



Firm Brochure

Part 2A of Securities and Exchange Commission FORM ADV

Empirical Financial Services, LLC DBA Empirical Wealth Management

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March 31, 2021

This Brochure (“Brochure”) provides information about the qualifications and business practices of Empirical Financial Services, LLC d/b/a Empirical Wealth Management (“Empirical”). If you have any questions about the contents of this Brochure, please contact us at (206) 923-3474 and/or via email at compliance@empirical.net. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority. Additional information about Empirical is available on the SEC’s website at www.adviserinfo.sec.gov.

Empirical is registered as an investment adviser with the SEC pursuant to the Investment Advisers Act of 1940, as amended (the “Advisers Act”). Recipients of this Brochure should be aware that registration with the SEC does not in any way constitute an endorsement by the SEC of an investment adviser’s skill or expertise. Further, registration does not imply or guarantee that a registered adviser has achieved a certain level of skill, competency, sophistication, expertise or training in providing advisory services to its clients.

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

We update this document annually, or more frequently in the event of certain material changes. This section discusses only material changes to Empirical Wealth Management’s Form ADV Part 2A since the date of our last annual or other-than-annual update. The date of our previous annual Disclosure Brochure update was March 30, 2020. Since that time, we filed one (1) other than annual Disclosure Brochure(s) on June 29, 2020. Below is list of the material changes to the Disclosure Brochure during these periods:

Material Changes Made Since June 29, 2020

- This brochure was updated to reflect the firm’s new Chief Compliance Officer, Justin Buller, IACCP®, who was hired in January 2021.
- This brochure was updated to reflect the removal of the Empirical Venture Capital Fund, LP from relevant sections throughout as the Fund is no longer available for investment and Empirical plans discontinue providing discretionary portfolio management and investment advisory services to this pooled investment vehicle.
- Item 12: Brokerage Practices was updated to reflect that our unaffiliated subadvisors may recommend a broker dealer and/or custodian to Clients. However, Clients are not obligated to follow its recommendation. It is the Client’s decision on where they custody their assets. If a Client chooses to custody their assets at a custodian other than what is recommended by the subadvisor, the firm’s ability to manage the Client’s assets may be restricted.
- Form CRS – Client Relationship Summary. Empirical’s Form CRS has been updated to reflect changes described in this section as well as certain other changes throughout our Form ADV. We do not consider the changes to Form CRS to be material in nature. A copy of Form CRS is posted on our website and is also filed with the SEC concurrent with this filing.

Material Changes Made to Brochure with June 29, 2020 filing

- The brochure was updated to reflect updates to our fees as it relates to tax preparation assistance.
- Item 18: *Financial Information* has been updated to disclose receipt of a loan under the U.S. Payroll Protection Program.

Empirical acts as an investment adviser under the Investment Advisers Act of 1940, as amended (“Advisers Act”) in accordance with fiduciary standards. Empirical provides fee-based, discretionary and non-discretionary investment management services. This Brochure dated March 31, 2021, is prepared according to the SEC’s requirements and rules. Other amendments may have been made to this Disclosure Brochure, which may not have been discussed in our summary, and consequently, we encourage you to read this brochure in its entirety. Currently, our Brochure may be requested by contacting Empirical Wealth Management at 206-923-3474 or sending a request via our website under “Contact Us,” or emailing the compliance department at compliance@empirical.net.

IMPORTANT NOTE ABOUT THIS DISCLOSURE BROCHURE

This Disclosure Brochure is not:

- an offer or agreement to provide advisory services to any person
- an offer to sell interests (or a solicitation of an offer to purchase interests) in any Issuer
- a complete discussion of the features, risks, or conflicts associated with any Issuer

As required by the Investment Advisers Act of 1940, as amended (“Advisers Act”), Empirical provides this Brochure to current and prospective clients and may also, in its discretion, provide this Brochure to current or prospective investors in a private pooled investment vehicle, together with other relevant governing documents, such as the private pooled investment vehicle’s private placement memoranda or offering circular, prior to, or in connection with, such persons’ investment in the private pooled investment vehicle.

Although this publicly available Brochure describes investment advisory services and products of Empirical, persons who receive this Brochure (whether or not from Empirical) should be aware that it is designed solely to provide information about Empirical as necessary to respond to certain disclosure obligations under the Advisers Act.

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Item 4 – Advisory Business

Empirical Financial Services, LLC d/b/a Empirical Wealth Management (“Empirical”, “EWM”, “us”, “we”) is registered as an investment adviser with the U.S. Securities and Exchange Commission (“SEC”) pursuant to the Investment Advisers Act of 1940, as amended (the “Advisers Act”).

Kenneth Smith started Empirical Financial Services, LLC (“EFS”) in December 2009. The company is a spin-off from Empirical Wealth Management, an Oregon limited liability company that Mr. Smith was a founding member of in 2006. On December 31, 2012, EFS purchased Empirical Wealth Management, LLC from its remaining original members, re-merging both companies as a Washington limited liability company under the name of Empirical Financial Services, LLC d/b/a Empirical Wealth Management.

Empirical’s CEO and founder, Kenneth Smith is Empirical’s principal owner. The following Empirical employees own a minority interest: Ethan Broga, Lorne Enquist, Michael Kelly, Shan Zubair, James Jones II, and Simon Liu.

As of December 31, 2020, Empirical manages \$3,038,088,558 on a discretionary basis and \$7,639,982 on a non-discretionary basis.

Investment Advisory Services

Empirical provides fee-based, discretionary and non-discretionary 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 wrap-fee accounts in a different fashion than fee-based accounts. As a portfolio manager to a wrap-fee program, we receive a portion of the wrap fee for our services.

Advisory services encompass a wide range of investment goals and risk tolerances, from conservative to aggressive, giving you and your Empirical 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 are agreed upon.

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.

Prospective clients must consider whether a particular Empirical advisory relationship is appropriate for their own circumstances based on all relevant factors including, but not limited to: the prospective client’s own investment objectives, liquidity requirements, tax situation, and risk tolerance. Prospective clients are strongly encouraged to undertake appropriate due diligence including, but not limited to, a review of governing documents and to investigate additional details about Empirical’s investment strategies, methods of analysis and related risks, before making an investment decision or committing to a service provided by Empirical. See *Item 8 – Methods of Analysis, Investment Strategies, and Risk of Loss* of this Brochure for a more detailed discussion on investment strategies and the risks involved with such strategies.

Item 4 – Advisory Business (Continued)

We may, on occasion, recommend that all or a portion of your assets be managed by an outside investment manager or sub-adviser. Sub-advisory fees are not included in Empirical's advisory fees and will result in increased fees to you. In all discretionary accounts, except to the extent that you direct otherwise, we are authorized to use our discretion in selecting or changing a sub-adviser and/or outside money manager without prior approval from you. You may be required to execute a limited power of attorney with your custodian or a sub-adviser selected by us.

Financial Planning Services

We offer financial planning services to our advisory clients and occasionally we engage in stand-alone financial planning services to non-advisory clients. Financial planning reviews a client's overall financial situation to help the client understand his/her overall financial position and helps to set financial objectives. Financial planning helps clients determine and set their long-term financial goals by reviewing investments, tax planning, asset allocation, insurance and risk management, retirement planning, estate and gift planning, executive coaching, and other areas. We will meet with potential financial planning clients in advance of beginning preparation of a plan to determine the amount to be billed. Generally, a financial planning contract will be signed before services commence for non-advisory (stand-alone) planning clients.

You may not wish to engage in the financial planning portion of our services, but for qualified advisory clients these services may be available to you as part of your quarterly investment advisory fee. In the event that your planning service requires what Empirical considers extraordinary planning services, you may be charged for such extraordinary planning services. What constitutes extraordinary planning will be determined on a case-by-case basis in Empirical's sole discretion.

Tax Preparation Assistance

Empirical, through its wholly-owned subsidiary, Empirical Tax Services, LLC ("Empirical Tax"), offers tax preparation services to both advisory and non-advisory clients. Please refer to *Item 10 – Other Financial Industry Activity and Affiliations* for additional information about Empirical Tax. Empirical Tax charges a separate fee (fixed or hourly) for tax preparation services, depending upon the scope and complexity of the services required. Generally, and at its sole discretion, Empirical Tax may offer a discount on personal/individual tax preparation services to advisory clients of Empirical with a minimum level of assets under management (generally above \$3,000,000).

Empirical's recommendation to use the planning and preparation services provided by Empirical Tax causes a conflict of interest. However, all Empirical Tax personnel are employees of Empirical and are bound by the firm's code of ethics which requires that, as fiduciaries, all supervised persons place the best interests of their clients above their own personal interests. These services are offered as part of our goal to provide comprehensive wealth management, but you are not obligated to use them.

