



## **Wrap Fee Program Brochure**

Part 2A, Appendix 1 of Securities and Exchange Commission FORM ADV

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**This wrap fee program brochure (“Wrap 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 Wrap Brochure, please contact us at (206) 923-3474 and/or via email [compliance@empirical.net](mailto:compliance@empirical.net). The information in this Wrap 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](http://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 Wrap Brochure since our last annual update of the Wrap Brochure on March 30, 2020:

- This Wrap Brochure was updated to reflect updates to Fees and Compensation. Specifically, Clients pay Empirical a wrap fee that covers both Empirical's investment advisory services and Schwab's brokerage services. Empirical has entered into an agreement with Schwab to pay Schwab fees for those services. Empirical pays Schwab commissions and other transaction-based fees or asset-based fees in lieu of commissions and other transaction-based fees, and in either case, certain other fees, including prime broker and trade away fees, exchange process fees, and OneSource mutual fund short-term redemption fees. The updates reflect all fees.
- This Wrap 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 to discontinue providing discretionary portfolio management and investment advisory services to this pooled investment vehicle.
- This Wrap Brochure was updated to reflect the firm's new Chief Compliance Officer, Justin Buller, IACCP®, who was hired in January 2021.

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

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. Empirical also sponsors and provides portfolio management services for a wrap fee program that allows eligible client accounts to be charged a single fee covers both Empirical's investment advisory services and Schwab's brokerage services (except as otherwise described in Other Fees Charged section herein).

## **IMPORTANT NOTE ABOUT THIS DISCLOSURE WRAP BROCHURE**

This Wrap 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 Wrap Brochure to current and prospective clients and may also, in its discretion, provide this Wrap 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.

This Wrap Brochure describes investment advisory services and products of Empirical, persons who receive this Wrap 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.

### Item 3 – Table of Contents

## Contents

Item 1 – Cover Page .....	1
Item 2 – Material Changes .....	2
Item 3 – Table of Contents .....	4
Item 4 – Services, Fees and Compensation .....	5
Item 5 – Account Requirements and Types of <i>Clients</i> .....	9
Item 6 – Portfolio Manager Selection and Evaluation .....	9
Item 7 – <i>Client</i> Information Provided to Portfolio Managers .....	12
Item 8 – <i>Client</i> Contact with Portfolio Managers .....	12
Item 9 – Additional Information .....	13

#### Item 4 – Services, Fees and Compensation

This Wrap Brochure describes the services, fees and other information clients may need to consider prior to participating in the wrap fee program (the “Program”) offered by Empirical Wealth Management (“Empirical”, “we”, “us”). The Program allows participating clients to pay a fee which covers portfolio management, and brokerage execution costs (without regard to the number of transactions executed during the billing period) and custodial services provided by Charles Schwab & Co., Inc. (“Schwab”). Empirical has negotiated fees with Schwab, a FINRA /SIPC/NFA qualified custodian who provides us custody, clearing, and execution services. In order to facilitate the Program with its clients, Schwab will forego charging Empirical’s wrap clients commissions for execution of trades in Client Accounts and certain other fees (excluding fees described in the *Other Fees Charged* section herein) and bill those commissions and fees to Empirical.

Additional information about Empirical can be found in SEC Form ADV Part 1A and Part 2A, which can be found at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

#### Types of Advisory Services

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

Clients participating in the Program will be required to execute a written agreement with Empirical and Schwab.

#### Fees and Compensation: Investment Advisory Services

1. Clients participating in the Program will be charged a single “wrap” fee. Below is our general fee schedule, however, fees may be negotiated at Empirical’s sole discretion. The specific way we charge fees is established in your written agreement with us. Specifically, Clients pay Empirical a wrap fee that covers both Empirical’s investment advisory services and Schwab’s brokerage services (excluding fees described in the *Other Fees Charged* section herein). Empirical has entered into an agreement with Schwab to pay Schwab fees for those services. Empirical pays Schwab commissions and other transaction-based fees or asset-based fees in lieu of commissions and other transaction-based fees, and in either case, certain other fees, including prime broker and trade away fees, exchange process fees, and OneSource mutual fund short-term redemption fees.
  - a. The Program, including investment advisory services provided, is sponsored solely by Empirical and not by Schwab. Schwab has no responsibility for the Program or the wrap fees Clients pay Empirical.
  - b. Schwab is acting solely as a broker-dealer, and not an investment advisor, with respect to our Client wrap fee accounts and does not exercise any discretion over or supervise our Client accounts and has no responsibility to monitor Empirical’s activity in our Client accounts. Schwab will act solely on the instructions it receives from Empirical or our Clients.

