

## Item 1. Cover Page

### APPLICANT INFORMATION

May 17, 2011

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SEC File No. 801-71589

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This brochure provides information about the qualifications and business practices of EverBank Wealth Management, Inc. If you have any questions about the contents of this brochure, please contact us at [everbankwealthmanagement@everbank.com](mailto:everbankwealthmanagement@everbank.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. The advisory services described in this brochure are not insured or otherwise protected by the U.S. Government, the Federal Deposit Insurance Corporation, the Federal Reserve Board, or any other government agency, and involve risk, including the possible loss of principal. Additional information about EverBank Wealth Management, Inc., is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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## **Item 2. Material Changes**

N/A – Initial publication date is May 17, 2011.

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## **Item 4. Advisory Business**

### **A. General Information**

EverBank Wealth Management, Inc. ("EWM"), is incorporated in Delaware and is wholly owned by EverBank Financial Corporation ("EFC"). EFC also wholly owns EverBank, a federal savings association. EWM has been offering investment advisory services to banking and thrift institutions since October 29, 2010.

### **B. EWM Investment Services and Process**

EWM provides discretionary management of clients' investments in exchange for a fee based on the assets under management. EWM conducts a thorough interview of its clients and then presents a proposal of how EWM would manage a client's investments, considering goals, resources, time horizon, objectives, attitudes and tolerance and capacity for risk. EWM's proposal will usually include a portfolio model and recommended instruments that may be used to implement the model. Portfolio models may be based on the circumstances of an individual client or group of clients. A portfolio model may contain multiple asset classes such as stocks, bonds, money market instruments and alternative investments. Investment instruments are used to implement the portfolio model by providing exposure to the recommended asset classes and may include mutual funds, exchange traded funds (ETFs), individual securities (stocks and bonds) and alternative investments. Alternative investments may include hedge funds, managed futures funds, real estate investments, foreign currencies, precious metals and other commodities. Any of these assets may be accessed through separately managed accounts (SMAs) of third party investment managers and/or unified managed accounts (UMAs). (See Item 8, below). Portfolio model construction is determined by the EWM Investment Committee, through the oversight of the Chief Investment Officer. The EWM Investment Committee may develop portfolio models based on different levels of risk tolerance and capacity by combining diverse asset classes to help manage risk. EWM Wealth Management Advisors, who manage a client's relationship with EWM, consult with a client to determine which model is most appropriate. Clients may direct that their accounts be managed individually or in groups as portfolios of accounts or as households.

### **C. Other Services and Considerations**

EWM will report to the client, on a quarterly basis or at some other interval agreed to with the client, information on purchases and sales, contributions and withdrawals in the client's investment portfolio and the performance of the client's portfolio measured against appropriate pre-established goals or benchmarks (including benchmarks selected by the client).

A client should provide EWM with any reasonable investment restrictions that should be imposed on the management of his or her portfolio. For example, a client may restrict the type or amount of security to be purchased in the portfolio. A Client should promptly notify EWM of any changes in those restrictions or in the client's personal financial circumstances, investment objectives, goals, and tolerance and capacity for risk. On a quarterly basis, EWM's reports provided to clients will remind clients of their obligation to inform EWM of any such changes or any restrictions that should be imposed on the management of the client's account. EWM will also contact clients at least annually to inquire whether there have been any changes in a client's personal financial circumstances, investment objectives and tolerance and capacity for risk.

## D. Wrap Fee Programs

EWM does not offer wrap fee programs.

## E. Assets Under Management

EWM has not previously offered its advisory services to individual investors and at present does not have any assets under management for individual investors. EWM does, however, supervise approximately \$100 million of AUM for an institutional customer, its affiliate, EverBank. EWM will update this Brochure to reflect growth in managed assets, on at least an annual basis.

## Item 5. Fees and Compensation

### A. Asset-Based Advisory Fees

#### A.1. Advisory Fees

EWM will generally provide clients with a full range of services in exchange for an asset-based fee computed on the value of managed assets as mutually agreed upon with the client and EWM. EWM's fee schedule is itemized below and is computed on the average daily balance of the client's portfolio for the preceding month or quarter and payable in arrears not less than 30 days following the end of the month or quarter. The monthly or quarterly fee is charged at either one-fourth or one-twelfth the specified annual rate. The initial fee is pro-rated from the date of the contract with the customer to the end of the first month or quarter.

The client may terminate an individually managed account by giving 30 days' written notice.