For some individual tax returns, Empirical Tax partners with SurePrep, LLC, which provides both offshore (outside the United States) and onshore (inside the United States) preparation assistance. Information shared with SurePrep, LLC is transferred using a secure electronic network.

Item 4 – Advisory Business (Continued)

Estate Planning Services

Empirical refers clients with estate-planning needs to Secure Legacy Law Group, P.C. (“Secure Legacy”) as well as other outside attorneys. Secure Legacy is not owned by, or affiliated with, Empirical. Certain Secure Legacy personnel are employees of Empirical. Please refer to *Item 10 – Other Financial Industry Activities Affiliations* for additional information about Secure Legacy. Secure Legacy’s services include, but are not limited to, the preparation of wills, trusts, advance directives (i.e., living wills) of other health-care documents related to incapacity planning, and durable power of attorney for financial management and for individuals and married couples.

Empirical’s recommendation to use estate planning services provided by Secure Legacy causes a conflict of interest. However, Secure Legacy’s employees are bound by the firm’s code of ethics which requires that, as fiduciaries, all supervised persons place the best interests of their clients above their own personal interests. These services are offered as part of our goal to provide comprehensive wealth management, but you are not obligated to use them. Empirical does not serve as an attorney, and no portion of our services should be construed as offering legal services. Empirical does not prepare estate planning documents or offer legal advice.

Insurance Assistance

Empirical, through its wholly owned subsidiary, Empirical Insurance Services, LLC (“Empirical Insurance”), offers insurance-planning services specifically designed to address the life, disability, and long-term care insurance needs of our clients. Please refer to *Item 10 – Other Financial Industry Activities and Affiliations* for additional information about Empirical Insurance. Empirical Insurance partners with Highland Capital Brokerage, who has a knowledgeable team dedicated to, among other things, carrier and product expertise, underwriting negotiation, and back-office processing. Empirical Insurance can review current coverage in the context of a client’s financial plan, discuss risks insurance could help cover, and guide clients through the process of obtaining coverage. Empirical Insurance has access to many different insurance carriers, which allows them to compare the financial strengths, costs, and product benefits of these firms.

Empirical’s recommendation to use Empirical Insurance causes a conflict of interest. However, Empirical Insurance personnel are all employees of Empirical and are bound by the firm’s code of ethics which requires that, as fiduciaries, all supervised persons place the best interests of their clients above their own personal interests. These services are offered as part of our goal to provide comprehensive wealth management, but you are not obligated to use them. Empirical Insurance does not charge any direct fees to its clients for the services it provides. Rather, Empirical Insurance is paid a commission upon the sale of a product that varies depending on the product sold.

Item 4 – Advisory Business (Continued)

Executive Consulting Services

For executive consulting advisory clients, generally these services are available to you as part of your quarterly fee to Empirical so long as you maintain at least \$1 million in assets under management; if you do not maintain at least \$1 million in assets under management, you will pay either a quarterly or annual fee in addition to investment advisory fees.

Pension Consulting Services

We have a service for outside account aggregation. If you would like us to link to and make recommendations for your outside account(s) you may sign up for our aggregation service which utilizes ByAllAccounts, Inc. services. This will allow us to have a complete view of your linked outside holdings. We will offer advice and recommendations on the outside accounts, but it will be your sole responsibility to implement allocation recommendations in these outside accounts. Should you choose to allow us to view, make recommendations, and monitor outside accounts, you may be charged a fee. Such fee arrangement will be provided in writing and will be deducted from your managed account. Fees will not be deducted directly from outside accounts.

Pooled Investment Vehicle (Private Fund)

Empirical provides discretionary portfolio management and investment advisory services to a pooled investment vehicle, Empirical Alternative Income Fund, LP (the “Fund”), whose investors are “accredited investors” as that term is defined in Regulation D, adopted pursuant to Section 4(a)(2) of the Securities Act, and also “qualified clients” under SEC Rule 205-3. The Fund aims to take advantage of non-traditional investments to create a generally higher level of current income along with the opportunity for growth unrelated to public stock markets.

With respect to alternative investments, clients should understand that an alternative investment strategy is subject to a number of risks and is not suitable for all investors. Alternative investments are generally classified as an investment other than a traditional stock, bond, mutual fund or exchange traded fund. Alternative investments include hedge funds, private equity funds, venture capital funds, private real estate funds, and other private investments. Investing in alternative investments is only intended for experienced and sophisticated investors who are willing to bear the high economic risk associated with such an investment. By themselves, alternative investments do not constitute a balanced investment program.

The Fund is an alternative investment option made available to clients by Empirical directly through its role as the Investment Manager, and not through a third party or affiliate. The Fund is a limited partnership formed under the laws of the state of Delaware. The general partner of the Fund is PPB Empirical AIF Mgt LLC (the “general partner”). Empirical is the investment manager (the “investment manager”) of the partnership. The fund operates pursuant to the exemption from investment company registration in Section 3(c)(1) of the Investment Company Act of 1940, as amended (the “Investment Company Act”). See of this Brochure for more information regarding Empirical’s affiliated entities.

Clients who choose to invest in alternative investments do so based on their own independent assessment of the investment opportunity. Clients should carefully review and consider potential risks before investing, including carefully reviewing all disclosure documents, private offering memoranda, prospectuses, or other offering materials provided by Empirical and any separate manager or third-party service provider of an alternative investment. Many alternative investment offering documents are not reviewed or approved by federal or state regulators.

Item 4 – Advisory Business (Continued)

More information about the services Empirical provides to the Fund is disclosed in Empirical's Form ADV Part 1 and summarized in *Item 7 – Types of Clients* of this Brochure. In addition, Empirical's investment philosophy, context and process, including portfolio construction, are more fully disclosed in *Item 8 – Methods of Analysis, Investment Strategies, and Risk of Loss* of this Brochure.

Information about the Fund, and the particular investment objectives, strategies, restrictions, guidelines and risks associated with an investment, is described in the Fund's governing documents, which are made available to investors only through Empirical or another authorized party. An investment in the Fund does not, in and of itself, create an advisory relationship between the investor and Empirical. Empirical may provide advisory services directly to Fund investors, but any such arrangement will be treated as any other advisory client (not invested in the Fund), to include execution of an investment advisory agreement.

Item 5 – Fees and Compensation

Investment Advisory Services

Clients who are not participating in our wrap fee program will be charged transaction fees and commissions by the custodian in addition to the management fees charged by Empirical. Clients participating in the wrap fee program will be charged a single, comprehensive fee which may include, but is not limited to, portfolio management, custodial and brokerage services, among other services. In addition to Empirical's fee, clients are also subject to the fees outlined in the *Other Fees* portion of this section. All fees are negotiable. We may modify these terms at our discretion upon providing 30 day notice to the client or upon execution of a new contract. There is generally a minimum annual fee of \$10,000, which may be waived at the Empirical's discretion.

Fee-Based Investment Advisory Clients

Below is our general fee schedule. However, note that the specific way we charge fees is established in your written agreement with us. Lower fees for comparable services may be available from other sources.

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

Although some clients will pay different fees based upon their contract fee schedules, 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.

You may choose to pay your fees directly or you may authorize us (via our investment advisory agreement) to instruct your custodian to deduct our advisory fees directly from your accounts.

New clients will be billed quarterly in arrears using an average daily balance calculation.

Empirical has relationships with clients whereby the client is billed quarterly in advance. Empirical is working to transition these clients to arrears billing over time. The fee for those clients paying quarterly in advance will be calculated using the agreed upon fee schedule, multiplied by the market value of the account on the last day of the quarter. The fee for clients under the average daily balance fee schedule is calculated by using the fee schedule above, multiplied by the average daily market value of the account during the preceding quarter and is billed in arrears.

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.

Item 5 – Fees and Compensation (Continued)

You may withdraw or terminate the relationship at any time by submitting a request to disassociate to either us or the custodian in writing. Termination will be considered effective immediately and prorated fees will be refunded within fourteen (14) days if paid in advance. If your fee is calculated using average daily balance, you will be directly billed before being delinked, or invoiced with payment due immediately upon receipt, for any balance due and owing. Termination will not affect (1) any action taken by us prior to the termination; (2) liabilities or obligations of the parties from transactions initiated prior to the termination; or (3) your obligation to pay termination and transfer fees assessed by and paid to the custodian, if any.

For our fee-based investment advisory clients, we receive fees based on assets under management, however, other fees may be required from other companies, including, but not limited to, custodians, brokers or investment products, involved with the assets or trading of assets. These fees are your responsibility and are separate and in addition to our management fees. For more information on these fees, see the Other Fees section below. We endeavor to use investment products with the most competitive internal expenses within their asset class and custodians with competitive pricing and services.