#### Item 4 – Services, Fees and Compensation (Continued)

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

**Table 1: General Fee Schedule**

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

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

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

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

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 4 – Services, Fees and Compensation (Continued)

Applicable account statements will be furnished solely by Schwab for your Account at Schwab. Schwab Advisor Services (formerly called Schwab Institutional) is a division of Charles Schwab & Co., Inc., and provides back-office brokerage and related services to investment advisors, such as Empirical, and retirement plan providers. Schwab is a registered broker-dealer and is not affiliated with Empirical, whose name appears on the account statement except in the case of Charles Schwab Investment Advisory, Inc. ("CSIA"), Schwab Private Client Investment Advisory, Inc. ("SPCIA"), or an affiliated company that may act as the investment advisor on a fund.

Empirical is independently owned and operated. Schwab neither endorses nor recommends any particular Advisor or its investment strategy and has no responsibility to monitor trading by Empirical in your Account. Empirical provides investment advisory services for your Account. Schwab provides brokerage and custody services for your Account. Schwab has agreements with Empirical under which Schwab provides Empirical with institutional trading, custody and related services, and products. Not all of these products and services may benefit your account, and Schwab may provide them to Empirical on Empirical's commitment to place a certain amount of its clients' assets in brokerage accounts at Schwab within a certain period of time. This commitment could influence Empirical's recommendation or requirement that its clients establish brokerage accounts at Schwab.

Empirical notes, if you receive any other communication from any source other than Schwab which purports to represent your holdings at Schwab (including balances held at a Depository Institution) you should verify its content with your account statement. For AIP (Automatic Investment Plan) Customers: Schwab receives remuneration in connection with certain transactions effected through Schwab. If you participate in a systematic investment program through Schwab, the additional information normally detailed on a trade confirmation will be provided upon request.

In addition, with regard to Dividend Reinvestment Customers: Dividend reinvestment transactions were effected by Schwab acting as a principal for its own account, except for the reinvestment of Schwab dividends, for which an independent broker-dealer acted as the buying agent. Further information on these transactions will be furnished upon written request. For Margin Account Customers you will receive a combined statement of your margin account and special memorandum account maintained for you under Section 220.5 of Regulation T issued by the Board of Governors of the Federal Reserve System. The permanent record of the separate account as required by Regulation T is available for your inspection. Securities purchased on margin are Schwab's collateral for the loan to you. It is important that you fully understand the risks involved in trading securities on margin. These risks are listed in the Firm's ADV Part 2A Brochure Supplement.

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

As Empirical absorbs certain transaction costs for Clients, we may have a financial incentive not to place transaction orders in those accounts since doing so increases the transaction costs. Thus, an incentive exists to place trades less frequently in a wrap fee arrangement. To mitigate the risk of Empirical placing less frequent trades as a way of reducing our costs, the members of the Empirical Investment Committee meets periodically to review portfolio holdings and suggest to the other members any changes that may need to be made.

## Item 4 – Services, Fees and Compensation (Continued)

### Other Fees Charged

The Program covers brokerage execution costs, without regard to the number of transactions executed during the billing period.

The Program does not however include certain account and securities-related costs, including, but not limited to, the fees embedded in the mutual funds, ETFs or annuities in which Clients may be invested. These underlying fees can vary between investments and are deducted directly from invested assets. Further information on these fees can be found in the prospectuses of the underlying funds.