*Asset-Based Fee Schedule*

EWM	
Managed Funds & Specialty Portfolios	
< \$100,000	\$1000
\$100,000 - \$250,000	0.90%
\$250,000 - \$500,000	0.80%
\$500,000 - \$1,000,000	0.70%
> \$1,000,000	0.50%
Separately Managed Accounts (SMA)*	
\$500,000 - \$1,000,000	1.35%
\$1,000,000 - \$3,000,000	1.15%
\$3,000,000 - \$5,000,000	0.95%
\$5,000,000 - \$10,000,000	0.75%
> \$10,000,000	negotiated
* Pricing is quoted per SMA and may be negotiable	

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EWM requires a minimum value of managed assets of \$100,000, which equates to a minimum annual fee of \$1,000 at the highest fee tier in the current fee schedule for managed funds and specialty portfolios. Clients with less than \$100,000 in portfolio assets who choose to avail themselves of the firm's services at a minimum annual fee of \$1,000 may be able to find similar services at a more favorable pricing arrangement. Fees are negotiable. EWM may, in its sole discretion, waive the required minimum fee.

For multiple accounts under the control of a client, EWM may aggregate the total for fee purposes.

## **B. Fee Deduction**

EWM will not take custody or possession of client funds or securities at any time except to the extent that EWM may deduct fees directly from the client's account. Generally, fees are automatically debited from the client's account provided that (1) the client provides written authorization, and (2) the custodian of the account sends the client a statement, at least quarterly. The statement includes the amount of any fees paid directly to EWM. EWM has the right to change any or all of its fee schedules with 30 days written notice.

The following criteria must be met when the custodian makes payment:

- The client must provide written authorization permitting the fees to be paid directly from the client's account held by the independent custodian.
- The custodian agrees to send the client a statement, at least quarterly, indicating all amounts disbursed from the account including the amount of advisory fees paid directly to EWM.
- EWM or a third party will send the client an invoice showing the amount of the fee, the value of the client's assets on which the fee was based, if quarterly fees are based on a percentage of assets, and the specific manner in which the fee was calculated.

EWM shall require the custodial services of a "qualified custodian." EWM does not and will not have custody of a client's funds and securities. It is a client's responsibility to verify the accuracy of the fee calculation. The custodian may not have a duty to determine whether the fee is properly calculated.

## **C. Other Fees**

The fees charged by EWM do not include fees or other expenses of any mutual fund, exchange traded fund or private pooled investment vehicle, and may in some cases not include fees charged by a separate account manager selected by the client. Similarly, the fees charged by EWM do not include any commissions or other fees charged by a broker-dealer or custodian retained by a client to implement EWM's advice or to otherwise hold the client's portfolio securities.

The management fees for investment managers are generally disclosed in each investment manager's disclosure brochure and brochure supplement or, in the case of a mutual fund, the fund's prospectus, or in the case of the privately pooled investment vehicle, the confidential private placement memorandum and applicable subscription documents. Clients are advised to read these materials carefully and notify EWM if they do not wish to have their assets invested with any particular manager or in any particular investment

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A mutual fund may impose a sales charge, such as an initial or deferred sales charge, as may be described in the mutual fund's prospectus. A client may be precluded from using certain mutual funds or separate account managers because they may not be offered by the client's custodian.

#### **D. Pre-payment of Fees**

EWM's fees are assessed in arrears. EWM does not require the prepayment of any portion of its investment advisory fee. EWM's fees will either be paid directly by the client or disbursed to EWM by the custodian of the client's investment accounts, subject to prior written consent of the client. The custodian will deliver directly to the client an account statement, at least quarterly, showing all investment and transaction activity for the period, including fee disbursements from the account.

The advisory relationship may be terminated by the client or EWM in accordance with the provisions of the investment advisory agreement. Any earned, unpaid fees become immediately due and payable upon termination. Clients may terminate an advisory agreement without being assessed any fees or expenses within five (5) business days of its signing.

#### **E. Compensation and Referrals**

EWM is not paid any sales, service or administrative fees for the sale of investment products to clients. EWM employees earn a salary and a possible bonus. A bonus may be earned based on a variety of factors including division revenue growth and profitability, as well as personal contributions and other subjective factors. Certain employees may also participate in incentive programs that may compensate them for attracting new assets and clients, referring business to our affiliates (such as referrals for mortgages or bank deposits) and meeting production criteria. EWM may also compensate affiliated companies for referrals of possible clients to EWM. Referral compensation will be paid as a one-time bonus that may be based on a percentage of the value of assets or fees generated. The affiliated companies may choose to pay all or a portion of this compensation to its employees who make the referrals.

EWM may also enter into arrangements with persons other than employees or affiliated companies to whom we may pay compensation for referrals to EWM. This compensation may be in the form of a percentage of the value of assets or fees generated, or other marketing compensation. The details of such arrangements and the amount of compensation will be described in a separate disclosure provided at the time of such referrals.

