

EthicAlpha

ADV 2A Appendix 1: Wrap Fee Client Brochure

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Item 1: Cover Page

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This wrap fee program brochure provides information about the qualifications and business practices of EthicAlpha Inc. If you have any questions about the contents of this brochure, please contact us at (888) 793-7244 or info@ethicalalpha.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.

EthicAlpha is a registered investment adviser. Registration with the SEC or any state securities authority does not imply a certain level of skill or training.

Additional information about EthicAlpha is also available on the SEC's website at www.adviserinfo.sec.gov.

Item 2: Material Changes

There have been no material changes since the initial submission and acceptance of this Wrap Fee Program Brochure, dated June 27, 2016.

Item 3: Table of Contents

Contents

Item 1: Cover Page 1

Item 2: Material Changes 2

Item 3: Table of Contents..... 3

Item 4: Services, Fees and Compensation 4

Item 5: Account Requirements and Types of Clients..... 7

Item 6: Portfolio Manager Selection and Evaluation 7

Item 7: Client Information Provided to Portfolio Managers 10

Item 8: Client Contact with Portfolio Managers 10

Item 9: Additional Information..... 11

Item 4: Services, Fees and Compensation

General Information

EthicAlpha Inc., a Delaware corporation, is a registered investment adviser based in Long Island City, New York. We have been providing investment advisory services since August 2016. The firm is owned by Stuart M. Martin and Adam Kunz.

EthicAlpha offers portfolio management services through a Wrap Fee Program ("Program") as described in this brochure to prospective and current clients. EthicAlpha is the sponsor and investment adviser for the Program. A Wrap Fee Program is an investment program that provides clients with asset management and brokerage services for one all-inclusive fee. Clients that participate in the Program will pay EthicAlpha a single fee, which includes management fees, certain transaction costs, and custodial and administrative costs. Clients are not charged separate fees for the respective components of the total services. EthicAlpha receives a portion of the Wrap Fee for its management services. The overall cost clients will incur if participating in the Program may be higher or lower than clients might incur by separately purchasing the securities available in the Program.

Our Wrap Fee Program accounts are managed on an individualized basis taking into account the client's investment objective, financial goals, risk tolerance, and ethics.

Program Description and Investment Strategy

EthicAlpha is powered by a number of machine learning algorithms referred to as "neural networks". This "smart" software will adapt itself to fit the needs of each client, taking into account fundamental analysis of publicly traded companies, diversification, investment goals, objectives, time horizon, liquidity needs, and risk tolerance. Taking these considerations into account, EthicAlpha's algorithms will generate and regularly rebalance the client's portfolio to ensure a diversified set of assets that align to the client's needs communicating to the client the intuition behind each investment decision. EthicAlpha's algorithms will update a client's portfolio in accordance with changes made by a client in regard to investment criteria. The frequency of investment criteria changes resulting in entire portfolio re-balances may be limited. EthicAlpha reserves the right to limit the number of user initiated rebalances. Please refer to the Advisory Agreement with EthicAlpha for the Terms and Conditions of the Program.

EthicAlpha's learning algorithms are based on a two part process. First, quantitative and qualitative analysis is done applying a long term value based investing approach using fundamental analysis. Second, EthicAlpha then identifies assets that align with a client's individual needs, risk tolerance, and ethics.

In the first step we attempt to measure the intrinsic value of a security by looking at economic, financial, management, and growth metrics to determine if the company is undervalued by the market.

In the second step we attempt to match assets we believe undervalued in the market to the individual needs of each client. This is done based on the results of the client questionnaire matching their risk tolerance, investment objectives, and personal ethics. EthicAlpha measures personal ethics using industry accepted metrics for Environmental Social Governance (ESG).

Portfolio risk is addressed by measuring portfolio variance in relation to the general market, better known as Beta. EthicAlpha then uses modern portfolio theory to ensure the client is getting the best return for a given level of risk.

Discretion

EthicAlpha manages investments on a discretionary basis. This means that once the adviser (EthicAlpha) and the client enter into an advisory agreement, EthicAlpha will make the day-to-day decisions regarding the purpose and sale of securities without obtaining the client's consent for each individual transaction. Clients may impose reasonable account restrictions. Clients may login to our website or via EthicAlpha's mobile app to see changes in their account. Additionally the client will receive monthly statements documenting the changes in their account.