The fees that may be paid directly from your account include, but are not limited to:

- Mutual funds and index funds internal expenses
- Margin interest
- Wire transfer fees
- Custodial fees for holding non-standard assets (i.e., alternative investments)
- Brokerage commissions
- Custodial fees
- Services charges
- Any account transfer, closing or administrative charges or fees imposed by a previous custodian or broker-dealer
- Stock transfer fees

Item 5 – Fees and Compensation (Continued)

Wrap-Fee Program Investment Advisory Clients

Clients in the wrap fee program will pay a comprehensive fee, for which the schedule, billing practices, and termination procedures are identical to that for fee-based clients. The wrap-fee program covers portfolio management, brokerage execution costs (without regard to the number of transactions executed during the billing period) and custodial services. Empirical has negotiated fees with Charles Schwab & Co., Inc. (“Schwab”), a FINRA /SIPC/NFA qualified custodian who provides us custody, clearing, and execution services.

The fees that may be paid directly from your account include, but are not limited to:

- Mutual funds and index funds internal expenses
- Margin interest
- Wire transfer fees
- Custodial fees for holding non-standard assets (i.e., alternative investments)
- 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

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.

Financial Planning Services

For most advisory clients, financial planning services are included as part of the quarterly investment advisory fee; however, in the event your service requires extraordinary planning, you may be charged for such additional services. What constitutes extraordinary planning will be determined exclusively by Empirical on a case-by-case basis. The cost will be determined by the facts and circumstances of the work requested and will be communicated before work commences. For advisory clients who receive financial planning services, the services will be included in the client’s quarterly investment advisory fee generally, so long as the client has at least \$1 million in assets under management. If the client does not have at least \$1 million in assets under management, the client will pay either a quarterly or annual fee in addition to investment advisory fees. The cost of this fee will be determined by the facts and circumstances of the work requested and will be communicated before work commences.

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

Tax Preparation Assistance

Empirical Tax charges a separate fee (fixed or hourly) for tax preparation services, depending upon the scope and complexity of the services required. Generally, and at its sole discretion, Empirical Tax may offer a discount on personal/individual tax preparation services to clients of Empirical meeting minimum a level of assets under management (generally above \$3,000,000)

Item 5 – Fees and Compensation (Continued)

Pension Consulting Services

We have a service for outside account aggregation. If you would like us to link to and make recommendations for your outside account(s) you may sign up for our aggregation service. Clients who chose to link and have us provide recommendations for outside account(s) will not be charged a fee, for this service, so long as our role is limited to offering advice and recommendations and the client maintains sole responsibility for implementing allocation recommendations. Should you choose to allow us to view, make recommendations and monitor outside accounts, you may be charged a fee, which will be deducted from your managed account. Fees will not be deducted directly from outside accounts.

Estate Planning Services

Empirical does not receive compensation when clients engage Secure Legacy's services. Certain advisory clients of Empirical may qualify for a reduction/discount of Secure Legacy's fees.

Insurance Assistance

Empirical Insurance does not charge any direct fees to its clients for the services it provides. Rather, Empirical Insurance is paid a commission upon the sale of a product that varies depending on the product sold.

Other Fees Charged

Additional fees not charged by Empirical may apply to both or either fee-based and wrap-fee program clients. These fees are your responsibility and are separate and in addition to Empirical's fees. These may include, but are not limited to: custodial fees (for fee-based clients), brokers (for fee-based clients), debit balances, related margin interest, IRA and retirement plan fees, transfer fees, SEC fees, fees embedded in money market funds or 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. Underlying fees can vary between investments and are generally deducted directly from invested assets. Further information on these fees can be found in the prospectuses of the underlying funds.

We endeavor to use investment products with the most competitive internal expenses within their asset class and custodians with competitive pricing and services. *Item 12 – Brokerage Practices* of this Brochure further describes the factors that we consider in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (e.g., commissions).

Item 5 – Fees and Compensation (Continued)

Pooled Investment Vehicle – Empirical Alternative Income Fund, LP

In consideration for Empirical's role as Investment Manager to the Empirical Alternative Income Fund ("Fund"), Empirical is entitled to receive management fees from the Private Fund, and may receive performance allocations, with respect to the Fund. The fees and compensation applicable to the Fund is described in detail in the applicable governing documents, side letters and/or fee agreements. A potential investor should read and review all governing documents in their entirety before making any investment decisions.

The Partnership shall pay the Investment Manager and/or its designee a fee (the "Management Fee") as compensation for services rendered in the management of the Partnership. The Management Fee shall be paid quarterly in advance on the first Business Day of each calendar quarter (based on the most recent quarter's ending results) and each Limited Partner's proportionate share of the Management Fee shall be deducted from such Limited Partner's Capital Account.

The Management Fee shall be calculated as an amount equal to the product obtained by multiplying (i) 0.375% (1.50% per annum) by each Class A Limited Partner's Capital Account and each Class B Limited Partner's Capital Account, all as of the last Business Day of such previous Fiscal Quarter.

Layering of Fees and Expenses: The allocation of the Partnership's assets to the Underlying Fund may increase significantly the fees and expenses payable by the Partnership because the Portfolio Managers charge their own fees and expenses, which are in addition to the Admin Fee, the Management Fee and expenses charged by the Partnership. Each Portfolio Manager may charge its investors a management fee which will be in addition to the Management Fee charged by the Investment Manager. Since a portion of the Partnership's assets will be managed by the Portfolio Managers, the Partnership will have to pay such fees, directly or indirectly. If such management fees are charged, they will reduce the net return realized by the Partnership on its investment in the Underlying Fund. Each Portfolio Manager may also be entitled to receive a performance allocation, performance fee, or carried interest (collectively, "Incentive Compensation") in its capacity as the manager of the Underlying Fund. Because Portfolio Managers earn Incentive Compensation based on the performance of the Underlying Fund that they manage, certain Portfolio Managers may earn Incentive Compensation during periods when the overall Partnership depreciates or stays flat. In addition, certain Portfolio Managers may be entitled to Incentive Compensation equal to a percentage of the amount by which performance of the Underlying Fund exceeds the performance of a particular preferred return, benchmark or hurdle rate, including during periods when both an Underlying Fund and its benchmark have depreciated. If the Portfolio Managers are entitled to Incentive Compensation, such Incentive Compensation will reduce the net return realized by the Partnership on its investment in the Underlying Fund. In addition, Portfolio Managers may take greater risks when their compensation is based on profits, particularly when they do not share in the loss of invested capital.

Item 5 – Fees and Compensation (Continued)

The General Partner or Investment Manager may have advanced expenses incurred in connection with organization of the Partnership and this Offering of Interests (excluding commissions), including legal fees, regulatory and compliance expenses, and related accounting fees and printing costs (the “Organizational Expenses”) and all expenses incurred in connection with the commencement of operations and other related out-of-pocket expenses (the “Start-up Expenses”). The Partnership will reimburse the appropriate party for any of these Organizational Expenses and Start-up Expenses no later than the 7 Initial Closing Date. The Partnership intends that the Organizational Expenses and Start-up Expenses will be amortized and charged to the Partners’ Capital Accounts in equal monthly installments over a period of sixty (60) months commencing from the Initial Closing Date. Although GAAP normally requires that organizational costs be treated as an expense when incurred, the General Partner believes that both (i) the impact on the Partnership’s results from this departure from GAAP will result in a fairer apportionment of such expenses among Limited Partners, and (ii) this departure from GAAP is likely to be deemed immaterial by the Partnership’s accountants and the Partnership anticipates receiving an unqualified audit opinion from its auditors. If the Partnership is unexpectedly terminated within 60 months of the Initial Closing Date, or does not receive concurrence from its auditor any unamortized expenses will be recognized. The General Partner may modify the time period over which the amounts are expensed for accounting purposes as it deems fit, but only to the extent consistent with GAAP and its accountant’s recommendations. The Organizational Expenses will also include a one-time payment to PPB on the Initial Closing Date in an amount equal to \$7,500 for PPB’s assistance with the organization of the Partnership.

With regard to Empirical Alternative Income Fund, LP, an annual management fee of 1.5% is to be paid quarterly in advance on the first business day of each calendar quarter, and each limited partner’s proportionate share of the management fee shall be deducted from such limited partner’s capital account. For existing wealth management clients, any assets in the Empirical Alternative Income Fund, LP will be excluded from that client’s wealth management fee.

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

In some cases, we 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 with us or has a net worth of at least \$2,100,000. We generally recommend that a Qualified Client has a minimum of \$2,00,000 assets under management with Empirical to enter into the performance-based fee arrangement.

