

Wrap Fee Brochure



Empirical Financial Services, LLC
d/b/a Empirical Wealth Management

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This wrap fee brochure (“Wrap Fee Brochure”) provides information about the qualifications and business practices of Empirical Financial Services, LLC d/b/a Empirical Wealth Management (“Empirical” or “Firm”). If you have any questions about the contents of this Wrap Fee Brochure, please contact us at (206) 923-3474 and/or via email at compliance@empirical.net. The information in this Wrap Fee Brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

Empirical is an SEC-registered investment adviser (“Adviser”). Registration of an 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 is available on the SEC’s website at www.adviserinfo.sec.gov. The SEC’s website also provides information about any persons affiliated with Empirical who are registered, or are required to be registered, as investment advisor representatives of the firm.

Item 2 – Material Changes

This Wrap Fee Brochure does not contain any material changes since our last annual filing on March 30, 2018.

Other amendments may have been made to this Wrap Fee Brochure, which may not have been discussed in our summary, and consequently, we encourage you to read this brochure in its entirety. You may request a full copy of the latest version of this document at any time by emailing the compliance department at compliance@empirical.net or by phone at 206-923-3474.

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Item 4 – Services, Fees, and Compensation

This Wrap Fee Brochure describes the services, fees and other information Clients may need to consider prior to participating in the wrap fee program (the “Program”) offered by Empirical. Additional information about the Firm can be found in SEC Form ADV Part 1A and Part 2A, which can be found at www.adviserinfo.sec.gov.

Types of Advisory Services

Each individualized client (“Client(s)”) portfolio is designed to be consistent with Clients’ investment objectives, financial goals and risk tolerances. We create an investment plan and manage a Client’s portfolio by seeking to identify: 1) the optimal asset classes in which to invest, 2) the most efficient exchange-traded funds (“ETFs”) or other investments to represent each of those asset classes, 3) the ideal mix of asset classes based on the Client’s specific risk tolerance, 4) the most appropriate time to rebalance the Client’s portfolio to maintain intended risk tolerance and optimal return for the Client’s risk level, 5) for taxable non- retirement accounts, the use of tax efficient management at the appropriate times in a way that maintains the optimal risk and return profile, and 6) tax-loss harvesting strategies for taxable accounts.

Empirical’s Program allows eligible Client accounts to be charged a single fee that is comprehensive and not based directly on transactions in a Client’s account for investment advisory services and execution of Client transactions. Clients participating in the Program will be required to execute a written agreement with the Firm and the custodian.

Fees and Compensation: Investment Advisory Services

Clients participating in the Program will be charged a single “wrap” fee. Below is our general fee schedule, however, fees may be negotiated at Empirical’s sole discretion. The specific way we charge fees is established in your written agreement with us.

In addition to the wrap fee, Clients may also be obligated to pay some or all of the fees listed in the Other Fees Charged section below. The Program may cost the Client more or less than purchasing such services separately, however that is unlikely. Clients enrolled in the Program generally pay the same fee schedule to Empirical as those not enrolled in the Program, however, Clients enrolled in the Program will not pay brokerage commissions. Those commissions are covered by Empirical. We may unilaterally modify these terms with prior written notification or upon execution of a new contract.

Table 1: General Fee Schedule

Assets	Portfolio Annual Fee*
First \$2,000,000	1.00%
\$2,000,001 - \$5,000,000	.80%
\$5,000,001 - \$10,000,000	.70%
\$10,000,000 - \$20,000,000	.50%
Above \$20,000,000	.30%

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

Empirical receives the following portion of this fee for its portfolio management services:

- .75% of the first \$2 million
- .60% of \$2,000,001 - \$5,000,000
- .55% of \$5,000,001 - \$10,000,000
- .40% of \$10,000,000 - \$20,000,000
- .20% above \$20,000,000

Some Clients will pay different fees based upon their contract fee schedules or specially negotiated rates. We will not treat higher paying Clients more favorably. Fees are due and payable on the first day of each calendar quarter and are generally deducted directly from your accounts.

New Clients will be billed quarterly in arrears using an average daily balance calculation. Existing Clients, currently billed quarterly in advance, will be transitioned to the average daily balance computation over time. The fee for those Clients paying quarterly in advance will be calculated using the fee schedule listed above, or other previously negotiated fee schedule, multiplied by the market value of the account on the last day of the previous quarter. For example, the fee for the second quarter of 2019 would be calculated based on the market value as of end of business on 3/31/2019. 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 during the preceding quarter and is billed in arrears. For example, the fee for the second quarter of 2019 would be calculated based on the average market value of the account over the period from April 1, 2019 through June 30, 2019 and would be billed to the Client on July 1, 2019.