### **Item 6. Performance-Based Fees**

EWM does not charge performance-based fees.

### **Item 7. Types of Clients**

EWM offers investment advisory services to individuals, trusts, estates, charitable organizations, corporations, partnerships and other legal entities. Although EWM provides investment services to these clients, the services are conditioned upon meeting certain minimum criteria established by EWM.



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

### **A. Methods of Analysis**

EWM may use quantitative and qualitative methods of analysis (described below) to construct model portfolios designed to optimize client investment performance. This process may include the use of computer-based risk/return analysis, as well as other economic and statistical criteria. EWM may retain third parties to provide software to assist in formulating investment recommendations, in addition to providing advice and guidance to its Investment Committee.

Quantitative methods utilized in the analysis of mutual funds, exchange traded funds, separately managed accounts and other investment vehicles (collectively referred to as “investments”) may include:

- the performance history of the investment evaluated against that of its peers and other benchmarks
- an analysis of risk-adjusted returns
- an analysis of the investment manager’s contribution to the investment return standard deviation of returns over specific time periods, sector and style analysis
- the investment’s fee structure
- the relevant investment manager’s tenure

Qualitative criteria used in recommending investments include the investment objectives and/or management style and philosophy of the investment manager, the investment manager’s consistency of investment style, and investment manager and staff turnover.

In addition, investment managers are reviewed to determine the extent to which their investments reflect efforts to time the market, or evidence style drift such that their portfolios no longer accurately reflect the particular asset category attributed to the investment manager by EWM.

EWM will regularly review the activities of investments and investment managers. In addition, EWM will review research material prepared by others, corporate filings, corporate rating services and a variety of financial publications.

#### **A.1 Material Risks of Investment Instruments**

Investing in securities involves risk of loss that a client should be prepared to bear. The value of any security may fluctuate due to economic, political or other events that effect securities markets generally and are not specific to the particular issuer. Fluctuations in value may also occur due to the characteristics of a particular instrument or of the company that issues it. Following are descriptions of various securities in which EWM may invest, including certain risks thereof:

##### **Stocks**

Investing in individual companies involves risks related to the company’s capitalization, quality of the company’s management, quality and cost of the company’s services, the company’s ability to manage costs, efficiencies in the manufacturing or service delivery process, management of litigation risk, and the company’s ability to create shareholder value (i.e., increase the value of the company’s stock price). Foreign securities, in addition to the general

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risks of equity securities, have geopolitical risk, financial transparency risk, currency risk, regulatory risk and liquidity risk.

### **Warrants and Rights**

Warrants are securities, typically issued with preferred stock or bonds that give the holder the right to purchase a given number of shares of common stock at a specified price and time. The price of the warrant usually represents a premium over the applicable market value of the common stock at the time of the warrant's issuance. Warrants have no voting rights with respect to the common stock, receive no dividends, and have no rights with respect to the assets of the issuer.

Risks involved in investing in warrants and rights include the possible lack of a liquid market for the resale of the warrants and rights, potential price fluctuations due to adverse market conditions or other factors, and failure of the price of the common stock to rise. If the warrant is not exercised within the specified time period, it becomes worthless.

### **Mutual Funds**

The major risks of investing in a mutual fund include the quality and experience of the portfolio management team and its ability to create fund value by investing in securities that have positive growth, the amount of individual company diversification, the type and amount of industry diversification, and the type and amount of sector diversification within specific industries. In addition, mutual funds tend to be tax inefficient and therefore investors may pay capital gains taxes on fund investments while not having yet sold the fund.

### **Exchange Traded Funds (ETFs)**

ETFs are investment companies whose shares are bought and sold on a securities exchange. An ETF usually holds a portfolio of securities designed to track a particular market segment or index. The major risk of an Exchange Traded Fund is performance that does not reflect the performance of the index or market segment it was created to track. Some examples of ETFs are SPDRs<sup>®</sup>, streetTRACKS<sup>®</sup>, DIAMONDS<sup>SM</sup>, NASDAQ 100 Index Tracking Stock<sup>SM</sup> ("QQQs<sup>SM</sup>"), iShares<sup>®</sup> and VIPERS<sup>®</sup>.

ETFs, depending on the underlying portfolio and its size, can have wide price (bid and ask) spreads, thus diluting or negating any upward price movement of the ETF or enhancing any downward price movement. Also, ETFs require more frequent portfolio reporting by regulators and are thereby more susceptible to actions by hedge funds that could have a negative impact on the price of the ETF. Certain ETFs may employ leverage, which creates additional volatility and price risk depending on the amount of leverage utilized, the collateral and the liquidity of the supporting collateral.

