

Item 1 – Cover Page

Evergreen Wealth Advisory Group, LLC
101 Metro Drive, Suite 650
San Jose, California 95110
(408) 715-7881
www.evergreenwag.com

Date of Brochure: March 2022

This brochure provides information about the qualifications and investment advisory business practices of Evergreen Wealth Advisory Group, LLC. If you have any questions about the contents of this brochure, please contact us at (408) 715-7881. 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 Evergreen Wealth Advisory Group, LLC is also available on the Internet at www.adviserinfo.sec.gov. You can view information on this website by searching for Evergreen Wealth Advisory Group, LLC's name or by searching for the firm's CRD number: 140253.

*Registration as an investment advisor does not imply a certain level of skill or training.

Item 2 – Material Changes

Since our last annual update was filed in February 2021, the following material changes have occurred:

- In March 2021 the firm reached the level of assets under management which allows the firm to move from state registration to registration with the US Securities and Exchange Commission.
- There has been an update to our Assets Under Management, please refer to **Item 4 – Advisory Business** for more information.
- We have made an adjustment to our fee schedule. Please refer to **Item 5 – Fees and Compensation** for more specific information.

We will ensure that you receive a summary of material changes, if any, to this and subsequent disclosure brochures within 120 days after our fiscal year ends. Our fiscal year ends on December 31, so you will receive the summary of material changes, if any, no later than April 30 each year. At that time, we will also offer a copy of the most current disclosure brochure. We may also provide other ongoing disclosure information about material changes as necessary.

Item 3 – Table of Contents

Item 1 – Cover Page	1
Item 2 – Material Changes	2
Item 3 – Table of Contents	3
Item 4 – Advisory Business	5
Ownership	5
General Description of Primary Advisory Services	5
Financial Planning Services (Plans and Consultations)	5
Asset Management Services	5
Specialization	6
Limits Advice to Certain Types of Investments	6
Tailor Advisor Services to Individual Needs of Clients	7
Wrap-Fee Program versus Portfolio Management Program	7
Client Assets Managed by Advisor	7
Item 5 – Fees and Compensation	7
Financial Planning Services	7
Written Plans	7
Consultation Services	10
Fees	10
Termination of Planning Services	11
EMoney Advisor	11
Asset Management Services	12
Additional Compensation	13
Comparable Services	14
Item 6 – Performance-Based Fees and Side-By-Side Management	14
Item 7 – Types of Clients	14
Minimum Investment Amounts Required	14
Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss	15
Methods of Analysis	15
Fundamental	15
Technical	15
Investment Strategies	16
Risk of Loss	16
Primary Recommend One Type of Security	17
Item 9 – Disciplinary Information	17
Item 10 – Other Financial Industry Activities and Affiliations	18
Securities Sales	18
Insurance Sales	18
Item 11 – Code of Ethics, Participation in Client Transactions and Personal Trading	19
Code of Ethics	19
Participation in Client Transactions and Personal Trading	19
Item 12 – Brokerage Practices	20
Securities America, Inc.	20
Soft Dollar	22
Handling of Trade Errors	23
Block Trades	23
Item 13 – Review of Accounts	23

Account Reviews.....	23
Account Reports.....	24
Item 14 – Client Referrals and Other Compensation	24
Item 15 – Custody.....	24
Item 16 – Investment Discretion	25
Item 17 – Voting Client Securities	25
Item 18 – Financial Information.....	25

Item 4 – Advisory Business

Ownership

Evergreen Wealth Advisory Group, LLC (“Advisor” or “we”) was approved as an investment advisor in May 2006. We are a California limited liability company and principal member (owner) is Victor G. Cheng.

General Description of Primary Advisory Services

We offer personalized investment advisory services including financial planning and asset management. The following are brief descriptions of our primary services. A detailed description is provided in **Item 5, Fees and Compensation**, so that clients and prospective clients (“clients” or “you”) can review the services and description of fees more thoroughly.

Financial Planning Services (Plans and Consultations)

Financial planning can be described as helping individuals determine and set their long-term financial goals, through investments, tax planning, asset allocation, risk management, retirement planning and other areas. The role of a financial planner is to find ways to help clients understand their overall financial situation and help them set financial objectives.

We offer advisory services in the form of financial plans and consultations. These services do not involve actively managing your accounts. Instead, comprehensive planning services focus on your overall financial situation. Modular planning services and consultations focus on specific areas of concern to you.

Asset Management Services

Advisor offers asset management services, which involves Advisor providing you with continuous and ongoing supervision over your specified accounts. We the Evergreen Wealth Advisory Group Managed Account Program (EWAG Managed), Please refer to item 5 for more information.