If you are billed in advance, fees for partial quarters, at the commencement or termination of your advisory 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, taking place within the first ten (10) weeks of the calendar quarter will also be rebated or billed on the above pro-rated basis. Margin debt is considered managed and will not be excluded from billing or offered billing rebates.

Other Fees Charged

The Program covers brokerage execution costs, without regard to the number of transactions executed during the billing period. Empirical has negotiated fees with Charles Schwab & Co., Inc. (“Schwab”), a FINRA /SIPC/NFA, and a qualified custodian who provides us custody, clearing, and execution services. The Program does not however include certain account and securities-related costs, including, but not limited to, the fees embedded in the mutual funds, ETFs or annuities in which Clients may be invested. These underlying fees can vary between investments and are deducted directly from invested assets. Further information on these fees can be found in the prospectuses of the underlying funds.

The following fees may be 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)
- Custodial fees
- Fees for trades executed away from custodian
- Services charges
- Any account transfer, closing or administrative charges or fees imposed by a previous custodian or broker-dealer
- Stock transfer fees

Other fees not covered under the Program may include, but are not limited to: debit balances, related margin interest, individual retirement account (“IRA”) and retirement plan fees, transfer fees, SEC fees, 12b-1 fees for certain money market funds and mutual funds, wire transfer fees, overnight check fees, account closing fees, paper statement delivery fees, non-standard asset fees, insufficient fund fees, returned check fees, transaction charges for fund level asset allocation model trades, expenses charged by the mutual funds (including management fees, transaction charges incurred for fund-level asset allocation model trades, custody of fund assets and other fund expenses), expenses charged by the variable annuities and exchange-traded funds, or other fees or taxes that are required by law. Empirical may from time to time, at its sole discretion, reimburse Clients for certain fees or charges that are not due to the Client’s error.

Empirical may negotiate a reduction in fees or other costs on services provided by third-party service providers based on size, volume or other factors. Because the cost to the Client of these services is included in the wrap fee, any negotiation of lower costs to Empirical will not be reflected in the Client’s costs.

As Empirical absorbs certain transaction costs for Clients, we may have a financial incentive not to place transaction orders in those accounts since doing so increases the transaction costs. Thus, an incentive exists to place trades less frequently in a wrap fee arrangement. To mitigate the risk of Empirical placing less frequent trades as a way of reducing our costs, the members of the

Empirical Investment Committee meets periodically to review portfolio holdings and suggest to the other members any changes that may need to be made.

Item 5 – Account Requirements and Types of Clients

As a condition for participation in the wrap program, Empirical generally requires that Clients place at least \$3,000,000 under the Firm's management. Empirical also generally only offers participation in the Program to those Clients who are already paying the full fee schedule. The Firm, in its sole discretion, may accept Clients with smaller portfolios based upon certain criteria, such as anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing Client relationships, and pro bono activities. Empirical generally only accepts Clients with less than the minimum portfolio size if, in the sole opinion of the Firm, the smaller portfolio size will not result in a substantial increase of investment risk beyond the Client's identified risk tolerance. Empirical may aggregate the portfolios of family/household members to meet the minimum portfolio size.

Empirical generally provides portfolio management services to high net worth individuals, families, non-profit organizations and company retirement plans.

Item 6 – Portfolio Manager Selection and Evaluation

All of the portfolio managers offered as part of the Program are supervised persons of Empirical. The Firm does not utilize third-party portfolio management services; we believe that we are able to offer a suitable option for all of our Clients through our proprietary portfolio management services. In the event that we could not find a suitable option for a Client, we would adhere to our fiduciary duty to suggest a third-party money manager. In implementing our investment strategy, our portfolio managers are executing trades based off of models that are determined by our Investment Committee. We create these models as described below in *Methods of Analysis, Investment Strategies and Risk of Loss*. We recommend particular strategies for Clients according to the Clients' various risk tolerances and investment goals as disclosed to us at account opening. If a particular strategy no longer meets the Client's needs and goals, or a Client's needs and goals have changed, we will reassess the appropriateness of the strategy for that Client. In addition, if a particular strategy is no longer producing what we consider to be, in our sole discretion, satisfactory investment returns, we will also review and consider replacing that strategy. Empirical's returns have been verified through a third party, ACA Performance Services. Additionally, to monitor portfolio management performance, we use model performance. Both fund and model performance is benchmarked against appropriate indexes. Our performance information is gathered from fund providers and third-party reporting firms, and we periodically verify that these numbers are consistent across sources.