Further, the use of leverage (i.e., employing the use of margin) generally results in additional interest costs to the ETF. Certain ETFs are highly leveraged and therefore have additional volatility and liquidity risk. Volatility and liquidity can severely and negatively impact the price of the ETF's underlying portfolio securities, thereby causing significant price fluctuations of the ETF.

### **Exchange Traded Notes ("ETN")**

ETNs are structured debt securities. ETN liabilities are unsecured general obligations of the issuer. Most ETNs are designed to track a particular market segment or index. ETNs have

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expenses associated with their operation. When a fund invests in an ETN, in addition to directly bearing expenses associated with its own operations, it will bear its pro rata portion of the ETN's expenses. The risks of owning an ETN generally reflect the risks of owning the underlying securities the ETN is designed to track, although lack of liquidity in an ETN could result in it being more volatile than the underlying portfolio of securities. In addition, because of ETN expenses, compared to owning the underlying securities directly it may be more costly to own an ETN. The value of an ETN security should also be expected to fluctuate with the credit rating of the issuer.

#### **Corporate Bonds, Commercial Paper and Bank Deposits**

Risks associated with bonds and commercial paper include a company's ability to retire its debt at maturity, the credit quality of the issuer and possible deterioration of that quality prior to maturity, changes in the interest rate environment, the coupon interest rate promised to bondholders, legal constraints, jurisdictional risk (U.S. or foreign) and currency risk. If bonds have longer duration (a measure including maturity), they will likely have greater price swings when interest rates move up or down. The shorter the duration the less volatile the price swings. Foreign bonds and those denominated in foreign currency may experience geopolitical risk, financial transparency risk, currency risk, regulatory risk and liquidity risk.

Bank deposits are subject to many of the same risks and the additional risk that, depending on the length of maturity, there can be prepayment penalties if the client needs to convert the bank deposit to cash prior to maturity.

#### **Municipal Securities**

Municipal bonds and notes may carry risks that include the municipality's ability to pay due to a requirement to raise additional tax revenue or other revenue (in the event the bonds are revenue bonds) to pay interest on its debt and to retire its debt at maturity. Municipal bonds are generally tax-free at the federal level, but may be taxable in individual states other than the state in which both the investor and municipal issuer is domiciled.

#### **U.S. Government Securities**

U.S. government securities include securities issued by the U.S. Treasury and by U.S. government agencies and instrumentalities. U.S. government securities may be supported by the full faith and credit of the United States and like other debt securities carry risk of loss if the US government should default on its obligations.

#### **Government and Agency Mortgage-Backed Securities**

The principal issuers or guarantors of mortgage-backed securities are the Government National Mortgage Association ("GNMA"), Fannie Mae ("FNMA") and the Federal Home Loan Mortgage Corporation ("FHLMC"). GNMA, a wholly owned U.S. government corporation within the Department of Housing and Urban Development ("HUD"), creates pass-through securities from pools of government-guaranteed (Farmers' Home Administration, Federal Housing Authority or Veterans Administration) mortgages. The principal and interest on GNMA pass-through securities are backed by the full faith and credit of the U.S. government.

FNMA, which is a U.S. government-sponsored corporation that is in conservatorship, and FHLMC, a corporate instrumentality of the U.S. government, issue pass-through securities from pools of conventional and federally insured and/or guaranteed residential mortgages. FNMA guarantees full and timely payment of all interest and principal, and FHMLC guarantees timely

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payment of interest and ultimate collection of principal of its pass-through securities. Mortgage-backed securities from FNMA and FHLMC are *not* backed by the full faith and credit of the U.S. government.

### **Corporate Debt Obligations**

Corporate debt obligations include corporate bonds, debentures, notes, commercial paper and other similar corporate debt instruments. Companies use these instruments to borrow money from investors. The issuer pays the investor a fixed or variable rate of interest and must repay the amount borrowed at maturity. Commercial paper (short-term unsecured promissory notes) is issued by companies to finance their current obligations and normally has a maturity of less than nine months. EWM may also invest in corporate debt securities registered and sold in the United States by foreign issuers (Yankee bonds) and those sold outside the U.S. by foreign or U.S. issuers (Eurobonds).

### **Mortgage-Backed Securities**

Mortgage-backed securities represent interests in a pool of mortgage loans originated by lenders such as commercial banks, savings associations, and mortgage bankers and brokers. Mortgage-backed securities may be issued by governmental or government-related entities, or by non-governmental entities such as special-purpose trusts created by commercial lenders.