You must appoint our firm as your investment adviser of record on specified accounts (collectively, the “Account”). The Account consists only of separate account(s) held by qualified custodian(s) under your name. The qualified custodians maintain physical custody of all funds and securities of the Account, and you retain all rights of ownership (e.g., right to withdraw securities or cash, exercise or delegate proxy voting and receive transaction confirmations) of the Account.

The Account is managed by us based on your financial situation, investment objectives and risk tolerance. We actively monitor the Account and provide advice regarding buying, selling, reinvesting or holding securities, cash or other investments of the Account.

We will need to obtain certain information from you to determine your financial situation and investment objectives. You will be responsible for notifying us of any updates regarding your financial situation, risk tolerance or investment objective and whether you wish to impose or modify existing investment restrictions; however, we will contact you at least annually to discuss any changes or updates regarding your financial situation, risk tolerance or investment objectives. We are always reasonably available to consult with you relative to the status of your Account. You have the ability to impose reasonable

restrictions on the management of your accounts, including the ability to instruct us not to purchase certain securities.

It is important that you understand that we manage investments for other clients and may give them advice or take actions for them or for our personal accounts that is different from the advice we provide to you or actions taken for you. We are not obligated to buy, sell or recommend to you any security or other investment that we may buy, sell or recommend for any other clients or for our own accounts.

Conflicts may arise in the allocation of investment opportunities among accounts that we manage. We strive to allocate investment opportunities believed to be appropriate for your account(s) and other accounts advised by our firm among such accounts equitably and consistent with the best interests of all accounts involved. However, there can be no assurance that a particular investment opportunity that comes to our attention will be allocated in any particular manner. If we obtain material, non-public information about a security or its issuer that we may not lawfully use or disclose, we have absolutely no obligation to disclose the information to any client or use it for any client's benefit.

Specialization

We specialize in portfolio construction and investment management and have also developed specialized planning capabilities in the following areas: stock option related, income tax related, executive compensation related, small business related and estate planning related.

Limits Advice to Certain Types of Investments

We offer investment advice to clients on the following types of investments:

- Exchange-listed securities
- Securities traded over-the-counter
- Foreign issues
- Warrants
- Corporate debt securities (other than commercial paper)
- Commercial paper
- Certificates of deposit
- Municipal securities
- Variable life insurance
- Variable annuities
- Mutual fund shares
- United States government securities
- Option contracts on securities
- Interests in partnerships investing in real estate and oil and gas interests

We reserve the right to offer advice on any investment product that may be suitable for each client's specific circumstances, needs, goals and objectives. Please refer to **Item 8, Methods of Analysis, Investment Strategies and Risk of Loss** for more information.

Tailor Advisor Services to Individual Needs of Clients

Our services are always provided based on your specific needs. You have the ability to impose restrictions on your accounts, including specific investment selections and sectors. However, we will not enter into an investment advisor relationship with a prospective client whose investment objectives may be considered incompatible with our investment philosophy or strategies or where the prospective client seeks to impose unduly restrictive investment guidelines.

Wrap-Fee Program versus Portfolio Management Program

In traditional management programs, advisory services are provided for a fee, but transaction services are billed separately on a per-transaction basis. In wrap-fee programs, advisory services (including portfolio management or advice regarding selecting other investment advisors) and transaction services are provided for one fee.

We do not offer services through a wrap-fee management program.

Client Assets Managed by Advisor

The amount of client's assets managed by Advisor totaled \$124,918,098 as of December 31, 2021, with \$98,471,604 managed on a discretionary basis and \$26,446,494 managed on a non-discretionary basis.

Item 5 – Fees and Compensation

In addition to the information provide in **Item 4, Advisory Business**, this section provides details regarding our services along with descriptions of each service's fees and compensation arrangements.

Financial Planning Services

Written Plans

We and our investment advisor representatives ("representatives") provide financial planning services, pursuant to a written service agreement, to an affluent clientele. Our financial planning services are focused on specific areas and are based upon your individual financial situation and personal or business objectives. The degree of detail and sophistication of the financial planning services contracted for varies according to your individual circumstances. You receive a written summary of the work undertaken, and plans are completed within six months of contract date.

Our representatives meet with you to gather all information necessary to understand your financial situation. The information we gather includes your current financial status, future goals and objectives and attitudes towards risk. We rely on the information provided by you. Therefore, it is very important that the information you provide is complete and accurate. We are not responsible for verifying the information supplied by you or your other professional consultants (i.e., attorney, accountant, etc.). We also request that you notify us if there is ever a change in your financial situation or investment objectives so that we can review, evaluate and/or revise any prior recommendations made or services provided. Our services do not include legal or tax advice. We urge you to work closely with your attorney, accountant or other professional consultants regarding your financial and personal situation.