Trade Execution, Account Maintenance, and Asset Custody

In order to open a Wrap Fee Program account with EthicAlpha, clients must establish a brokerage relationship with our preferred broker-dealer; Third Party Trade. By entering into an Advisory Agreement with EthicAlpha, client authorizes and directs EthicAlpha to place all trades in client's account through Third Party Trade. As such, Third Party Trade will maintain all client accounts and execute all securities transactions in client accounts. Clients should understand that the appointment of Third Party Trade as the sole broker for their accounts under this Wrap Fee Program may result in disadvantages to the client as a possible result of less favorable executions than may be available through the use of a different broker-dealer.

Third Party Trade will affect aggregated block transactions involving multiple EthicAlpha accounts trading in the same securities. This is done to reduce the cost of transactions which helps to keep the Wrap Fee Program costs low. In conducting these transactions no client is favored over any other client and each client that participates in an aggregated transaction will participate at the average share price for transactions in the aggregated order.

Fees and Compensation

EthicAlpha charges a fixed monthly fee of \$19, which include the costs of advisement with transaction expenses. The monthly fee of \$19 is applied regardless of the account size or assets under management. The Program fee is billed and payable monthly in advance. If the Program agreement is executed at any time other than the first day of a calendar month, our fees will apply on a pro rata basis, which means that the advisory fee is payable in proportion to the number of days in the month for which you are a client.

Our advisory fee is negotiable, depending on individual client circumstances and at the sole discretion of EthicAlpha. Older account relationships may be subject to lower fee schedules. EthicAlpha may waive or reduce its fees or offer fees to some accounts that differ from the standard fee referenced above. In general, we require a minimum of \$3,500 to open an advisory

account. At our discretion, we may waive this minimum account size. For example, we may waive the minimum account size in connection with promotions and fee discounts.

Account Termination

The client and/or the firm may terminate the Advisory Agreement at any time by sending an email or written notice. A full refund will be provided without penalty if the client terminates the Agreement within five business days of signing with the firm. For the purposes of this provision, an Agreement is considered entered into when all parties to the Agreement have signed the Agreement.

Upon receipt of a written notice to terminate the Advisory Agreement and unless specific transfer instructions are received, EthicAlpha and its agent will cease advisory services.

Program Cost

The Program allows clients to pay a specified fee for investment advisory services and the execution of transactions. In considering the Program described in this brochure, you should be aware that participating in a Wrap Fee Program may cost more or less than the cost of purchasing advisory, brokerage, and custodial services separately from other advisers or broker-dealers. The cost of the Program depends on various factors, including the amount of trading activity in a client's account(s), the transaction costs of trading, custodial and client reporting costs. In the event that EthicAlpha is required to pay to Third Party Trade the transaction/execution costs associated with client securities transactions, a disincentive to trade securities may be presented.

EthicAlpha routinely requires that clients establish brokerage accounts with Third Party Trade, a registered broker-dealer, member SIPC, to maintain custody of clients' assets. The final decision to custody assets with Third Party Trade and direct brokerage to Third Party Trade is at the discretion of EthicAlpha's clients. As such, EthicAlpha may be unable to achieve the most favorable execution of your transactions. Not all advisers require their clients to direct brokerage.

Additional Fees

The Program does not cover charges imposed by third parties for investments held in the account, such as contingent deferred sales charges or 12(b)-1 trails on mutual funds. In addition, each mutual fund or exchange traded fund (ETF) charges asset management fees, which are in addition to the fees charged by EthicAlpha. The Wrap Fee Program also does not cover any other fees and charges in connection with maintenance of your brokerage account, such as: debit balances; margin interest; off-lot differentials; IRA fees; transfer taxes; exchange fees; wire transfers; extensions; non-sufficient funds; mailgrams; level transfers; bank wires; postage; costs associated with exchanging foreign currencies; and SEC fees or other fees or taxes required by law.

EthicAlpha does not receive any portion of these commissions, fees, and costs.

Financial Incentives to Recommend the Program

We do not recommend or offer the wrap program services of other providers. Representatives associated with EthicAlpha do not receive any compensation based on a client's participation in the Program. Our representatives are solely compensated by salary.

Item 5: Account Requirements and Types of Clients

We provide service to the following types of clients:

- Individuals
- Individual Retirement Plans

All client accounts are opened and maintained according to an Advisory Agreement between the client and EthicAlpha.

The minimum investment required to participate in the Wrap Fee Program is \$3,500. This minimum may be waived at the discretion of EthicAlpha. See disclosures under the *Fees and Compensation* section above.