Investment Advisory Services

Empirical provides fee-based investment management services. Empirical also sponsors and provides portfolio management services for a wrap fee program that allows eligible Client accounts to be charged a single fee that is comprehensive. We do not manage the accounts of Clients in the Program in a different fashion than fee-based accounts, except in the case where a Client has chosen a performance-based fee arrangement. As a portfolio manager to the Program, Empirical will receive a portion of the wrap fee for our services.

Empirical also manages one private fund, Empirical Alternative Income Fund, LP, that qualifies for the exclusion from the definition of investment company under section 3(c)(1) of the Investment Company Act of 1940, as well as one venture capital fund, Empirical Venture Capital Fund, LP, which seeks to achieve long-term high capital growth through investing in local startup companies in the artificial intelligence space.

Advisory services encompass a wide range of investment goals and risk tolerances, from conservative to aggressive, giving you and your advisor the flexibility to design a portfolio and asset allocation that meets your specific investment needs. We begin by offering a comprehensive financial plan that helps us create a picture of your financial condition as well as learn about your personal financial goals. The plan also acts as a tool that helps you clarify your investment and life objectives. Out of this plan and with your input, an investment strategy and asset allocation decisions are agreed upon. Your portfolio is continuously managed based on your investment objectives, and we maintain ongoing and continuous discretionary authority for your accounts.

You can impose reasonable restrictions, in writing, on investing in certain securities or types of securities. Account restrictions are generally, but not always, for tax purposes in situations where you may incur a large amount of taxable gain from the sale of your positions. 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.

Performance-Based Fees and Side-By Side Management

For Clients not enrolled in the Program, we may enter into performance-based fee arrangements with qualified clients (“Qualified Clients”). Such fees are subject to individualized negotiation with each such client. A Qualified Client is generally defined by Rule 205-3 of the Investment Advisers Act of 1940, as amended (“Advisers Act”) as a natural person or company who has at least \$1,000,000 under management or has a net worth of at least \$2,000,000. We generally recommend that a Qualified Client has a minimum of \$2,000,000 assets under management with Empirical to enter into the performance-based fee arrangement.

We will structure any performance-based fee arrangement subject to Section 205(a)(1) of the Advisers Act in accordance with the available exemptions thereunder, including the exemption set forth in Rule 205-3. The performance-based fee would be a given percentage of any return earned in the account(s) over the previous quarter, net of the asset-based fee, and is billed in arrears. The fees collected would generally be based on the schedule listed below:

Assets	Asset-Based Fee	Performance-Based Fee
First \$2,000,000	0.25%	10%
\$2,000,001 - \$5,000,000	0.20%	10%
\$5,000,001 - \$10,000,000	0.15%	10%
Above \$10,000,000	0.10%	10%

Return is defined as appreciation in the value of the portfolio over the previous quarter's close and is adjusted for any contributions to or withdrawals from the account. Appreciation includes all dividends, interest or capital gains (realized and unrealized) over the billing quarter. The calculation of return does not include money deposited into or withdrawn from the account. The performance fee allocation is subject to a "high water mark" provision, such that no performance-based fee will be paid to us, except to the extent that the amount of the capital increase exceeds the sum of any cumulative loss in the account as well subject to adjustment for withdrawals, contributions and the asset-based fee. Performance-based fee will be charged on the return net of the asset-based fee. If the account is below the high-water mark, Empirical will still charge the asset-based fee on the account.

Performance-based fee arrangements may create an incentive for us to recommend investments that may be riskier or more speculative than those which would be recommended under an asset-based fee arrangement. Such fee arrangements also create an incentive to favor higher fee-paying accounts over other accounts in the allocation of investment opportunities. We have procedures designed and implemented so that all Clients are treated fairly and equally, and to prevent this conflict from influencing the allocation of investment opportunities among Clients. Namely, our code of ethics requires that, as fiduciaries, all supervised persons place the best interests of their Clients above their own personal interests.

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 based on 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. Per MPT, investors can benefit by combining the different asset classes in a structured portfolio.

We typically incorporate 12-21 distinct asset classes when building 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 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 ("ETFs") chosen based upon their diversification characteristics, internal expenses and tax efficiency. We often choose institutional funds (investments available only through an investment adviser) and investments that fall in the lowest quartile of expenses for their category. We include in our analysis a multitude of security types including, but not limited to:

- Equities
- Corporate debt
- Commercial papers
- Municipal securities
- Investment company securities
- United States government securities
- Options contracts
- Futures contracts
- Partnership and others (including limited partnerships and third-party money managers)

We do not generally recommend all these options, but may recommend some of the above to you depending on your unique situation and current market conditions.