Once the information and documents you provide are reviewed, we make our analysis and observations based upon your current financial circumstances. Problems are identified and specific financial planning strategies are recommended and presented to you in a written report.

If you are dissatisfied with the focus or specificity of the financial plan, you can request that we make appropriate changes. Your written request must be made within ten days of the date we deliver the plan to you. Changes are made at no additional charge or, at our sole discretion, a full or partial refund of prepaid paid is made to you.

One or more of the following areas are addressed in your financial plan.

Personal Financial Planning

- **Estate Planning.** During the estate planning process, our representatives provide investment advice with the intention for you to make informed decisions with respect to property ownership, distribution of assets, estate tax reduction and tax payments. Based on your current situation and your future goals, our representatives review your current estate plan, discuss the estate planning techniques and suggest alternative strategies when appropriate. The estate planning process involves a discussion of gifting, trust implementation, wills, etc., and the disposition of business interests. Tax consequences and their implications are also identified and evaluated.
- **Investment planning.** During the investment planning process, our representatives evaluate your existing investments, analyze current economic circumstances and tax characteristics and review your risk tolerance. This process includes an analysis of your current asset allocation and investment income. Tax consequences and tax implications are also identified and evaluated. Once your current situation has been reviewed, our representatives recommend strategies and investment accumulation techniques. The strategies and techniques recommended are designed to assist you in selecting the appropriate asset allocation strategy necessary to meet your investment objectives and may provide you with investment categories considered by our representatives to be suitable for you. The strategies and techniques outlined in the investment plan are designed to assist you in achieving your stated investment goals at the most appropriate risk level for you. In certain situations (i.e., charitable organization clients, high family aggregate assets) our representatives include a written Investment Policy Statement as part of the investment plan, which states your needs and goals and encompasses a policy under which these goals can be achieved. The Investment Policy Statement also lists the criteria for selecting investment vehicles and the procedures and time interval for monitoring the investment performance.
- **Income tax planning.** Strategies to maximize after-tax cash flow by conducting an in-depth analysis of your current income tax situation are key to enhancing financial efficiency. The tax impact of various financial strategies, including your investment asset allocation, income generation, tax classification of assets, trust and business entities and stock option exercise program, are considered and evaluated. For business owners, the impact of corporate transactions is quantified and strategies are designed to minimize total income tax liability and maximize retained wealth.

- Retirement planning. The retirement planning process includes an analysis of your current situation, a written discussion about alternative planning strategies and techniques that can be used to assist you in accumulating wealth for retirement income or in the appropriate distribution of assets following retirement. Tax consequences and tax implications are identified and evaluated.

Business Owner Planning

- Business Succession Planning. The business succession planning process includes an analysis of the current state of the business and goals. Once the current state of the business and the goals for the future of the business are determined, alternatives and strategies addressing the continuity or disposition of the business upon the business owner's retirement, death, disability or decision to sell are provided. Tax consequences and their implications are also identified and evaluated.
- Executive Compensation Planning. The focus of executive compensation planning is the analysis and recommendation of various compensation strategies to attract, retain and reward key employees of the business. This planning may also include the business owner as well. Objectives of the business owner and the financial and legal structure of the business are reviewed and taken into account in the analysis and recommendations. Tax consequences and tax implications are identified and evaluated. In all matters, our planning services are analytical and advisory only, and do not include any legal, accounting or other professional services.
- Executive Financial Services. From time to time, we may contract with businesses and/or associations to provide financial planning services to their executives, partners, members and/or directors. In these instances, each individual is provided with a personal financial plan as described above. Fees charged are calculated based upon the same criteria as the personal financial planning fees described in the Planning Fees section. Fees are paid by the business or the association.
- Non-Qualified Deferred Compensation Planning. We offer financial planning services to clients with regard to non-qualified benefits planning. Such plans are summarized for you in a written document, which reflects your current situation and an analysis of alternative ways to accomplish your objectives. With respect to a non-qualified deferred compensation program, the analysis contains alternative methods to informally "fund" the program, including an overview of the accounting treatment of such alternative methods within the program and a recommendation as to the appropriate method of "funding" for that employee.

Renewal Plans

Financial planning services terminate upon completion of services. We recommend that your financial situation be reviewed and updated at least annually. After the first anniversary of your initial contract, you may elect to have a written summary prepared or have our representatives provide additional financial planning services. If you elect this review and update, you must sign a new client agreement and additional fees are charged.