Pools of mortgages consist of whole mortgage loans or participations in mortgage loans. The majority of these loans are made to purchasers of between one and four family homes. The terms and characteristics of the mortgage instruments are generally uniform within a pool but may vary among pools. For example, in addition to fixed-rate, fixed-term mortgages, EWM may purchase pools of adjustable-rate mortgages, growing equity mortgages, graduated payment mortgages and other types. Mortgage poolers apply qualification standards to lending institutions, which originate mortgages for the pools as well as credit standards and underwriting criteria for individual mortgages included in the pools. In addition, many mortgages included in pools are insured through private mortgage insurance companies.

Mortgage-backed securities differ from other forms of fixed income securities, which normally provide for periodic payment of interest in fixed amounts with principal payments at maturity or on specified call dates. Most mortgage-backed securities, however, are pass-through securities, which means that investors receive payments consisting of a pro rata share of both principal and interest (less servicing and other fees), as well as unscheduled prepayments as loans in the underlying mortgage pool are paid off by the borrowers. Additional prepayments to holders of these securities are caused by prepayments resulting from the sale or foreclosure of the underlying property or refinancing of the underlying loans. As prepayment rates of individual pools of mortgage loans vary widely, it is not possible to accurately predict the average life of a particular mortgage-backed security. Although mortgage-backed securities are issued with stated maturities of up to 40 years, unscheduled or early payments of principal and interest on the mortgages may shorten considerably the securities' effective maturities.

### **Collateralized Obligations**

Collateralized mortgage obligations ("CMOs") are collateralized by mortgage-backed securities issued by GNMA, FHLMC or FNMA ("mortgage assets"). CMOs are multiple-class debt obligations. Payments of principal and interest on the mortgage assets are passed through to the holders of the CMOs as they are received, although certain classes (often referred to as "tranches") of CMOs have priority over other classes with respect to the receipt of mortgage

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prepayments. Each tranche is issued at a specific or floating coupon rate and has a stated maturity or final distribution date. Interest is paid or accrues in all tranches on a monthly, quarterly or semi-annual basis. Payments of principal and interest on mortgage assets are commonly applied to the tranches in the order of their respective maturities or final distribution dates, so that generally no payment of principal will be made on any tranche until all other tranches with earlier stated maturity or distribution dates have been paid in full.

Collateralized debt obligations ("CDOs"), include collateralized bond obligations ("CBOs"), collateralized loan obligations ("CLOs") and other similarly structured securities. CBOs and CLOs are types of asset-backed securities. A CBO is a trust that is backed by a diversified pool of high-risk, below-investment-grade fixed income securities. A CLO is a trust typically collateralized by a pool of loans, which may include, among others, domestic and foreign senior secured loans, senior unsecured loans and subordinate corporate loans, including loans that may be rated below investment grade or equivalent unrated loans.

## **B. Material Risks of Certain Investment Strategies**

### **1. Margin Leverage**

EWM does not plan to use margin leverage in managing clients' portfolios.

### **2. Options Strategies**

EWM also does not plan to use options strategies. However, options strategies may be utilized by third party investment managers that EWM may employ. Customers will receive the brochure of any such third party investment managers before options strategies are implemented.

### **3. Concentrated Holdings Risk**

There is an inherent risk for clients who have their investment portfolios heavily concentrated in a single security, industry or sector, geographic location, investment manager, or instrument. Clients, who have diversified portfolios, as a general rule, incur less volatility and therefore less fluctuation in portfolio value than those who have concentrated holdings. Concentrated holdings may offer the potential for higher gain, but also offer the potential for significant loss.

## **Item 9. Disciplinary Information**

There are no current or pending disclosure items to report on behalf of EverBank Wealth Management, Inc.

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

### **A. Other Financial Industry Activities and Affiliations**

#### **A.1. Parent Affiliation**

EWM is a wholly owned subsidiary of EverBank Financial Corporation ("EFC"). EFC is a holding company that is also the parent company of banking and brokerage companies offering financial services to private and public sectors. As such, some of the principal executive officers of EWM may be employed by or predominantly engaged in the activities of the holding company or its

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other subsidiaries. More than 50% of these officers' time may be spent on the activities of related firms.

#### **A.2. Broker-Dealer Affiliation**

EverBank, a federal savings association, is also a wholly owned subsidiary of EFC. EverTrade Direct Brokerage, Inc., a brokerage firm ("EverTrade"), is wholly owned by EverBank. Investment adviser representatives of EverBank Wealth Management may act as registered representatives of EverTrade for customers that are not advisory clients of EWM. As such, they may receive salaries, commissions or other forms of compensation in relation to products sold to non-advisory clients in connection with this affiliation. In no event, however, will a EWM financial advisor receive both a fee and a commission from advisory clients with respect to advisory client securities transactions.