We 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	Annual Asset-Based Fee*	Annual 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%

*Annual Fee is charged over a four (4) quarter period (example: $0.25\%/4 = .0625\%$ per quarter)

Empirical's investment management fee shall be payable quarterly, in arrears, and deducted directly from the account. For the purpose of calculating the fee, the beginning value of the account shall be the account value as of the 1st of each calendar quarter (or the date on which the account is initially established) and the ending value of the account shall be the account value as of the close of business on the last day of each calendar quarter (or the date prior on which the account is terminated or on which there are withdrawals), after giving effect to account contributions and withdrawals to be determined on a quarterly basis. In calculating the annual fee, Empirical shall be required to first make-up account losses that may have been incurred during any previous month. Unless the investment advisory agreement is terminated prior to the last day of a calendar quarter (or on the date that there are account withdrawals), the fee (or that portion associated with any withdrawal) shall be paid as soon thereafter as Empirical is able to calculate the amount of the fee, if any. If the investment advisory agreement is terminated prior to the last day of any calendar quarter (or there are any interim withdrawals), the fee shall be immediately calculated and paid based upon the increase in market value of the account as of the termination date or withdrawal date. All accounts may be subject to the *Other Fees Charged* section described in Item 5 herein.

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.

Item 6 – Performance-Based Fees and Side-By-Side Management (Continued)

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.

Item 7 – Types of Clients

Empirical generally provides investment advice to:

- Individuals (including accounts of certain EWM employees)
- High net worth individuals
- Pensions and profit-sharing plans
- Charitable organizations
- Corporations or business entities
- Trusts
- Estates
- A pooled investment vehicle – Private Fund

We generally require a minimum investment level for our clients of \$1,000,000, although it is at our discretion to waive the minimum investment level and the minimum fee.

The Alternative Income Fund limits its offerings to accredited investors. Under Rule 501 of Regulation D (“Rule 501”), an individual is an accredited investor if he or she: (i) has a net worth (along with his or her spouse) that exceeds \$1,000,000 (excluding the value of his or her primary residence); or (ii) income in excess of \$200,000 (or joint income in excess of \$300,000 with spouse) in each of the two most recent years with a reasonable expectation of reaching the same income level in the current year. An entity is an accredited investor if it: (i) is owned exclusively by accredited investors; or (ii) is not formed for the specific purpose of acquiring the interest in the fund and has total assets in excess of \$5,000,000. Generally, investors are allowed to self-certify as accredited investors, and a private fund manager will be permitted to rely on an investor’s representation that he or she meets the requirements without any further documentation.

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

Methods of Analysis

Empirical generally recommends long-term investment strategies; however, its Advisors may recommend various short-term investment strategies to accommodate certain client goals or objectives. Additional information on Empirical's investment strategies is set forth in *Item 4- Advisory Business* herein.

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.

Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss (Continued)

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, trading (securities sold within about 30 days), 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 guarantee any particular level of account performance, 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.

Empirical's Targeted Premium Equity Portfolio strategy is designed to offer varying levels of exposure to investment asset classes such as emerging markets, global exposure to small companies, and global exposure to value companies. At times, targeted segments of the global investment market may be very volatile and may present additional risks.

Empirical's Targeted Credit Portfolio strategy is designed to offer varying levels of exposure to credit risks associated with investing in bonds that may include high yield or emerging markets debt. These bond asset classes will generally be more volatile than United States Treasury securities or a total bond market index, for example.

We do not recommend a particular type of security. Instead, we recommend a diversified portfolio of stocks, bonds and/or other investment vehicles. We select investments within the context of achieving adequate levels of diversification rather than any single specific security type.

The Empirical Alternative Income Fund, LP endeavors to target income-generating investments that provide cash flow on a monthly, quarterly, or annual basis. A preference will be given to investments with low correlation to stock and bond markets, and with low interest rate sensitivity. Empirical Alternative Income Fund, LP will primarily focus on investment in income generating investments, including but not limited to bank loans, small business loans, consumer loans/finance, preferred stock, high yield bonds, master limited partnerships, reinsurance, life settlements, private equity, real estate, real estate debt, leases, infrastructure, royalties, litigation finance, and other specialty finance opportunities or income-producing assets.

Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss (Continued)

You assume all risk involved in the investment of account assets and understand that investment decisions made for the account are subject to various market, currency, economic, political and business risks. Other risks involved in our investment strategy include, but are not limited to, the following:

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

Specifics regarding each of the above referenced risks are enumerated below:

Market Risk

Market risk is the possibility of an investor experiencing losses due to factors that affect the overall performance of the financial markets in which he or she is involved. Market risk, also called "systematic risk," cannot be eliminated through diversification, though it can be hedged against.

Asset Allocation and Rebalancing Risk

The risk that a client's assets may be out of balance with the target allocation. Any rebalancing of such assets may be infrequent and limited by several factors and, even if achieved, may have an adverse effect on the performance of the client's assets.

Small Premium Risk

Small companies have fewer resources than large companies and are thus likely to be riskier investments.

Value Premium Risk

In investing, value premium refers to the greater risk-adjusted return of value stocks over growth stocks. Eugene Fama and K. G. French first identified the premium in 1992, using a measure they called HML (high book-to-market ratio minus low book-to-market ratio) to measure equity returns based on valuation.

Foreign Currency Risk

Currency risk, commonly referred to as exchange-rate risk, arises from the change in price of one currency in relation to another. Investors or companies that have assets or business operations across national borders are exposed to currency risk that may create unpredictable profits and losses.

Country Risk

Country risk premium ("CRP") is the additional risk associated with investing in an international company, rather than the domestic market. Macroeconomic factors, such as political instability, volatile exchange rates, and political turmoil can all cause investors to be wary of overseas investment opportunities. For these reasons many such international opportunities require a premium for investing. The CRP is higher for developing markets than for developed nations.

Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss (Continued)

Emerging Markets Risk

Emerging markets often seem to provide new investment opportunities, their elevated economic growth rates offering higher expected returns – not to mention the benefits of diversification. However, there are a number of risks associated: Foreign currency can fluctuate, which can create unpredictable profits and losses. Emerging market securities cannot be valued using the same type of mean-variance analysis as they do not often follow a pattern of normal distributions. Although most countries claim to enforce strict laws against insider trading, none have proved to be as rigorous as the U.S. in terms of prosecuting these practices. Insider trading and various forms of market manipulation introduce market inefficiencies, whereby equity prices will significantly deviate from their intrinsic value. Emerging markets sometimes have weaker corporate governance systems, whereby management, or even the government, has a greater voice in the firm than shareholders. Furthermore, when countries have restrictions on corporate takeovers, management does not have the same level of incentive to perform in order to maintain job security. A poor system of checks and balances and weaker accounting audit procedures increase the chance of corporate bankruptcy. Political risk refers to uncertainty regarding adverse government actions and decisions. Developed nations tend to follow a free market discipline of low government intervention, whereas emerging market businesses are often privatized upon demand.

Real Estate Risk

Real estate funds tend to be more volatile than broader-based growth or income funds. As with any other sector, investors can generally expect to be hit hard in these funds when the real estate market collapses and should keep a long-term perspective when allocating funds to this sector.

Tracking Error Risk

Tracking error is the divergence between the price behavior of a position or a portfolio and the price behavior of a benchmark. This is often in the context of a hedge or mutual fund that did not work as effectively as intended, creating an unexpected profit or loss instead. Tracking error is reported as a standard deviation percentage difference, which reports the difference between the return an investor receives and that of the benchmark he was attempting to imitate.

Regulatory Risk

Regulators have passed and it is expected that they will continue to pass legislation and changes that may affect certain clients. The Adviser may take certain actions to limit its authority in respect of client accounts to reduce the impact of regulatory restrictions on the Adviser or its clients. In addition, there have been legislative, tax and regulatory changes and proposed changes that may apply to the activities of the Adviser that may require legal, tax and regulatory changes, including requirements to provide additional information pertaining to a client account to the Internal Revenue Service or other taxing authorities. Regulatory changes and restrictions imposed by regulators, self-regulatory organizations ("SROs") and exchanges vary from country to country and may affect the value of client investments and their ability to pursue their investment strategies. Any such rules, regulations and other changes, and any uncertainty in respect of their implementation, may result in increased costs, reduced profit margins and reduced investment and trading opportunities, all of which may negatively impact performance.

Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss (Continued)

Liquidity Risk

Liquidity risk is the risk stemming from the lack of marketability of an investment that cannot be bought or sold quickly enough to prevent or minimize a loss. With liquidity risk, typically reflected in unusually wide bid-ask spreads or large price movements, the rule of thumb is that the smaller the size of the security or its issuer, the larger the liquidity risk.

