests of its clients, including seeking best execution of trades placed for client accounts.

### **Financial Information**

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

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

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