Consultation Services

Consultation services are provided on a more limited basis than services included when providing a full financial plan. Your consultation services may be limited to an isolated area or specific area(s) of concern. Consultation services are offered to clients wishing to receive general investment advice or guidance relating to one or more of the following areas:

- A review of your current investment portfolio and a discussion of a generic investment portfolio or investments not involving any specific investment recommendations.
- A review of a new or current issue regarding a portion of your current plan, addressing one or more of the following areas: estate planning, retirement planning, investment planning, business succession planning or college planning.

We review all relevant materials pertaining to your specific consultation and then provide a consultation reflecting your current financial circumstances, personal objectives and recommendations for you to consider. Consultation services are limited to the advice given and the information discussed during the single consultation and any related follow up. They do not include an in-depth financial plan. Services terminate upon completion of the requested services. Our representatives do not have the authority to reallocate, rebalance or trade your accounts reviewed under this service. You have the ultimate authority to implement any recommendations provided by us. If you wish a more detailed financial plan you should enter into a financial planning relationship with us.

Fees

Planning fees are charged according to various factors, such as your income and net worth and the complexity of your assets. Fees depend upon whether the service is made available by an employer as an employee benefit and/or whether the fee is for a new contract, a renewal of an existing contract or for an on-going service contract. All planning fees are based on the specific planning services provided to you and the complexity of your financial situation and goals.

Personal and Business Owner Financial Planning Fees

Fees are billed at a fixed rate and range from \$1,500 to \$30,000. Fees are negotiable based on your financial situation, the actual services contracted for and possible on-going advisory fees received from your managed accounts. A retainer of up to the total quoted fee is usually due when the client agreement is signed. We do not require prepayment of more than \$500 more than six months in advance. The balance of the fee, if any, is payable upon delivery of the financial plan to you.

Because situations affecting the planning process may change, fees may be re-negotiated and adjusted with your consent. Based on your individual financial situation and personal or business objectives, financial planning services may be provided in separate phases with a different fee charged for each phase. In this case, the individual phases and applicable fees are based on the various components of the planning process, such as data collection and definition of objectives, and recommendations on specific areas in which you require planning services.

Client Consultation Fees

A fixed fee is charged for the consultation services provided and is specified in the client agreement. The fixed fee is calculated by multiplying an hourly rate times the number of hours estimated to complete the services. The hourly rate ranges from \$85 to \$550 per hour, depending on the complexity of your situation and your relationship (if any) to or referral from an existing client. This fee is disclosed to you prior to any services being provided. It cannot be paid as a retainer for future services to be provided.

Termination of Planning Services

Financial planning services terminate upon presentation of the plan to you or completion of the requested consultations. Termination is effective immediately. Services can be terminated without penalty, at your discretion, within five business days after signing the client agreement and we refund any prepaid fees. After five business days have passed, no prepaid fees are refunded.

If you are dissatisfied with the focus or specificity of the plan, we make appropriate changes to the plan at no additional cost. We make up to three major changes but there is no limit on minor revisions requiring less than 1 hour to complete. If you continue to be dissatisfied with the plan we may, at our sole discretion, refund part or all of the fee paid.

eMoney Advisor

If you contract for on-going financial planning services, you may also elect to utilize the services available through eMoney Advisor, an on-line database repository and application site. You can choose from a variety of programs available on the password protected site, including:

- Repository for scanned documents (e.g., financial plans, deeds, wills, trusts, insurance policies, etc.)
- Account aggregation (multiple custodian statements consolidated in one location with balance statements updated nightly)
- Personalized home page, profile grid and financial snapshots
- Interactive planning tools and simulations
- Multimedia planning tutorials
- Printable reports on financial status

If you are a new client electing to utilize this service, you are charged a one-time \$250 aggregation fee that is due and payable upon signing the agreement for services. Depending on the eMoney Advisor programs selected, fees can range from \$500 to \$1,500 per year, payable semi-annually in advance upon receipt of our billing notice. In no event are clients charged more than \$1,200 more than six months in advance. At our discretion, fees for this service may be waived (i.e., if you contract for additional advisory services with us).

Either party may terminate eMoney Advisor services by submitting written notice to all appropriate parties. If services are terminated within five business days of executing the client agreement, services are terminated without penalty. As eMoney Advisor services are licensed subscriptions, no fees are refunded after the initial five business day period if the services are terminated.