Some resources we use include, but are not limited to, 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 we may use to implement investment advice given to you include, but are not limited to: long-term purchases, short-term purchases (securities sold within about 30 days), trading, short sales, margin transactions and options writing. If your investment strategy involves frequent trading, you must be aware that frequent trading may affect investment performance, particularly through increased brokerage and other transaction costs and taxes. Investing in all securities involves the risk of loss, however, options writing and margin transactions particularly can result in increased risk to your portfolio.

We will use our best judgment and good faith effort in rendering services to you. However, investing in securities involves a risk of loss that Clients must be prepared to bear. We cannot warrant or guarantee any particular level of account performances, or that an account will be profitable over time. Investment recommendations are subject to various risks including but not limited to market, currency, economic, and political conditions. Not every investment decision or recommendation made by us will be profitable.

Voting Client Securities

Unless the Client directs otherwise in writing, we are responsible for voting Client proxies (however, the Client shall maintain exclusive responsibility for all legal proceedings or other types of events pertaining to the account assets, including, but not limited to, class action lawsuits). Empirical shall vote proxies in accordance with its Proxy Voting Policy, a copy of which is available upon request. If a Client wishes to direct our vote in a particular solicitation he requests as such. Empirical has contracted with Glass Lewis to provide proxy-voting services for our Clients. Empirical, with the help of Glass Lewis, shall monitor corporate actions of individual issuers and investment companies consistent with our fiduciary duty to vote proxies in the best interests of the Clients.

Factors Empirical will consider when determining how it will vote include, but are not limited to: a review of recommendations from issuer management, shareholder proposals, cost effects of such proposals, effect on employee and executive and director compensation, and recommendations from Glass Lewis. With respect to individual issuers, Empirical may be solicited to vote on matters including, but not limited to, corporate governance, adoption or amendment to compensation plans (including stock options), and matters involving social issues and corporate responsibility. With respect to investment companies (e.g. mutual funds), Empirical may be solicited to vote on matters including, but not limited to, the approval of advisory contracts, distribution plans, and mergers. Empirical, with the help of Glass Lewis, shall maintain records pertaining to proxy voting as required pursuant to Rule 204-2 (c)(2) under the Advisers Act. Information pertaining to how Empirical voted on any specific proxy issue is available upon written request. Requests should be made by contacting our Chief Compliance Officer (“CCO”). If any conflicts of interest should arise between Empirical and its Clients with regard to voting in a particular solicitation, Empirical is bound by its fiduciary duty to place the needs of its Clients ahead of its own financial interests.

Item 7 – Client Information Provided to Portfolio Managers

Empirical is both your Adviser and your portfolio manager for the Program. Your portfolio manager will have the same access to your information as Empirical. Your information includes, among other things, income, net worth, risk tolerance, and investment objectives. Your portfolio manager uses this information to determine the appropriate asset allocation and to manage your investments. When you update your information with Empirical, your portfolio manager will have immediate access to the same updated information.

Item 8 – Client Contact with Portfolio Managers

Clients are always free to directly contact their Empirical portfolio manager(s) with any questions or concerns they have about their portfolios or other matters. Empirical generally issues quarterly reports to each Client regarding the Client’s asset allocation and the performance of the Client’s portfolio. In addition to Empirical’s reports, Clients receive statements from the custodians of their accounts. Custodians issue quarterly statements if no account activity has taken place. Clients may also access their portfolio information online.

Item 9 – Additional Information

Disciplinary Information

Investment advisers registered with the SEC are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of us or the integrity of our management. We have no information applicable to this item.

Other Financial Industry Activities and Affiliations

Several wholly-owned subsidiaries of Empirical have been developed so that the firm may meet its Clients' various financial needs in-house. Empirical Tax Services, LLC is a fully-owned subsidiary of Empirical. Empirical Tax Services was founded to address our Clients' tax preparation needs in-house. Empirical Insurance, LLC ("Empirical Insurance") was founded to address Clients' insurance needs. Finally, Empirical Legal Services, PLLC, which is not a wholly-owned subsidiary but rather an independent entity, may be able to address Clients' legal needs. We do not believe these relationships create a material conflict of interest. Supervised persons of Empirical do not receive any commissions or other financial incentives to refer Clients for its in-house tax, or insurance services, or Empirical Legal Services, PLLC's legal services. These services are solely in place for the convenience of the Client and to enhance the Client's overall experience. Clients are always free to use their own service providers.

Directional Financial Services, LLC ("Directional") is a wholly-owned subsidiary of Empirical. Directional was founded as a means to serve those Clients who do not meet the minimum asset levels required by Empirical. Empirical's relationship with Directional does not create a material conflict of interest.