Alternative Investment Risk

Alternative investments, including hedge funds, private equity funds, real estate private equity funds, interval funds and venture capital funds: (1) involve a high degree of risk, (2) often engage in leveraging and other speculative investment practices that may increase the risk of investment loss, (3) can be highly illiquid with extended lock up periods where assets may not be sold, (4) may lack a secondary market to purchase shares that investors care to redeem, (5) are not required to provide periodic pricing or valuation information to investors, (6) may involve complex tax structures and delays in distributing important tax information, (7) are not subject to the same regulatory requirements as publicly traded securities, (8) often charge high fees which may offset any trading profits, and (9) in many cases execute investments which are not transparent and are known only to the investment manager. The performance of alternative investments, including hedge funds and other alternative funds, can be volatile. An investor could lose all or a substantial amount of his or her investment. Often, hedge fund or other alternative investment account managers have total trading authority over their funds or accounts. The use of a single advisor applying generally similar trading programs could mean lack of diversification and, consequently, higher risk. There is often no secondary market for an investor's interest in alternative investments, including hedge funds and managed futures, and none is expected to develop. Even when there is a secondary market, it is often a small group of investors willing to purchase the investment, typically resulting in a discount on the sale of the asset, versus the actual value of the underlying assets. There may be restrictions on transferring interests in any alternative investment. Alternative investment products may execute some portion of their trades on non-U.S. exchanges. Investing in foreign markets may entail risks that differ from those associated with investments in U.S. markets.

Issuer Risk

Essentially, the investor is lending the issuer funds, which are repayable when the bond matures, or the stock is sold. As a result, the issuer is also considered to be a borrower, and the investor should carefully examine the borrower's risk of default before buying the security or lending funds to the issuer.

Commodities Risk

Commodity price risk is the uncertainty that stems from changing prices that adversely impacts the financial results of those who both use and produce that commodity. For example, as the price of steel rises this increases the cost of automobile production and can negatively impact that producer's profit margins. Commodity production inputs include raw materials like cotton, corn, wheat, oil, sugar, soybeans, copper, aluminum, and steel.

Futures Risk

The U.S. Treasury bond futures contract is one of the most heavily traded investment assets in the world. As with any similar investment, such as stocks, the price of a futures contract may go up or down. Like equity investments, they do carry more risk than guaranteed, fixed-income investments.

Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss (Continued)

Interest Rate Risk

The interest rate risk is the risk that an investment's value will change due to a change in the absolute level of interest rates, in the spread between two rates, in the shape of the yield curve, or in any other interest rate relationship. Such changes usually affect securities inversely and can be reduced by diversifying (investing in fixed-income securities with different durations) or hedging (such as through an interest rate swap).

Model Risk

The management of a client by Empirical may include the use of various proprietary quantitative or investment models. There may be deficiencies in the design or operation of these models, including as a result of shortcomings or failures of processes, people or systems. Investments selected using models may perform differently than expected as a result of the factors used in the models, the weight placed on each factor, changes from the factors' historical trends, the speed that market conditions change and technical issues in the construction and implementation of the models (including, for example, data problems and/or software issues). Moreover, the effectiveness of a model may diminish over time, including as a result of changes in the market and/or changes in the behavior of other market participants. In addition, certain strategies can be dynamic and unpredictable, and a model used to estimate asset allocation may not yield an accurate estimate of the then current allocation. There is no guarantee that the use of these models will result in effective investment decisions for a client.

Reinvestments Risk

Reinvestment risk is the risk that future coupons from a bond will not be reinvested at the prevailing interest rate from when the bond was initially purchased. Reinvestment risk is more likely when interest rates are declining and affects the yield to maturity of a bond, which is calculated on the premise that all future coupon payments will be reinvested at the interest rate in effect when the bond was first purchased.

Corporate Risk

This risk assumes the project a company intends to pursue is not a single asset but incorporated with a company's other assets. As such, the risk of a project could be diversified away by the company's other assets. It is measured by the potential impact a project may have on the company's earnings.

Municipal Credit Risk

Municipal credit risk—or default risk—is the risk that interest and/or principal on the securities will not be paid on time and in full. Investors need to know who is responsible for repayment of the securities and the financial condition of that entity to assess the credit risk and decide whether to purchase the securities.

Inflation Risk

Inflation risk is also known as purchasing power risk; this risk arises from the decline in value of securities cash flow due to inflation, which is measured in terms of purchasing power. If you buy a bond with a coupon rate of 4%, and the inflation rate is at 2%, even though you are earning 4% on your money, inflation is chipping 2% of it away only leaving you with 2% of your money or purchase power, which you can use when you receive your payments. Only inflation protection bonds such as Treasury Inflation Protection Securities (“TIPS”) offer protection against this risk. Floaters help reduce this risk because of the resetting of the interest rates. All other bonds expose the investor to this risk because the interest rate is fixed for the life of the bond.

Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss (Continued)

Duration Risk

The primary measure of bond price volatility is duration. It takes into account both the length of time to maturity and the difference between the coupon rate and the yield to maturity. Here are some of the most important facts about duration: the longer the duration of a particular bond, the more its price will fluctuate in response to interest rate changes. Duration is always equal to or less than the years to maturity of the bond. Duration can help to calculate the impact of interest rate changes on the price of the bond. For example, a bond with a duration of 8 is likely to decrease 8% for every 100 basis points increase in market interest rates.

Privacy/ Cybersecurity Risk.

The risk of actual and attempted cyber-attacks, including denial-of-service attacks, and harm to technology infrastructure and data from misappropriation or corruption, and reputation harm. Due to Empirical interconnectivity with third-party vendors, exchanges, clearing houses and other financial institutions, Empirical, and thus indirectly our clients, could be adversely impacted if any of them is subject to a successful cyber-attack or other information security event. Although Empirical takes protective measures and endeavors to modify them as circumstances warrant, its computer systems, software and networks may be vulnerable to unauthorized access, misuse, computer viruses or other malicious code and other events that could have a security impact or render Empirical unable to transact business on behalf of clients.

Options Risk

Any investing carries a certain amount of risk. Options investing assumes greater risk, so you should make sure you understand the pros and cons of the strategies you are considering before you start actively trading. All options expire — most at zero value. Unlike stock investing, time is not your friend when you are holding long options. The closer an option gets to expiration, the faster the premium in the option deteriorates. Because options are highly leveraged investments, prices can move very quickly. Options prices, unlike stocks, can move by hefty amounts in minutes or seconds rather than hours or days. Much like shorting stocks, shorting options naked (i.e., selling options without hedging the position via other options or a stock holding) could lead to substantial and even unlimited losses.

Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss (Continued)

The following risks are associated with investing in the Empirical Alternative Income Fund, LP:

Term of Investment

An investment in the partnership requires a specified, multi-year-term commitment with no certainty of a return of any portion of capital invested in the partnership. It is anticipated that there would be a significant period of time before the partnership has completed its investments in particular portfolio companies and each investment may not be liquidated for a substantial period of time after the initial purchase. Losses on unsuccessful investments may be realized before gains on successful investments are realized. Dispositions of such investments may require a lengthy time period. While it is the intention Empirical to achieve target returns over such period, other factors, such as overall market conditions, the performance of individual portfolio investments, the competitive environment and the availability of potential purchasers, may shorten or lengthen the partnerships. Therefore, it is unlikely that the partnership will realize substantial gains in its overall estimated partnership value during its early years.

Risky and Illiquid Investments

The investments made by the fund will be risky and illiquid. Debt investments made by the portfolio investments may be unsecured and subordinated to substantial amounts of senior indebtedness. The investments may not be protected by financial covenants or limitations upon additional indebtedness. Illiquidity may result from the absence of an established market for the investments, as well as legal or contractual restrictions on their sale by the fund or the portfolio investments. The possibility of partial or total loss of capital will exist, and investors should not subscribe for interests in the fund unless they can readily bear the consequences of such loss. Even if the investments of the fund are successful, they may not produce a realized return to investors for a period of years.

Financial Performance of Portfolio Investments

The fund will be dependent on the good legal standing and sound judgment of the management teams of the portfolio investments that we invest in, as well as other factors, that will determine the overall financial performance of the fund. The financial projections of our portfolio investments could be unattainable given many factors that the fund is unable to foresee or control. Our portfolio investments may have limited or no operating history in certain jurisdictions or at all.

Additional Risks Related to the Private Fund

The General Partner has authority to manage, control and operate the affairs and business of the Partnership and to make decisions in relation thereto, and will have broad discretion with respect to such matters. Limited Partners generally have no right or power to take part in the management of the partnership and, as a result, the investment performance of the partnership will depend entirely on the actions of the General Partner. Although the General Partner will monitor the performance of each portfolio company, it will primarily be the responsibility of each portfolio company's management team to operate such company on a day-to-day basis.

Item 9 – 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.

There are no reportable material legal or disciplinary events related to Empirical.

Item 10 – Other Financial Industry Activities and Affiliations

Empirical has developed subsidiaries to help meet its clients' various financial needs in-house.