Asset Management Services

Evergreen Wealth Advisory Group Managed (EWAG Managed)

The EWAG Managed program has been developed by Evergreen Wealth Advisory to directly manage client accounts using the services of Fidelity Institutional Wealth Services ("Fidelity") as the account custodian. Fees charged for our asset management services are charged based on a percentage of assets under management, billed forward (at the beginning of the billing period) on a quarterly calendar basis and calculated based on the fair market value of your account as of the last business day of the current billing period. Fees are prorated (based on the number of days service is provided during the initial billing period) for your account opened at any time other than the beginning of the billing period. If asset management services are commenced in the middle of the billing period, then the prorated fee for that billing period will be billed forward at the beginning of that billing period.

The asset management services continue in effect until terminated by either party (i.e., Advisor or you) by providing written notice of termination to the other party. When fees are billed in arrears, Advisor will prorate the final fee payment based on the number of days services are provided during the final period. The amount of client assets on the termination date will be used to determine the final fee payment.

Fees charged for our asset management services are negotiable based on the type of client, the complexity of the client's situation, the composition of the client's account (i.e., equities versus mutual funds), the potential for additional account deposits, the relationship of the client with the investment adviser representative, and the total amount of assets under management for the client.

For our asset management services, client will be charged the following annual fee based upon the amount of assets under management broken down in to 2 options:

For Account with Less than \$2 Million in Asset Under Management:

<u>Assets Under Management</u>	<u>Annual Fees</u>
\$0 – \$299,999	1.100%
\$300,000 – \$749,999	0.900%
\$750,000 – \$1,499,999	0.850%
\$1,500,000 – \$2,000,000	0.750%

For accounts with Over \$2 Million in Assets Under Management:

<u>Assets Under Management</u>	<u>Annual Fees</u>
\$2,000,000 to \$2,999,999	0.750%
\$3,000,000 to 3,999,999	0.700%
\$4,000,000 to \$4,999,999	0.650%
\$5,000,000 to \$5,999,999	0.600%
\$6,000,000 to \$6,999,999	0.550%
\$7,000,000 and Above	0.500%

The actual asset management fee to be charged will be specified in your client agreement.

Advisor believes that its annual fee is reasonable in relation to: (1) services provided and (2) the fees charged by other investment advisers offering similar services/programs. However, our annual investment advisory fee may be higher than that charged by other investment advisers offering similar

services/programs. In addition to our compensation, you may also incur charges imposed at the mutual fund level (e.g., advisory fees and other fund expenses).

You can choose how to pay your investment advisory fees. The investment advisory fees can be deducted from your account and paid directly to our firm by the qualified custodian(s) of your account or you can pay our firm upon receipt of a billing notice sent directly to you.

If you choose to have the investment advisory fees deducted from your account, you must authorize the qualified custodian(s) of your account to deduct fees from your account and pay such fees directly to Advisor.

You should review your account statements received from the qualified custodian(s) and verify that appropriate investment advisory fees are being deducted. The qualified custodian(s) will not verify the accuracy of the investment advisory fees deducted.

If you choose to pay the fees after receiving a statement, fees are due upon your receipt of a billing notice sent directly to you. The billing notice will detail the formula used to calculate the fee, the assets under management and the time period covered. Fees for the services of our firm will be due immediately after your receipt of the billing notice.

Brokerage commissions and/or transaction ticket fees charged by the qualified custodian are billed directly to you by the qualified custodian. Advisor does not receive any portion of such commissions or fees from you or the qualified custodian. In addition, you may incur certain charges imposed by third parties other than Advisor in connection with investments made through your account including, but not limited to, mutual fund sale loads, 12(b)-1 fees and surrender charges, variable annuity fees and surrender charges, IRA and qualified retirement plan fees, and charges imposed by the qualified custodian(s) of your account. Management fees charged by Advisor are separate and distinct from the fees and expenses charged by investment company securities that may be recommended to you. A description of these fees and expenses are available in each investment company security's prospectus.

Additional Compensation

You have sole discretion about whether or not to contract for our services. In addition, you have sole discretion about whether or not to implement any recommendations made by our representatives. If you do decide to implement recommendations, you are responsible for taking any actions or implementing any transactions required. You are free to select any broker/dealer and/or insurance agent to implement our recommendations.

You should be aware that our representatives are also registered representatives of Securities America, Inc., a registered broker/dealer and member of FINRA/SIPC. In this separate capacity, they can receive a commission for selling securities products. This is a conflict of interest. As a registered representative, they may sell mutual funds and receive 12(b)-1 fees in addition to commissions. The 12(b)-1 fees, named after a section of the *Investment Company Act of 1940*, are annual marketing or distribution fees and considered an operational or administrative expense. The fees are included as a part of the mutual fund's total expense ratio and paid from fund assets. Therefore, the fees come indirectly from your account. Every mutual fund prospectus includes a description of the fund's fees and expenses. Receiving 12(b)-1 fees represents an incentive for a registered representative to recommend funds with 12(b)-1 fees or with higher 12(b)-1 fees than funds with no fees or lower fees. This is also a conflict of interest. Our representatives will only recommend mutual funds to clients if those funds are suitable for you and appropriate to help fulfill your objectives.