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

- a) Other Broker-Dealers’ Fees. Commissions and other fees for services provided by broker-dealers other than Schwab for transactions that Empirical or our clients have them execute or effect and settle into or from your client account, such as through our use of Schwab’s Prime Brokerage or Trade Away Services. Clients will be responsible for paying any commissions and other fees or compensation charged by broker-dealers other than Schwab. Because Clients will pay Empirical’s wrap fee in addition to any commissions and/or other charges paid to broker-dealers other than Schwab, Clients understand that Empirical may have an incentive to execute transactions for the client’s account through Schwab, and this incentive could, in some circumstances, conflict with Empirical’s duty to seek best execution.
- b) Mutual Fund Operating Fees and Expenses. Fees charged by some mutual fund companies, unit investment trusts (UITs), closed-end funds and other collective investment vehicles, including, but not limited to, fees assessed by the fund but collected for the fund by Schwab such as sales loads (a portion of which are paid to Schwab) and/or charges and short-term redemption fees.
- c) Markups and Markdown, Bid-Ask Spreads, Selling Concessions, etc. Markups and markdowns, bid-ask spreads, selling concessions, and the like received by Schwab in connection with transactions it executes as principal by selling or buying securities to or from clients for its own account. Our clients acknowledge that Schwab may act as principal in executing trades for the wrap fee account. Principal transactions contrast with those in which Schwab acts as agent for clients in effecting trades between the client and a third party. Schwab may make a profit or incur a loss on trades in which it acts as principal. Markups and markdowns and bid-ask spreads are not separate fees, but rather are reflected in the net price at which a trade order is executed.
- d) Margin Interest. If your wrap fee account has a margin feature, margin interest on any margin loans made.



#### Item 4 – Services, Fees and Compensation (Continued)

##### Other Fees Charged (Continued)

- e) Account Activity Fees. Electronic funds and wire transfers fees, certificate delivery fees, and other account activity fees.
- f) Alternative Investment Fees. Custody and setup fees for Alternative Investments (as defined in the Pricing Guide), which includes, without limitation, non-standard assets, non-publicly traded limited partnership interests, foreign securities and non-marketable securities.
- g) Miscellaneous Fees and Costs. Transfer taxes, odd-lot differentials, certificate delivery fees, reorganization fees, fees required by law, and any other fees or charges similar to those described above.

#### Item 5 – Account Requirements and Types of Clients

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

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

#### Item 6 – Portfolio Manager Selection and Evaluation

Empirical is the portfolio manager to the Program. We believe that we are able to offer a suitable option for all of our Clients through our proprietary portfolio management services. In the event that we could not find a suitable option for a Client, we would adhere to our fiduciary duty to suggest a third-party money manager. In implementing our investment strategy, our portfolio managers are executing trades based off of models that are determined by our Investment Committee. We create these models as described below in *Methods of Analysis, Investment Strategies and Risk of Loss*.

In addition, we recommend particular strategies for Clients according to the Clients' various risk tolerances and investment goals as disclosed to us at account opening. If a particular strategy no longer meets the Client's needs and goals, or a Client's needs and goals have changed, we will reassess the appropriateness of the strategy for that Client. In addition, if a particular strategy is no longer producing what we consider to be, in our sole discretion, satisfactory investment returns, we will also review and consider replacing that strategy. To monitor portfolio management performance, we use model performance. Both fund and model performance is benchmarked against appropriate indexes. Our performance information is gathered from fund providers and third-party reporting firms, and we periodically verify that these numbers are consistent across sources.

## **Item 6 – Portfolio Manager Selection and Evaluation (Continued)**

### **Investment Advisory Services**

We do not manage the accounts of Clients in the Program in a different fashion than other advisory accounts. As a portfolio manager to the Program, Empirical will 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 advisor the flexibility to design a portfolio and asset allocation that meets your specific investment needs. We begin by offering a comprehensive financial plan that helps us create a picture of your financial condition as well as learn about your personal financial goals. The plan also acts as a tool that helps you clarify your investment and life objectives. Out of this plan and with your input, an investment strategy and asset allocation decisions are agreed upon. Where we maintain ongoing and continuous discretionary authority for your accounts, portfolios are continuously managed based on your investment objectives.

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.

### **Methods of Analysis, Investment Strategies and Risk of Loss**

Our investment philosophy is based upon Modern Portfolio Theory (MPT). MPT states that assets should be selected based on how they interact with one another, rather than how they perform in isolation. Capital markets are composed of many classes of securities, including stocks and bonds, both domestic and international. A group of securities with shared economic traits is commonly referred to as an asset class. There are several asset classes, all with average price movements that are distinct from one another. Per MPT, investors can benefit by combining the different asset classes in a structured portfolio.