Wholly-Owned Subsidiaries

Empirical Tax Services, LLC

Empirical Tax Services, LLC ("Empirical Tax"), offers tax preparation services to both advisory and non-advisory clients. Empirical Tax charges a separate fee (fixed or hourly) for tax preparation services, depending upon the scope and complexity of the services required. Generally, it is Empirical Tax's policy to offer clients of Empirical with assets under management above \$3,000,000 a discount on tax preparation services. This discount may result in tax preparation services being provided at no additional cost above your Empirical management fee.

Empirical's recommendation to use tax planning and preparation services provided by Empirical Tax causes a conflict of interest. However, Empirical Tax personnel are all employees of Empirical and are bound by the firm's code of ethics which requires that, as fiduciaries, all supervised persons place the best interests of their clients above their own personal interests. These services are offered as part of our goal to provide comprehensive wealth management, but you are not obligated to use them.

Empirical Insurance Services, LLC

Empirical Insurance Services, LLC ("Empirical Insurance"), offers insurance-planning services specifically designed to address the life, disability, and long-term care insurance needs of our clients. Empirical Insurance partners with Highland Capital Brokerage, who has a knowledgeable team dedicated to, among other things, carrier and product expertise, underwriting negotiation, and back-office processing. Empirical Insurance can review current coverage in the context of a client's financial plan, discuss risks insurance could help cover, and guide clients through the process of obtaining coverage. Empirical Insurance has access to many different insurance carriers, which allows them to compare the financial strengths, costs, and product benefits of these firms.

Empirical has employees who are affiliated with Empirical Insurance. These affiliated employees are appointed with various unaffiliated, third-party insurance companies. Empirical Insurance receives a commission when insurance is sold, and the respective affiliated employee receives a portion of that commission. You are never obligated or required to purchase insurance products through these affiliated employees in their capacity as insurance producers. This does create a material conflict of interest in that it provides an incentive for these affiliated employees to recommend insurance products based on compensation received rather than on a client's needs. As supervised persons of Empirical, these affiliated employees 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.

Item 10 – Other Financial Industry Activities and Affiliations (Continued)

Directional Financial Services

Directional Financial Services, LLC (“Directional”), an SEC-registered investment adviser, 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. Directional files its own Form ADV, please refer to this document for additional information.

Other affiliations

Secure Legacy Law Group, P.C. (“Secure Legacy”) is a separate, independent entity. Empirical refers clients with estate-planning needs to Secure Legacy and other outside attorneys. These relationships creates a material conflict of interest. However, Secure Legacy’s personnel are bound by the firm’s code of ethics which requires that, as fiduciaries, all supervised persons place the best interests of their clients above their own personal interests. These services are in place solely for the convenience of the client and to enhance the clients’ overall experience. clients are always free to use their own service providers.

If we recommend you use the services of Secure Legacy, you are never obligated or required to use their services. There are other law firms that provide legal services similar to those provided by Secure Legacy and may provide such services for less expensive rates. Whenever we recommend Secure Legacy, you are encouraged to consider other law firms too. Our recommendation to use Secure Legacy presents a conflict of interest as both firms have an economic incentive to refer clients to each other in lieu of referring clients to other law firms or financial professionals, but there is no obligation to provide such referrals to each other. Any engagement of Secure Legacy is separate and independent of our services, per a separate written agreement between you and Secure Legacy. There is no fee sharing arrangement between our firm and Secure Legacy.

Pooled Investment Vehicle (Private Fund)

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. This relationship does not create a material conflict of interest with clients.

Empirical has affiliates that may act in an advisory or sub-advisory capacity and other capacities, including as administrator and/or distributor to a variety of U.S. and non-U.S. investment companies as well as other pooled investment vehicles, private investment funds, and/or operating companies. Certain Empirical personnel are also directors or officers of the investment manager of pooled investment vehicles. Affiliates of Empirical that act as investment adviser or manager of a pooled vehicle, will receive management fees in connection with their advisory roles. Although such fees are generally paid by the Fund, the costs are ultimately borne by clients as shareholders. These fees will be in addition to any advisory fees or other fees agreed between the client and Empirical for investment advisory services. Clients of Empirical and its affiliates may invest in investment companies and other pooled investment vehicle(s) offered by Empirical.

Item 10 – Other Financial Industry Activities and Affiliations (Continued)

Management Persons

Certain of Empirical's management persons also hold positions with one or more affiliate. In these positions, they may have certain responsibilities with respect to the business of these affiliates and receive compensation based, in part, upon the profitability of these affiliates. Consequently, in carrying out their roles at Empirical and these affiliates, the management persons of Empirical will be subject to the same or similar conflicts of interest that exist between Empirical and these affiliates.

In addition, private fund advisers should list all conflicts of interest involving their advisory business vis-à-vis private funds. As such, as it relates to the firm or its supervised persons investing in a private fund, two supervised persons, Erik Lehr (Chief Investment Officer) and Ethan Broga (Partner, Financial Advisor, and Director of Financial Planning) invest in the Empirical Alternative Income Fund, LP.

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

Empirical has adopted a code of ethics ("Code of Ethics") for its supervised persons describing its high standard of business conduct and the fiduciary duty to its clients. The Code of Ethics includes, among other things, provisions relating to the confidentiality of client information, a prohibition on insider trading, restrictions on the acceptance of significant gifts, and personal securities trading procedures. All supervised persons of Empirical must acknowledge the terms of the Code of Ethics upon commencement of employment with Empirical and annually thereafter.

Under the Code of Ethics, Empirical's supervised persons are expected to, among other things:

- Always observe their fiduciary duties to investment management clients;
- Not take personal opportunities that are discovered through the use of property or information of the company or through their role with Empirical;
- Protect the confidentiality of "nonpublic information" concerning the company, customers, clients, investments and others; and
- Not trade in the company's securities or any other company's securities if they possess material "non-public information" or during a blackout period.

Furthermore, in accordance with Rule 204A-1 under the Advisers Act, 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 chief compliance officer ("CCO") or his 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.

Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading (Continued)

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.

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 or included in the Empirical Alternative Income Fund. These two scenarios present a 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.

Empirical offers its advisory services to employees and manages employee accounts. Each such relationship is treated as any other advisory relationship and no favoritism is shown to Employee personal accounts. These 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.

Item 12 – Brokerage Practices

Unless you direct otherwise, we will use our discretion in recommending the broker- dealer and therefore the commission charged. In selecting or recommending the broker-dealer, we will comply with the Securities Exchange Act of 1934 and with our fiduciary duty to seek to obtain best execution.

We do not act as a custodian with regard to your assets that we manage and we do not take physical possession of client assets. However, per SEC regulations we are deemed to have custody due to our ability to directly debit your advisory fees. In addition, SEC guidance also clarified that a standing letter of authorization granting third-party money movement constitutes custody as well. (Please see *Item 15 – Custody* herein). Your assets must be maintained in an account at a “qualified custodian”, which, in most cases, is a broker-dealer or bank. We can help you establish a brokerage account with a qualified custodian, but the custodian ultimately chosen is your decision. You will open your account with the custodian by entering into an account agreement directly with them. We do not open the account for you, although we may assist in doing so.

How We Select Brokers-Dealers/Custodians

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

- Combination of transaction execution services along with asset custody services (generally without a separate fee for custody)
- Capability to execute, clear and settle trades (buy and sell securities for your account)
- Capability to facilitate transfers and payments to and from accounts (wire transfers, check requests, etc.)
- Breadth of investment products made available (stocks, bonds, mutual funds, exchange traded funds (ETFs), etc.)
- Availability of investment research and tools that assist us in making investment decisions
- Quality of services
- Competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate the prices
- Reputation, financial strength and stability of the provider
- Their prior service to us and our clients
- Availability of other products and services that benefit us
- The broker-dealers’ facilities, reliability, and financial responsibility
- The ability of the broker-dealer to effect transactions, particularly with regards to such aspects as timing, order size and execution of order
- The research and related brokerage services provided by such broker-dealer to us, notwithstanding that the account may not be direct or exclusive beneficiary of such services
- Any other factors we consider to be relevant

Item 12 – Brokerage Practices (Continued)

Our Current Broker-Dealer Relationships

We currently work with Schwab Advisor Services, a division of Schwab. Schwab will hold your assets in a brokerage account and buy and sell securities when we instruct them. Empirical is not affiliated with Schwab. Generally, Empirical's wrap-fee account clients will be custodied at and retain the brokerage services of Schwab. Fee-based accounts may also utilize the custodial and brokerage services of Schwab.

We currently work with TD Ameritrade, Inc. ("TD Ameritrade") member FINRA/SIPC/NFA and a qualified custodian. TD Ameritrade is an independent and unaffiliated SEC-registered broker-dealer. TD Ameritrade offers services to independent advisors that include, but are not limited to, custody of securities, trade execution, clearance, and settlement of transactions. Fee-based account clients may be custodied at and use the brokerage services of TD Ameritrade. TD Ameritrade will hold your assets in a brokerage account and buy and sell securities when we instruct them to do so.