In addition, our representatives are also independently licensed as insurance agents and sell insurance products to any client. The representatives can earn commissions when selling insurance products in this separate capacity. This is a conflict of interest, since any commissions earned could be in addition to advisory fees earned in their capacity as an investment advisor representative.

Please see **Item 10, Other Financial Activities and Affiliations**, and **Item 12, Brokerage Practices**, for additional discussion on these conflicts of interest.

From time to time, we may receive expense reimbursement for travel and/or marketing expenses from distributors of investment and/or insurance products. Travel expense reimbursements are typically a result of attendance at due diligence and/or investment training events hosted by product sponsors. Marketing expense reimbursements are typically the result of informal expense sharing arrangements in which product sponsors may underwrite costs incurred for marketing such as advertising, publishing and seminar expenses. Although receipt of these travel and marketing expense reimbursements are not predicated upon specific sales quotas, the product sponsor reimbursements are typically made by those sponsors for whom sales have been made or it is anticipated sales will be made. Both we and our representatives endeavor at all times to put your interests first as a part of our fiduciary duty. However, you should be aware that receiving additional compensation through nominal sales awards, expense reimbursements, etc. creates a conflict of interest that may impact the judgment of our representatives when making advisory recommendations.

Comparable Services

We believe our fees for advisory services are reasonable with respect to the services provided and the fees charged by other investment advisors offering similar services. However, lower fees for comparable services may be available from other sources.

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

Performance-based fees are defined as fees based on a share of capital gains on or capital appreciation of the assets held in a client's account. We do not receive performance-based fees.

Item 7 – Types of Clients

We generally provide investment advice to individuals (including high-net worth individuals) and to trusts, estates or charitable organizations.

Minimum Investment Amounts Required

The minimum investment amount for establishing and maintaining a EWAG Managed Account is \$1,000,000, although exceptions may be granted to this minimum upon request (i.e., when household aggregate accounts under management total more than \$2,000,000).

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

Methods of Analysis

We use fundamental and technical and charting analysis when considering investment strategies and recommendations for clients.

Fundamental

Fundamental analysis is a method of evaluating a company or security by attempting to measure its intrinsic value. In other words, fundamental analysts try to determine its true value by looking at all aspects of the business, including both tangible factors (e.g., machinery, buildings, land, etc.) and intangible factors (e.g., patents, trademarks, “brand” names, etc.). Fundamental analysis also involves examining related economic factors (e.g., overall economy and industry conditions, etc.), financial factors (e.g., company debt, interest rates, management salaries and bonuses, etc.), qualitative factors (e.g., management expertise, industry cycles, labor relations, etc.), and quantitative factors (e.g., debt-to-equity and price-to-equity ratios).

The end goal of performing fundamental analysis is to produce a value that an investor can compare with the security's current price in hopes of figuring out what sort of position to take with that security (underpriced = buy, overpriced = sell or short). This method of security analysis is considered to be the opposite of technical analysis. Fundamental analysis is about using real data to evaluate a security's value. Although most analysts use fundamental analysis to value stocks, this method of valuation can be used for just about any type of security.

Technical

This method of evaluating securities analyzes statistics generated by market activity, such as past prices and volume. Technical analysts do not attempt to measure a security's intrinsic value, but instead use charts and other tools to identify patterns that can suggest future activity. Technical analysts believe that the historical performance of stocks and markets are indications of future performance.

There are risks involved in both of these methods. Fundamental analysis takes a long-term approach to analyzing markets, often looking at data over a number of years. The data reviewed is released over years (e.g., quarterly financial statements). Technical analysis uses a shorter timeframe—often weeks or days. The price and volume data reviewed is released on a daily basis. Therefore, fundamental analysis could mean a gain is not realized until a security's market price rises to its “correct” value over the long run—perhaps several years.

As a general statement, technical analysis is used for a trade while fundamental analysis is used for an investment. It could also be said that traders buy assets they believe they can sell to someone else at a greater price while investors buy assets they believe will increase in value. The frequency of trading securities using technical analysis could have both a positive or negative impact and could also lead to increased brokerage and transaction costs, thus lowering performance. The less frequent trading practices of fundamental analysis could also have a positive or negative impact on a client's portfolio value, but likely has reduced brokerage and transaction costs.