### **B. Futures or Commodity Registration**

Neither EWM nor its affiliates are registered as a commodity firm, futures commission merchant, commodity pool operator or commodity trading advisor and do not have an application to register pending.

### **C. Material Relationships Maintained by this Advisory Business and Conflicts of Interest**

As part of their other business activities, financial advisors of EWM may effect securities transactions for customers of EverTrade. EWM may receive a fee for investment advice in advisory accounts, and representatives may receive a commission for any transactions effected in non-advisory EverTrade brokerage accounts. In no event, however, will a EWM financial advisor receive both a fee and a commission from advisory clients.

Advisory clients may be solicited to invest excess cash balances of their assets in proprietary short-term, fixed income products sponsored or managed by one of EWM's affiliates. EWM would be economically incented to recommend securities issued by its affiliate. Any such investments may be prohibited for ERISA-governed plans engaged by EWM for the provision of investment advisory services. To the extent such proprietary investment products are recommended to such ERISA-governed plans, EWM will waive its investment advisory fee. EWM, in its sole discretion, in lieu of waiving its investment advisory fee may decide to not offer such proprietary investment products to its advisory clients.

### **D. Recommendation or Selection of Other Investment Advisors and Conflicts of Interest**

Other than as described in item 14 and other than as a result of its corporate ownership structure, EWM does not receive any remuneration from advisers, investment managers, or other service providers that it recommends to clients.

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## **Item 11. Code of Ethics**

### **A. Code of Ethics**

EWM has adopted a Code of Ethics (the "Code") to address securities-related conduct. The Code focuses primarily on fiduciary duty, personal securities transactions, insider trading, gifts and conflicts of interest. The Code includes EWM's policies and procedures developed to protect client's interests in relation to the following topics:

- The duty at all times to place the interests of clients first.
- The requirement that all personal securities transactions be conducted in such a manner as to be consistent with the Code of Ethics and to avoid any actual or potential conflict of interest or any abuse of an employee's position of trust and responsibility.
- The principle that investment advisor personnel should not take inappropriate advantage of their positions.
- The fiduciary principle that information concerning the identity of security holdings and financial circumstances of clients is confidential.
- The principle that independence in the investment decision-making process is paramount.

EWM will provide a copy of the Code of Ethics to any client or prospective client upon request.

### **B. Material Financial Interests**

EWM does not engage in principal trading (i.e., the practice of selling stock to advisory clients from a firm's inventory or buying stocks from advisory clients into a firm's inventory). In addition, other than as described in Item 10.C, EWM does not recommend any securities to advisory clients in which it has some proprietary or ownership interest.

### **C. Proprietary Investing**

EWM and its representatives may engage in personal securities transactions or may hire an advisor to engage in personal securities transactions on their behalf. The personal securities transactions of EWM and its representatives may raise potential conflicts of interest when such persons trade in a security that is (i) owned by a client, or (ii) considered for purchase or sale for a client. EWM has adopted policies and procedures that are intended to ensure that transactions are effected for clients in a manner that is consistent with the fiduciary duty and in accordance with applicable law. Persons who wish to purchase or sell securities of the types purchased or sold for clients may do so only in a manner consistent with EWM's policies and procedures.

### **D. Client Securities Recommendations or Trades and Concurrent Advisory Firm Securities Transactions and Conflicts of Interest**

EWM, its affiliates, employees and their families, trusts, estates, charitable organizations and retirement plans established by it may make securities transactions for their own accounts that differ from those recommended or effected for other of the firm's clients. EWM will make a reasonable attempt to trade securities in client accounts at or prior to trading the securities in its affiliate, corporate, employee or employee-related accounts. Trades executed the same day will

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likely be subject to an average pricing calculation. It is the policy of EWM to place the clients' interests above those of the firm and its employees.

EWM's advice to certain clients and the action of EWM for those and other clients are frequently premised not only on the merits of a particular investment, but also on the suitability of that investment for the particular client in light of his or her investment objective, guidelines and circumstances. Thus, any action of EWM with respect to a particular investment may, for a particular client, differ or be opposed to the recommendation, advice or actions of EWM to or on behalf of other clients.

## **Item 12. Brokerage Practices**

### **A. Custodian Recommendations**

#### **A.1. Factors Used to Select Broker-Dealers for Client Transactions**

EWM prefers that clients establish brokerage accounts with the Schwab Institutional division of Charles Schwab & Co., Inc. ("Schwab"), a FINRA-registered broker-dealer, and member SIPC for custody of investment portfolio assets. Schwab is independently owned and operated and not affiliated with EWM.