In addition, we use Performance Trust Capital Partners, LLC ("Performance Trust") services as a broker-dealer to purchase individual fixed income securities for some portfolios. These securities are purchased through Performance Trust and custodied at Schwab. Empirical is not affiliated with Performance Trust.

We use Teachers Insurance Annuity Association, Great-West Life & Annuity Company and/or Great West's parent company, Protective Life Corporation (collectively "Annuity Providers"), to provide low-cost variable annuities and custodial services for these annuities. We are then able to connect to these annuities, select and change the investments available in the annuities, and potentially bill the annuities. We do not pay any fees to Annuity Providers for this service and do not receive referrals from the Annuity Providers. You are responsible for any fees associated with the annuity, which are paid to directly to the Annuity Provider. Through the Annuity Provider's advisor services we are generally provided with online access, data downloads, fee deduction capabilities, expanded eligibility to proprietary retirement products and access to an insurance specialist to work one-on-one with us and our clients.

Additionally, we are generally able to view accumulations, see history, process transactions and create annuity and minimum distribution illustrations. The availability to us of the above services will depend on the level of authorization granted by you.

While subadvisors we work with may recommend a broker dealer and/or custodian to clients, clients are not obligated to follow its recommendation. It is the client's decision on where they custody their assets. If a client chooses to custody their assets at a custodian other than what is recommended by the subadvisor, the firm's ability to manage the client's assets may be restricted.

Item 12 – Brokerage Practices (Continued)

Products and Services Available to Us from Mutual Fund Companies

In some instances, some mutual fund companies, including, but not limited to iShares and Dimensional Fund Advisors, make products and services available that may benefit us, but may not directly benefit your account. These include, but are not limited to, software and other technology that provide research, pricing information and other market data and assist with back-office functions. Some fund companies may discount or waive fees they would otherwise charge for some of these services or pay all or a part of the fees of a third party providing these services to us. These products and services are not contingent upon committing to fund companies any specific amount of business and are not considered in our investment decision process. As a fiduciary, we endeavor to act in your best interest. However, the aforementioned benefit creates a conflict of interest as this relationship could incentivize us to invest in securities issued by these mutual fund companies as they provide a benefit to us through the free research they provide. Supervised persons of Empirical, however, are bound by the fiduciary standards set forth in the firm's code of ethics to place the needs of each client above his or her own potential financial gain.

Products and Services Available to Us from Charles Schwab

Schwab Advisor Services is Schwab's business serving independent investment advisory firms like us. They provide us and you with access to their institutional brokerage: trading, custody, reporting and related services – many of which are not typically available to Schwab retail customers. Schwab also makes available various support services. Some of those services help us manage or administer your accounts while others help us manage and grow our business. Schwab's support services are generally available on an unsolicited basis (i.e. we don't have to request them) and at no charge to us so long as we keep a total of at least \$10 million of our clients' assets in accounts at Schwab. Below is a more detailed description of Schwab's support services:

Schwab Advisor Services – Services that May Directly Benefit You: Schwab's institutional brokerage services include access to a broad range of investment products, execution of securities transactions and custody of your assets. The investment products available through Schwab include some of which we might not otherwise have access to or that would require a significantly higher minimum initial investment by you.

Item 12 – Brokerage Practices (Continued)

Schwab Advisor Services that May Not Directly Benefit You: Schwab also makes available to us other products and services that benefit us but may not directly benefit you or your account. These products and services assist us in managing and administering your accounts. They include, but are not limited to:

- Investment research – this includes both Schwab’s own and that of third parties. We may use this research to service all or some substantial number of our clients’ accounts, including accounts not maintained at Schwab.
- Software and other technology
 - provides access to your account data (such as trade confirmations and account statements)
 - facilitates trade execution and allocate aggregate trade orders for multiple client accounts
 - provides pricing and other market data
 - facilitates payment of our fees from your accounts
 - assists with back-office functions, record keeping and client reporting
- Services intended to help us manage and further develop our business enterprise
 - educational conferences and events
 - technology, compliance, legal and business consulting
 - access to employee benefit providers, human capital consultants, and insurance providers
 - publications and conferences on practice management and business succession
 - access to an online compliance program to monitor employee personal trades, gifts and entertainment
- Occasional business entertainment of our personnel

As clients of Schwab, we get access to much of Schwab’s research and data. We use this as needed, and not with respect to any particular client or group of clients. Schwab may provide some of these services itself. In other cases, it will arrange for third party vendors to provide the services to us. Schwab may discount or waive its fees for some of these services or pay all or a part of a third party’s fees.

Our Interest in Schwab Services

Empirical does not have to pay for Schwab’s services so long as we keep a total of at least \$10 million of client assets in accounts at Schwab. Beyond that, these services are not contingent upon us committing any specific amount of business to Schwab in trading commissions or assets in custody. The \$10 million minimum may give us an incentive to request that you maintain your account with Schwab, based on our interest in receiving Schwab’s services that benefit our business rather than based on your interest in receiving the best value in custody services and the most favorable execution of your transactions. It may cause clients to pay commissions higher than those charged by other broker-dealers. This may cost you more money. This is a conflict of interest. We believe, however, that our selection of Schwab as custodian and broker is in your best interest. It is primarily supported by the scope, quality and price of Schwab’s services and not Schwab services that benefit only us. We have over \$2 billion in client assets under management at Schwab, and do not believe that maintaining at least \$10 million of those assets at Schwab to avoid paying Schwab quarterly services fees presents a material conflict of interest.

Item 12 – Brokerage Practices (Continued)

Products and Services Available to Us from TD Ameritrade

We may recommend TD Ameritrade to you for custody and brokerage services.

TD Ameritrade – Services that May Directly Benefit You: TD Ameritrade’s brokerage services include, but are not limited to, access to a broad range of investment products, execution of securities transactions and custody of your assets. The investment products available through TD Ameritrade include some to which we might not otherwise have access including, but not limited to, certain mutual funds with no transaction fees and certain institutional money managers that are not available to retail investors.

TD Ameritrade – Services that May Not Directly Benefit You: TD Ameritrade also makes available to us other products and services (provided without cost or at a discount) that benefit us but may not directly benefit you. These products and services assist us in managing and administering your accounts. They include, but are not limited to:

- Investment research – this includes both TD Ameritrade’s own research and/or that of third parties. We may use this research to service all or some substantial number of our clients’ accounts, including accounts not maintained at TD Ameritrade.
- Software and other technology
 - provides access to your account data (receipt of duplicate statements and trade confirmations)
 - provides access to a trading desk serving institutional customers
 - provides access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to your accounts)
 - allows the ability to have advisory fees deducted directly from your accounts; and
 - provides access to an electronic communications network for order entry and account information.
- Services to help us manage and further develop our business enterprise
 - business consulting and professional services
 - compliance
 - marketing
 - technology
 - practice management.

As clients of TD Ameritrade, we get access to much of TD Ameritrade’s research and data. We use this as needed, and not with respect to any particular client or group of clients. Some of the products and services made available by TD Ameritrade through the program may benefit us but may not benefit your accounts. These products and services may assist us in managing and administering your accounts, including accounts not maintained at TD Ameritrade.

Other services made available by TD Ameritrade are intended to help us manage and further develop our business enterprise. The benefits received by us or our personnel through participation in the program do not depend on the amount of brokerage transactions directed to TD Ameritrade. As part of our fiduciary duty to you, we endeavor always to put your interests first. You should be aware, however, that the receipt of economic benefits by us or our related persons in and of itself creates a conflict of interest and may indirectly influence our choice of TD Ameritrade for custody and brokerage services. However, investment decisions are made entirely on investment merit, and ancillary services/benefits are not considered.

Item 12 – Brokerage Practices (Continued)

Brokerage for Schwab Client Referrals

We pay Schwab a participation fee on all referred clients' accounts that are maintained in custody at Schwab, with the exception of those accounts that we classify internally as non-managed. The participation fee paid by us is a percentage of the value of the assets in the client's account. We pay Schwab participation fees for as long as the referred clients' accounts remain in custody at Schwab. Participation fees are billed quarterly by Schwab and may be increased, decreased or waived by Schwab from time to time. Participation fees are paid by us and not you. We do not charge clients referred through Schwab any fees or costs greater than the fee or costs we charge anyone else with similar portfolios that were not referred through Schwab.

We generally pay Schwab a non-Schwab custody fee if custody of a referred client's account is not maintained by, or assets in the account are transferred from Schwab. This fee does not apply if the client was solely responsible for the decision not to maintain custody at Schwab. The non-Schwab custody fee is a one-time payment equal to the percentage of the assets placed with a custodian other than Schwab. The non-Schwab custody fee is higher than the participation fees we generally would pay in a single year. Thus, we will have an incentive to recommend that your accounts be held in custody at Schwab. However, our analysis of custodial/brokerage firms is based purely on the quality of the services provided. The choice of these providers is based upon recommendations from the investment and trading teams, who do not consider the overall relationship with Schwab in this process.