Investment Strategies

When implement investment advice, our investment strategies include:

- Long term purchases (Investments held at least a year)
- Short term purchases (Investments sold within a year)
- Margin transactions (Investor pays for part of the purchase and borrows the rest from a brokerage firm; e.g., investor buys \$5,000 worth of stock in a margin account by paying for \$2,500 and borrowing \$2,500 from a brokerage firm. Clients cannot borrow stock from Advisor.)
- Option writing (Including covered options, uncovered options or spreading strategies.) (Note: options are contracts giving the purchaser the right to buy or sell a security, such as stocks, at a fixed price within a specific period of time.)

We gather information from financial newspapers and magazines, research materials prepared by others, corporate rating services, annual reports, prospectus and other filings with the Securities and Exchange Commission and company press releases.

Risk of Loss

Investing in securities involves a risk of loss that you should be prepared to bear, including loss of your original principal. However, you should be aware that past performance of any security is not necessarily indicative of future results. Therefore, you should not assume that future performance of any specific investment or investment strategy will be profitable. We do not provide any representation or guarantee that your goals will be achieved. Further, depending on the different types of investments, there may be varying degrees of risk:

- **Market Risk.** Either the market as a whole, or the value of an individual company, goes down, resulting in a decrease in the value of client investments. This is referred to as systemic risk.
- **Equity (Stock) Market Risk.** Common stocks are susceptible to fluctuations and to volatile increases/decreases in value as their issuers' confidence in or perceptions of the market change. Investors holding common stock (or common stock equivalents) of any issuer are generally exposed to greater risk than if they hold preferred stock or debt obligations of the issuer.
- **Company Risk.** There is always a certain level of company or industry specific risk when investing in stock positions. This is referred to as unsystematic risk and can be reduced through appropriate diversification. There is the risk that a company may perform poorly or that its value may be reduced based on factors specific to it or its industry (e.g., employee strike, unfavorable media attention).
- **Options Risk.** Options on securities may be subject to greater fluctuations in value than investing in the underlying securities. Purchasing and writing put or call options are highly specialized activities and involve greater than ordinary investment risk. Puts and calls are the right to sell or buy a specified amount of an underlying asset at a set price within a set time.
- **Fixed Income Risk.** Investing in bonds involves the risk that the issuer will default on the bond and be unable to make payments. In addition, individuals depending on set amounts of

periodically paid income face the risk that inflation will erode their spending power. Fixed-income investors receive set, regular payments that face the same inflation risk.

- **ETF and Mutual Fund Risk.** ETF and mutual fund investments bear additional expenses based on a pro-rata share of operating expenses, including potential duplication of management fees. The risk of owning an ETF or mutual fund generally reflects the risks of owning the underlying securities held by the ETF or mutual fund. Clients also incur brokerage costs when purchasing ETFs.
- **Management Risk.** Your investments also vary with the success and failure of our investment strategies, research, analysis and determination of portfolio securities. If our strategies do not produce the expected returns, the value of your investments will decrease.

When you purchase securities, you may pay for the securities in full or borrow part of the purchase price from your account custodian or clearing firm. If you borrow part of the purchase price, then you are engaging in margin transactions and there is risk involved with this. The securities held in your margin account are collateral for the custodian or clearing firm that loaned you the money. If those securities decline in value, then the value of the collateral supporting your loan also declines. As a result, the brokerage firm is required to take action in order to maintain the necessary level of equity in your account. The brokerage firm may issue a margin call and/or sell other assets in your account.

It is important that you fully understand the risks involved in trading securities on margin, including:

- You can lose more funds than you deposit in your margin account
- The account custodian or clearing firm can force the sale of securities or other assets in your account
- The account custodian or clearing firm can sell your securities or other assets without contacting you
- You are not entitled to choose which securities or other assets in your margin account may be liquidated or sold to meet a margin call
- The account custodian or clearing firm may move securities held in your cash account to your margin account and pledge the transferred securities
- The account custodian or clearing firm can increase its "house" maintenance margin requirements at any time and are not required to provide you advance written notice
- You are not entitled to an extension of time on a margin call

Primary Recommend One Type of Security

We do not recommend any specific security to clients. Instead, we recommend any product that may be suitable for each client relative to their specific circumstances and needs.

Item 9 – Disciplinary Information

We have no legal or disciplinary events that are material to your evaluation of our business or the integrity of our management. Therefore, this item is not applicable to our brochure.