Prior to receiving investment advice from EthicAlpha's Wrap Fee Program, clients sign an advisory agreement with EthicAlpha, and in the agreement the client directs custody of the account and brokerage transactions to Third Party Trade. To register an account, a prospective Client is required to provide EthicAlpha with:

- Identifying Information (e.g., email, and password)
- Information required by regulatory bodies (social security number, address, telephone number, employment status, monthly income, assets, debt, other online brokerage tools used in the past);
- Questionnaire information regarding the Client's risk profile and investment portfolio;
- Investment Advisory Agreement
- An agreement to EthicAlpha's Terms of Service; and
- An acknowledgement of receipt of Form ADV and Privacy Notice.

The Program is not accessible without opening an account. All data we collect from the client is sent over a secure connection and is stored safely using modern encryption standards.

Item 6: Portfolio Manager Selection and Evaluation

Selection and Review of Portfolio Managers

EthicAlpha directly manages the portfolio of clients according to each client's Advisory Agreement and through the use of automated algorithms. EthicAlpha does not select nor review portfolio managers. EthicAlpha, as the sponsor of the Program, will not recommend or utilize any third party wrap fee management programs.

EthicAlpha does not calculate portfolio manager performance or utilize presentation standards as a tool in measuring portfolio performance.

EthicAlpha does not have any related persons that act as portfolio managers to the Program.

Summary of EthicAlpha's Advisory Services

EthicAlpha seeks to automate the process of financial advisement through the use of tailored learning algorithms. EthicAlpha's investment strategy focuses on a long term value based approach taking into account goals and objectives, diversification, risk tolerance, liquidity requirements, and ethical alignment between clients and companies.

EthicAlpha offers its investment services via online applications and mobile devices. To use EthicAlpha's services the client and/or their Advisors inform EthicAlpha of their financial goals, current financial situation, and other personal information through EthicAlpha's online application process. EthicAlpha then builds a portfolio of assets based on the information for each of the client's financial goals. Each investment selected by EthicAlpha will provide a list of reasons as to why that asset was specifically selected for the user. This provides a level of transparency to clients, clearly explaining the rationale behind EthicAlpha's recommendations. EthicAlpha allows clients to impose any reasonable account restriction(s).

For a more in-depth description of how EthicAlpha's learning algorithms work see Item 4, section "Program Description and Investment Strategy". EthicAlpha does not provide any other investment advisory services outside of this Wrap Fee Program.

Performance-Based Fees and Side-By-Side Management

EthicAlpha does not charge performance-based fees or participate in side-by-side management. Our fees are calculated as described above, and are not charged on the basis of a share of capital gains upon, or capital appreciation of, the funds in a client's advisory account.

Methods of Analysis and Investment Strategies

The EthicAlpha investment philosophy begins by understanding a client and working backwards from that. This includes understanding a client's goals, risk tolerance, lifestyle, beliefs and ethics. Every client must complete a questionnaire for us to create this profile.

We use information provided by the client to assess the client's risk profile, investment objectives, personal beliefs and ethics to determine an appropriate plan for the client's assets. Investment strategies determine the optimal duration for investment purchase based on minimizing tax liability, loss due to fees and transactions costs, and ensuring asset's continuing compliance the client's ethics. Ordinarily, investment strategies include long and short-term purchases of individual stocks, preferred stocks and Exchange Traded Funds (ETFs).

Investment recommendations are based on a two part process. First, quantitative and qualitative analysis is done applying a long term value based investing approach. Second, we then identify assets that align with a client's individual needs and ethics.

In the first step we attempt to measure the intrinsic value of a security by looking at economic, financial, management, and growth metrics to determine if the company is undervalued by the market. 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.

In the second step we attempt to match assets we believe undervalued in the market to the individual needs of each client. This is done based on the results of the client questionnaire matching their risk tolerance, investment objectives, and personal ethics. EthicAlpha measures personal ethics using industry accepted metrics for Environmental Social Governance (ESG).

It is important to note that investing in securities involves certain risks that are borne by the investor. For any risks associated with investment products, please refer to the prospectuses for additional details about these risks. This investment approach constantly keeps the risk of loss in mind. These risks include, but are not limited to:

- **Interest-rate Risk:** Fluctuations in the interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
- **Market Risk:** The price of a security may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.
- **Inflation Risk:** When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.
- **Reinvestment Risk:** This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.
- **Business Risk:** These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.
- **Liquidity Risk:** Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.