For EWM client accounts maintained in its custody, Schwab does not charge separately for custody services, but is compensated by account holders through commissions and other transaction-related or asset-based fees for securities trades that are executed through or that settle into Schwab accounts.

In certain instances EWM may, at the client's request, identify other broker-dealers and/or custodians that a client might select, based on the needs of the individual client, taking into consideration the nature of the services required, the experience of the broker-dealer or custodian, the cost and quality of the services, and the reputation of the broker-dealer or custodian. The final determination to engage a broker-dealer or custodian identified by EWM shall be made by and in the sole discretion of the client. The client recognizes that broker-dealers and/or custodians have different cost and fee structures and trade execution capabilities. As a result, there may be disparities with respect to the cost of services and/or the transaction prices for securities transactions executed on behalf of the client. Clients are responsible for assessing the commissions and other costs charged by broker-dealers and/or custodians.

#### **A.2. Institutional Trading and Custody Services**

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



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### **A.3. Other Products and Services**

Schwab makes available to EWM other products and services that benefit EWM but may not directly benefit its clients' accounts. Many of these products and services may be used to service all or some substantial number of EWM's accounts, including accounts not maintained at Schwab. Schwab also makes available to EWM its managing and administering software and other technology that

- provide access to client account data (such as trade confirmations and account statements)
- facilitate trade execution and allocate aggregated trade orders for multiple client accounts
- provide research, pricing and other market data
- facilitate payment of EWM's fees from its clients' accounts
- assist with back-office functions, recordkeeping and client reporting

Schwab also offers other services intended to help EWM manage and further develop its business enterprise. These services may include

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

Schwab, or one of its affiliates, may also provide other benefits such as educational events or occasional business entertainment of EWM personnel. In evaluating whether to suggest or require that clients custody their assets at Schwab, EWM may take into account the availability of some of the foregoing products and services and other arrangements as part of the total mix of factors it considers and not solely the nature, cost or quality of custody and brokerage services provided by Schwab, which may create a potential conflict of interest.

### **A.4. Independent Third Parties**

Schwab may make available, arrange and/or pay third-party vendors for the types of services rendered to EWM, in an amount not to exceed \$100,000.00. Schwab may discount or waive fees it would otherwise charge for some of these services, or all or a part of the fees of a third party providing these services to EWM.

## **B. Trading Practices**

### **B.1. Best Execution**

EWM, pursuant to the terms of its investment advisory agreement with clients, may have discretionary authority to determine the nature and type of securities to be bought and sold and the price of such securities to be paid to effect such transactions. EWM will effect client securities transactions through the client's custodian.

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## **B.2. Directed Brokerage**

### **12. B.2.a. EWM Recommendations**

EWM typically recommends Schwab as custodian for clients' funds and securities and to execute securities transactions on its clients' behalf.

### **12. B.2.b. Client-Directed Brokerage**

Occasionally a client may direct EWM to use a particular broker-dealer to execute portfolio transactions for its account or request that certain types of securities not be purchased for its account. Clients who designate the use of a particular broker-dealer should be aware that they will lose any possible advantage EWM derives from aggregating transactions. Such client trades are typically effected after the trades of clients who have not directed the use of a particular broker-dealer. EWM loses the ability to aggregate trades with other EWM advisory clients, potentially subjecting the client to inferior trade execution prices as well as higher commissions.

## **B.3. Security Allocation**

Since EWM may be managing accounts with similar investment objectives, EWM may aggregate orders for securities for such accounts. In such event, allocation of the securities so purchased or sold, as well as expenses incurred in the transaction, is made by EWM in the manner it considers to be the most equitable and consistent with its fiduciary obligations to such accounts.

EWM's allocation procedures seek to allocate investment opportunities among clients in the fairest possible way, taking into account the clients' best interests. EWM will follow procedures to ensure that allocations do not involve a practice of favoring or discriminating against any client or group of clients. Account performance is never a factor in trade allocations.

## **B.4. Order Aggregation**

Orders for the same security entered on behalf of more than one client will generally be aggregated (i.e., blocked or bunched) subject to the aggregation being in the best interests of all participating clients. Subsequent orders for the same security entered during the same trading day may be aggregated with any previously unfilled orders. Subsequent orders may also be aggregated with filled orders if the market price for the security has not materially changed and the aggregation does not cause any unintended duration exposure. All clients participating in each aggregated order will receive the average price and, subject to minimum ticket charges and possible step outs, pay a pro rata portion of commissions.

To minimize performance dispersion, "strategy" trades should be aggregated and average priced. However, when a trade is to be executed for an individual account and the trade is not in the best interests of other accounts, then the trade will only be performed for that account. This is true even if EWM believes that a larger size block trade would lead to best overall price for the security being transacted.