We typically incorporate 12-21 distinct asset classes when building portfolios. When determining which asset classes to use in our model portfolios, we incorporate correlation research conducted by Eugene Fama and Kenneth French dating back to the Great Depression. Our goal is to choose investments that offer good asset class diversification at a low price. We determine the amount to allocate to each asset class based upon each asset class' risk characteristics and the investment goal of the model portfolio. We invest in mutual funds and exchange traded funds ("ETFs") chosen based upon their diversification characteristics, internal expenses and tax efficiency. We often choose institutional funds (investments available only through an investment adviser) and investments that fall in the lowest quartile of expenses for their category. We include in our analysis a multitude of security types including, but not limited to:

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

## **Item 6 – Portfolio Manager Selection and Evaluation (Continued)**

### **Methods of Analysis, Investment Strategies and Risk of Loss (Continued)**

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

Some resources we use include, but are not limited to, fundamental data, cyclical data, research materials prepared by other corporate rating services, annual reports, prospectuses, filings with the SEC, company press releases, financial newspapers and magazines, academic journals and articles as well as historical return information as sources of information and methods of analysis.

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

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

### **Performance-Based Fees and Side-By Side Management**

For certain qualified clients ("Qualified Clients"), not in the Program, we may enter into performance-based fee arrangements. 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 \$2,000,000 assets under management with Empirical to enter into the performance-based fee arrangement.

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.

Additional information about Empirical's performance-based fees can be found in Empirical's Form ADV Part 1A and Part 2A, which can be found at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 6 – Portfolio Manager Selection and Evaluation (Continued)**

### **Voting Client Securities**

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

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

## **Item 7 – Client Information Provided to Portfolio Managers**

Empirical is both your Adviser and your portfolio manager for the Program and does not share the information you provide with other Portfolio Managers. net worth, risk tolerance, and investment objectives. Your portfolio manager uses this information to determine the appropriate asset allocation and to manage your investments. When you update your information with Empirical, your portfolio manager will have immediate access to the same updated information.

## **Item 8 – Client Contact with Portfolio Managers**

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

## **Item 9 – Additional Information**

Investment Advisers to Wrap Fee Programs are required to disclose certain additional information in this section. Information disclosed in this section is taken from Empirical's Form ADV Part 2A.

### **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.

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

Empirical has developed subsidiaries to help meet its clients' various financial needs. Clients participating in the Program will generally pay any expenses incurred when engaging with these related entities directly – such expenses are not included in the wrap fee.

#### **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. Other than this possible discount, additional services provided to the client by Empirical Tax shall not be included as part of the wrap fee and will result in additional c

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 9 – Additional Information (Continued)

### Other Related Entities

#### Secure Legacy Law Group, P.C.

Secure Legacy Law Group, P.C. (“Secure Legacy”) is a separate, independent entity. Empirical refers clients with estate-planning needs to Secure Legacy. 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.

Empirical also manages one private fund, Empirical Alternative Income Fund, LP, which aims to take advantage of non-traditional investments to create a high level of current income along with the opportunity for growth unrelated to public stock markets. The fund qualifies for the exclusion from the definition of an 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.

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## Item 9 – Additional Information (Continued)

### **Code of Ethics and Personal Interest in Client Transactions and Personal Trading**

Employees are bound by Empirical's 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, 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 we 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](mailto:compliance@empirical.net).

We may render any advice or service concerning securities of companies in which any of our supervised persons may have a substantial economic interest, if we either determine in good faith that we may appropriately do so without disclosing such conflict to you or disclose such conflict to you prior to rendering such advice or services with respect to the account. Our supervised persons may also trade securities for their personal accounts identical to or different than those recommended to you or included in the Empirical Alternative Income Fund. These two scenarios present conflict of interests 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 9 – Additional Information (Continued)**

### **Code of Ethics and Personal 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.

### **Review of Accounts**

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

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

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

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

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

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 Empirical 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.



## **Item 9 – Additional Information (Continued)**

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.

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.

### **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.