- **Financial Risk:** Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial distress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.
- **Suitability Risk:** Our free service is geared towards clients who can assume a level of risk associated with equity markets. The free tier of advice may not be suitable for those in retirement or will soon be entering retirement where preservation of current capital is the only consideration in investment selection.

Risk of Loss

Investing in securities involves risk of loss that clients should be prepared to bear. We do not represent or guarantee that our services or methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate clients from losses due to market corrections or declines. We cannot offer any guarantees or promises that your financial goals and objectives will be met. Past performance is in no way an indication of future performance.

Voting Client Securities

As a matter of firm policy and practice, EthicAlpha does not vote proxies on behalf of advisory clients. Clients retain the responsibility for receiving and voting proxies for any and all securities maintained in their portfolios. Clients will receive their proxies or other solicitations directly from the custodian or transfer agent.

Item 7: Client Information Provided to Portfolio Managers

EthicAlpha, as the sponsor and sole portfolio manager of the Wrap Fee Program, does not provide client information to other portfolio managers.

Client Privacy and Security

EthicAlpha does not collect any other non-public personal information beyond information submitted by the user. All communication is sent over a secure connection using RSA-256 bit encryption, commonly referred to as "bank level" encryption.

Item 8: Client Contact with Portfolio Managers

Clients may contact EthicAlpha by phone during normal business hours and via email at info@ethicalalpha.com at any time.

Item 9: Additional Information

Disciplinary Information

Registered Investment Advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of EthicAlpha or the integrity of EthicAlpha's management.

EthicAlpha has no history of disciplinary or legal events.

Other Financial Industry Activities and Affiliations

EthicAlpha, nor any of its management persons are registered, or have an application pending to register as a broker dealer or as a registered representative of a broker dealer. Neither EthicAlpha, nor any of its management persons are registered, or have an application pending to register as a Futures Commission Merchants, Commodity Pool Operators or Commodity Trading Advisor or an associated person of the forgoing entities. We do not have any relationship or arrangement that is material to our advisory business or to our clients with any financial industry activity or affiliation.

Code of Ethics

EthicAlpha has adopted a Code of Ethics for all supervised persons of the firm describing its high standard of business conduct, and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition on purchasing stocks before advisement of the client to do so (front running), a prohibition of rumor mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons at EthicAlpha must acknowledge the terms of the Code of Ethics annually, or as amended.

Advisors of EthicAlpha may buy or sell securities that are recommended to clients. EthicAlpha's employees and persons associated with EthicAlpha are required to follow the Code of Ethics. Subject to satisfying this policy and applicable laws, officers, directors and employees of EthicAlpha and its affiliates may trade for their own accounts in securities which are recommended to and/or purchased for EthicAlpha's clients. The Code of Ethics is designed to assure that the personal securities transactions, activities and interest of the employees of EthicAlpha 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. Under the Code certain classes of securities have been designated as exempt transactions, based upon a determination that these would not materially interfere with the best interest of EthicAlpha's clients. In addition, the Code prevents access persons from participating in short swing profits by requiring access persons to hold positions for a minimum of 30 days. EthicAlpha also maintains a restricted list. Securities are added to the restricted list when there is a change in recommendation. Access persons are prohibited from trading any securities added to the restricted list for 1 business day. Employee trading is continually monitored under the Code of Ethics to reasonably prevent conflicts of interest between EthicAlpha and its clients.

EthicAlpha's clients or prospective clients may request a copy of the firm's Code of Ethics by contacting Stuart Martin at stuart@ethicalalpha.com.

Review of Accounts

EthicAlpha's recommendations are based, in part, by the client's ethics. A client can review and update this information at any time by visiting the EthicAlpha website. Client accounts are not reviewed by EthicAlpha.

The company updates its equity recommendations monthly. EthicAlpha takes into account unique client details and may make additional transactions daily, weekly, monthly, quarterly, or annually to minimize losses due to taxes, commissions and fees. This information is available in each client's account when they log into the EthicAlpha website and communicated regularly to clients on monthly statements.

Client Referrals and Other Compensation

EthicAlpha does not directly or indirectly compensate any person or third party for client referrals. To the extent EthicAlpha does enter into any such arrangements, as applicable, all such compensation will be fully disclosed to each client consistent with applicable law and to the extent necessary will be conducted in accordance with SEC Rule 206 (4)-3 under the Advisers Act, as well as relevant guidance.

Financial Information

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