## **B.5. Allocation of Trades**

All allocations will be made prior to the close of business on the trade date. In the event an order is "partially filled," the allocation will be made in the best interests of all the clients in the order, taking into account all relevant factors including, but not limited to, the size of each client's allocation, clients' liquidity needs and previous allocations. In most cases, accounts will get a pro forma allocation based on the initial allocation. This policy also applies if an order is "over-filled."

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EWM acts in accordance with its duty to seek best price and execution and will not continue any arrangements if it determines that such arrangements are no longer in the best interest of its clients.

#### **B.6. Soft Dollar Arrangements**

EWM does not utilize soft dollar arrangements. Clients are encouraged to read with care the disclosures made in Item 12.A about the payments and services that EWM may receive. EWM does not direct brokerage transactions to executing brokers for research and brokerage services.

#### **B.7. Brokerage for Client Referrals**

EWM does not engage in the practice of directing brokerage commissions in exchange for the referral of advisory clients.

### **Item 13. Review of Accounts**

#### **13. A. Periodic Review**

The review of EWM advisory accounts is conducted in the first instance by EWM's Investment Committee. Such professionals are subject to the general authority of EWM's President. The President or his designee(s) must review and approve the opening of each new advisory relationship and oversee quarterly reviews of client accounts. The President or his designee(s) is also responsible for ensuring that any significant change in a client's investment strategy or in the concentration of a client's assets is appropriate for and has been reviewed with the client.

#### **13. B. Ad Hoc Reviews**

EWM may perform *ad hoc* reviews on an as-needed basis if there have been material changes in the client's investment objectives or risk tolerance or capacity, or a material change in how EWM formulates investment advice.

#### **13. C. Content and Frequency of Performance Reports**

In addition to monthly statements (no less frequently than quarterly) provided by the client's Custodian, which detail transaction activity, holdings, and portfolio value, EWM produces quarterly client performance reports. Such performance reports detail account performance and risk metrics.

The client's independent Custodian also provides regular account statements directly to the client. The Custodian's statement is the official record of the client's account and supersedes any statements or reports created on behalf of the client by EWM.

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

EWM may enter into agreements with solicitors who will refer prospective advisory clients to EWM in return for a portion of the ongoing investment advisory fee. Such arrangements will comply with the cash solicitation requirements of Rule 206(4)-3 under the Investment Advisers Act of 1940. Generally, these requirements require the solicitor to have a written agreement with EWM. The solicitor must provide the client with a disclosure document describing the fees it

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receives from EWM, whether those fees represent an increase in fees that EWM would otherwise charge the client, and whether an affiliation exists between EWM and the solicitor.

### **Item 15. Custody**

Clients will receive at least quarterly account statements directly from their custodian containing a description of all activity, cash balances and portfolio holdings in the client's account. EWM urges that clients compare the account balance(s) shown on any performance or other report provided by EWM to the quarter-end balance(s) on their custodian's monthly statement. The custodian's statement is the official record of the account.

### **Item 16. Investment Discretion**

Clients may grant a limited power of attorney to EWM with respect to trading activity in their accounts by signing the appropriate custodian limited power of attorney form. In those cases, EWM will exercise full discretion as to the nature and type of securities to be purchased and sold and the amount of securities for such transactions. Investment limitations may be designated by the client as outlined in the investment advisory agreement.

### **Item 17. Voting Client Securities**

EWM will not take any action with respect to voting of proxies solicited by, or with respect to, the issuers of securities in which a client's assets may be invested. On occasion, EWM may provide advice to clients on the voting proxies; however, the ultimate responsibility for such voting rests with the client. All proxy-related materials received directly by EWM will be forwarded to the client for direct action.

From time to time, securities held in the accounts of clients will be the subject of class action lawsuits. EWM has no obligation to determine if securities held by the client are subject to a pending or resolved class action lawsuit. EWM also has no duty to evaluate a client's eligibility or to submit a claim to participate in the proceeds of a securities class action settlement or verdict. Furthermore, EWM has no obligation or responsibility to initiate litigation to recover damages on behalf of clients who may have been injured as a result of actions, misconduct or negligence by corporate management of issuers whose securities are held by clients.

Where EWM receives written or electronic notice of a class action lawsuit, settlement or verdict effecting securities owned by a client, it will forward all notices, proof of claim forms and other materials to the client. Electronic mail is acceptable where appropriate and where the client has authorized contact in this manner.

### **Item 18. Financial Disclosures**

EWM does not require the prepayment of any fees nor does it have any financial issues that would impair its ability to provide services to clients.