We have an employee, Elliott Appel, who is affiliated with Empirical Insurance, and is licensed to sell insurance in Washington State, Oregon State and Kansas State. We have another employee, Eric Kinyon, who is affiliated with Empirical Insurance, and is licensed to sell insurance in Washington State. Elliott and Eric are appointed with various unaffiliated, third-party insurance companies. Empirical Insurance receives a commission when insurance is sold, and Elliott or Eric receives a portion of that commission. You are never obligated or required to purchase insurance products through Elliott or Eric in their capacity as insurance producers. This does however create a material conflict of interest in that it provides an incentive for Elliott and Eric to recommend insurance products based on compensation received rather than on a Client's needs. As supervised persons of Empirical, Elliott and Eric are bound by the fiduciary standards set forth in the firm's code of ethics to place the needs of each Client above their own personal financial gain.

Empirical also manages one private fund, Empirical Alternative Income Fund, LP, that qualifies for the exclusion from the definition of investment company under section 3(c)(1) of the Investment Company Act of 1940, as well as one venture capital fund, Empirical Venture Capital Fund, LP, which seeks to achieve long-term high capital growth through investing in local startup companies in the artificial intelligence space. These relationships do not create a material conflict of interest with Clients.

Code of Ethics

In accordance with Rule 204A-1 under the Advisers Act, we have adopted a code of ethics ("Code of Ethics" or "Code"), applicable to all of Empirical's supervised persons. Among other things, the Code of Ethics,¹ describes standards of business conduct, 2) contains provisions that require supervised persons to comply with all applicable state and Federal laws, 3) requires that all access persons (defined as supervised persons who have access to non-public information regarding a

Client's investments or who are involved in making securities recommendations to Clients) report and we review personal securities transactions and holdings reports, 4) requires that supervised persons report breaches of the Code of Ethics to the CCO or her designee, and 5) stipulates that Empirical deliver to and receive written acknowledgement from employees regarding their receipt of the Code of Ethics and any amendments. You may request a copy of our Code of Ethics by contacting your Advisor or our CCO at compliance@empirical.net.

We may render any advice or service concerning securities of companies in which any of our supervised persons may have a substantial economic interest, if we either determine in good faith that we may appropriately do so without disclosing such conflict to you or disclose such conflict to you prior to rendering such advice or services with respect to the account. Our supervised persons may also trade securities for their personal accounts identical to or different than those recommended to you. These two scenarios present a potential conflict of interest in that there is a possibility that employees might benefit from market activity in your account in a security held by an employee. To ameliorate this conflict, employee trading is continually monitored under the Code of Ethics to reasonably prevent conflicts of interest between Empirical and you. It is our expressed policy that no person employed by us will place his or her own interest over yours or make personal investment decisions based upon your investment decisions.

Employee personal accounts may trade in the same securities with Client accounts on an aggregated basis when consistent with our obligation to seek best execution. In such circumstances, the employee personal accounts and Client accounts will share commission costs equally and receive securities at a total average price. We will retain records of the trade order (specifying each participating account) and its allocation, which will be completed prior to the entry of the aggregated order. Completed orders will be allocated as specified in the initial trade order. Partially filled orders will be allocated on a pro rata basis. Any exceptions will be explained on the order.

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, and dignity, and to conduct themselves in an ethical manner. We will act as a fiduciary that owes each of our Clients the duties of care and loyalty with respect to all services undertaken on your 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.

Review of Accounts

Your accounts are generally reviewed at least quarterly on an internal basis. In addition, they are reviewed as special situations arise, such as when strategy changes are made by the Investment Committee, there is a material flow of funds, or your directed allocation changes. Account reviews may include, but are not limited to:

- Reviewing cash needs;
- Analyzing account allocation targets;
- Reviewing tax goals and realized gain/loss for the year;
- Performing retirement projections and distribution strategies;
- Analyzing the performance of each account in relation to appropriate benchmarks; and
- Addressing any other financial questions you may have.

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

Generally, a written quarterly report is sent to all Clients. This report generally includes, but is not limited to, a portfolio appraisal containing a description of all securities and the amount held in each of your accounts, a description of the management fees for the quarter, and a letter updating you on our current investment strategies and thoughts for the future. Frequency and content of other reports will generally vary.

Client Referrals and Other Compensation

We receive Client referrals from Schwab through participation in Schwab Advisor Network. We pay Schwab fees to receive Client referrals through the service.

Financial Information

Advisers are required in this Item to provide you with certain financial information or disclosures about our financial condition. We have no financial obligations that impair our current or future ability to meet contractual and fiduciary commitments to you, and have not been the subject of a bankruptcy proceeding at any time during the past ten (10) years.