The participation and non-Schwab custody fees are based on the amount of assets in your accounts and the accounts of those referred family members living in the same household. Thus, we will have an incentive to encourage your household members referred through Schwab to maintain custody of their accounts and execute transactions at Schwab as well. In this scenario we would instruct Schwab to debit our fees directly from their accounts.

Trades for your accounts held in custody at Schwab may be executed through a different broker-dealer than trades for our other clients whose accounts are custodied elsewhere as we will use outside brokers if we are able to get better execution, or in exchange for research services assuming execution was equivalent. Thus, trades for accounts held in custody at Schwab may be executed at different times and different prices than trades for other accounts that are executed at other broker-dealers.

We may have an incentive to select or recommend a broker-dealer based on our interest in receiving client referrals, rather than on our clients' interest in receiving most favorable execution. Nevertheless, we acknowledge our duty to seek best execution of trades for your accounts.

Directed Brokerage

Empirical may recommend that a client custody their assets at either Schwab or TD Ameritrade, thus effectively directing brokerage through those broker-dealers. Not all advisers recommend that their clients direct brokerage. We may recommend that you direct brokerage to Schwab or TD Ameritrade as that arrangement benefits us in that both Schwab and TD Ameritrade provide us with the aforementioned products and services in exchange for this business. This creates a conflict of interest. However, we believe that Schwab and TD Ameritrade offer the best available brokerage services, and therefore feel comfortable recommending their custodial services to clients. By directing brokerage, transactions may cost you more money as we may be unable to achieve best execution.

Item 12 – Brokerage Practices (Continued)

Unless the client is participating in the aforementioned Empirical Wrap Program at Charles Schwab, TD and Charles Schwab generally do not charge separately for custodial services but are instead compensated by charging commissions or other fees on trades that are either executed through Schwab or TD Ameritrade, or that settle in your Schwab or TD Ameritrade account. The custodian generally charges you a flat dollar amount as a “prime broker” or “trade away” fee for each trade that we have executed by a different broker-dealer but where the securities bought or the funds from the securities sold are deposited (settled) into your Schwab or TD Ameritrade account. These fees are in addition to the commissions or other compensation you pay the executing broker-dealer. In order to minimize your trading costs, we endeavor to have your custodian execute most trades in your account.

In the event you direct us to use a particular broker-dealer, we may be unable to negotiate commissions and may be unable to obtain volume discounts or best execution, and this may cost you more money. In addition, a disparity in commission charges may exist between those charged to clients who direct us to use a particular broker-dealer and those who do not direct us to use a particular broker-dealer. We may trade directed brokerage after non-directed brokerage accounts, and this could potentially make the trades more or less favorable to certain clients.

Aggregation of Orders

We may aggregate orders when performing the same trade across many accounts (including employee accounts). This typically occurs only when we are making a broad change to an investment strategy. Generally, most trading is done at the individual level, considering your specific needs and objectives. When transactions are aggregated, the actual prices applicable to the aggregated transaction will be averaged, and your account will be deemed to have purchased or sold its proportionate share of the securities or instruments involved at the average price obtained.

Item 13 – 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
- Addressing any other financial questions you may have

All taxable accounts are reviewed for tax purposes. Account reviewers include Portfolio Managers, Financial Advisors and Tax Managers

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.

Item 14 – 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.

Empirical receives client referrals from Charles Schwab & Co., Inc. (“Schwab”) through Empirical’s participation in Schwab Advisor Network® (the “Service”). The Service is designed to help investors find an independent investment advisor. Schwab is a broker-dealer independent of and unaffiliated with Empirical. Schwab does not supervise advisers in the Service and has no responsibility for Empirical’s management of clients’ portfolios or Empirical’s other advice or services. Empirical pays Schwab fees to receive client referrals through the Service. Empirical’s participation in the Service raises conflicts of interest described below.

Empirical pays Schwab a Participation Fee on all referred clients’ accounts that are maintained in custody at Schwab and a Non-Schwab Custody Fee on all accounts that are maintained at, or transferred to, another custodian. The Participation Fee paid by Empirical is a percentage of the fees the client owes to Empirical or a percentage of the value of the assets in the client’s account, subject to a minimum Participation Fee. Empirical pays Schwab the Participation Fee for so long as the referred client’s account remains in custody at Schwab. The Participation Fee is billed to Empirical quarterly and may be increased, decreased or waived by Schwab from time to time. The Participation Fee is paid by Empirical and not by the client. Empirical has agreed not to charge clients referred through the Service fees or costs greater than the fees or costs Empirical charges clients with similar portfolios who were not referred through the Service. This Participation Fee may be eliminated or reduced upon approval Schwab’s approval of a fee waiver request made by one of Empirical’s Financial Advisor.

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

The Participation and Non-Schwab Custody Fees will be based on assets in accounts of Empirical’s clients who were referred by Schwab and those referred clients’ family members living in the same household. Thus, Empirical will have incentives to encourage household members of clients referred through the Service to maintain custody of their accounts and execute transactions at Schwab and to instruct Schwab to debit Empirical’s fees directly from the accounts.

For accounts of Empirical’s clients maintained in custody at Schwab, Schwab will not charge the client separately for custody but will receive compensation from Empirical’s clients in the form of commissions or other transaction-related compensation on securities trades executed through Schwab. Schwab also will receive a fee (generally lower than the applicable commission on trades it executes) for clearance and settlement of trades executed through broker-dealers other than Schwab. Schwab’s fees for trades executed at other broker-dealers are in addition to the other broker-dealer’s fees. Thus, Empirical may have an incentive to cause trades to be executed through Schwab rather than another broker-dealer.

Item 14 – Client Referrals and Other Compensation (Continued)

Empirical employees may receive a bonus that is based, in whole or in part, on assets from new accounts.

Empirical nevertheless, acknowledges its duty to seek best execution of trades for client accounts. Trades for client accounts held in custody at Schwab may be executed through a different broker-dealer than trades for Empirical's other clients. Thus, trades for accounts custodied at Schwab may be executed at different times and different prices than trades for other accounts that are executed at other broker-dealers.

Item 15 – Custody

Empirical does not act as custodian and does not take possession of client assets. Under government regulations, we are deemed to have custody of your assets if you authorize us to instruct your custodian to deduct our advisory fees directly from your accounts. Recent SEC guidance also clarified that a standing letter of authorization granting third-party money movement constitutes custody as well. Aside from these scenarios, Schwab, TD Ameritrade and/or an Annuity Provider (as defined in *Item 12 – Brokerage Practices* herein) acts as a qualified custodian for your assets. You will receive at least quarterly statements from the qualified custodian that holds and maintains your accounts. They will be sent to the email or postal address you provided to your custodian. You should carefully review those statements promptly when you receive them. We urge you to compare official custodian account statements to the quarterly account statements that you will receive from us. Our statements may vary slightly from custodian statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

Item 16 – Investment Discretion

Generally, at the outset of an advisory relationship, we receive authority to provide ongoing and continuous discretionary or non-discretionary investment advisory services via a signed investment advisory agreement. Discretionary arrangements give us the ability to select the identity and quantity of securities to be bought or sold, the timing of those trades, and the broker-dealer to be used for such purchase or sale, all without your prior consent. Non-discretionary agreements require that we first obtain your permission prior to executing such transactions in your account. In all cases, however, such discretion or non-discretion is to be exercised in a manner consistent with the stated investment objectives for your account.

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

We do not have investment discretion on linked outside accounts. We will offer advice and recommendations on the linked outside accounts, but it will be your sole responsibility to implement allocation recommendations in these outside accounts linked to us for viewing purposes. These accounts will be deemed “non-managed”.

Item 17 – Voting Client Securities

Unless the client directs otherwise in writing, we are responsible for voting client proxies for most of our clients (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). For these clients, 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 situation, he or she may request 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 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 at compliance@empirical.net. 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.

For certain clients, such as for those who have signed a non-discretionary agreement or those who make specific requests, Empirical does not vote proxies. Such clients shall be responsible for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings, or other type events pertaining to the client's assets. These clients would receive proxies directly from the custodian. If a client has questions about a particular solicitation, the client may contact his or her adviser for advice.

Item 18 – Financial Information

In 2020, due to a loss of income as a result of Covid-19, Empirical received a loan under the Payroll Protection Program. While we do not believe that this financial commitment impairs our ability to meet contractual obligations to our clients, in the interest of providing full disclosure, we are including that information. Empirical has no other financial commitments that may impair our ability to meet our contractual obligations to our clients.