Item 10 – Other Financial Industry Activities and Affiliations

We are not and do not have a related person that is:

- A broker/dealer, municipal securities dealer or government securities dealer or broker
- An investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or “hedge fund,” and offshore fund)
- An investment adviser or financial planner
- A futures commission merchant, commodity pool operator or commodity trading advisor
- A banking or thrift institution
- Accountant or accounting firm
- An insurance company or agency
- A lawyer or law firm
- A pension consultant
- A real estate broker or dealer
- A sponsor or syndicator of limited partnerships

We are an independent registered investment registered advisor and only provide investment advisory services. We are not engaged in any other business activities and offer no other services except those described in this Disclosure Brochure. However, while we do not sell products or services other than investment advice, our representatives may sell other products or provide services outside of their role as investment advisor representatives with us.

Securities Sales

Our representatives are also registered representatives of Securities America, Inc. You can engage them in this separate capacity to render securities brokerage services under a commission arrangement. Our representatives may have a financial incentive to recommend that a financial plan be implemented using a certain product or service. This is a conflict of interest because they could receive commissions in their capacity as a registered representative and could also receive advisory fees in their capacity as an investment advisor representative.

You are under no obligation to use the services of our representatives in this separate capacity or to use Securities America, Inc. and can select any broker/dealer you wish to implement securities transactions. If you select our representatives to implement securities transactions in their separate capacity as registered representatives, they must use Securities America, Inc. Prior to effecting any transactions, you are required to enter into a new account agreement with Securities America, Inc. The commissions charged by Securities America, Inc. may be higher or lower than those charged by other broker/dealers. In addition, the registered representatives may also receive additional ongoing 12b-1 fees for mutual fund purchases from the mutual fund company during the period that you maintain the mutual fund investment.

Insurance Sales

Some of our representatives are also independently licensed to sell insurance products through various insurance companies. When acting in this capacity, they may receive fees or commissions for selling these products. You are under no obligation to direct insurance transactions to insurance companies with

which our representatives may be licensed. Suitable insurance and investment products may be available from other companies.

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

Code of Ethics

According to the *Investment Advisers Act of 1940*, an investment advisor is considered a fiduciary. As a fiduciary, it is an investment advisor's responsibility to provide fair and full disclosure of all material facts. In addition, an investment advisor has a duty of utmost good faith to act solely in the best interest of each of its clients. We and our advisory representatives have a fiduciary duty to all clients. We have established a Code of Ethics which all representatives and associated persons must read. They must then execute an acknowledgement agreeing that they understand and agree to comply with our Code of Ethics. Our fiduciary duty to clients is considered the core underlying principle for our Code of Ethics and represents the expected basis for all dealings with clients. We have the responsibility to make sure that the interests of clients are placed ahead of our own or of our representatives' own investment interests. All advisory representatives will conduct business in an honest, ethical and fair manner. All advisory representatives will comply with all federal and state securities laws at all times. We provide full disclosure of all material facts and conflicts of interest to clients prior to services being conducted. All advisory representatives have a responsibility to avoid circumstances that might negatively affect or appear to affect their duty of complete loyalty to clients. This section is only intended to provide current clients and potential clients with a description of our Code of Ethics. If current clients or potential clients wish to review our Code of Ethics in its entirety, a copy may be requested from any of our representatives and it is promptly provided.

Some of our representatives are also Certified Financial Planners™ (CFP®) and abide by the Code of Ethics and Responsibility Code of the Certified Financial Planner™ Board of Standards, Inc. The Code of Ethics and Responsibility Code requires CFP® designees to not only comply with all applicable laws and regulations but to also act in an ethical and professional responsible manner in all professional services and activities. The principles guiding CFP® designees are:

- Integrity
- Objectivity
- Competence (in providing services and maintaining knowledge and skills to do so)
- Fairness (to clients, principals, partners and employers and disclosing any conflicts of interest in providing services)
- Confidentiality (keeping all client information confidential without the specific client consent unless in response to legal process or in defense of charges of wrongdoing or civil dispute)
- Professionalism
- Diligence

You can obtain a copy of the Code of Ethics and Responsibility Code by requesting a copy from us.

Participation in Client Transactions and Personal Trading

Both we and our representatives may buy or sell securities or have an interest or position in a security for our personal accounts that is also recommend to clients. We are and will continue to be in compliance

with both state and federal rules. As these situations represent a conflict of interest, it is our policy that no associated persons will prefer his or her own interest to that of the advisory client. No person employed by us may purchase or sell any security prior to a transaction or transactions being implemented for an advisory account. Associated persons will not buy or sell securities for their personal account(s) where their decision is derived, in whole or in part, by information obtained as a result of his/her employment unless the information is also available to the investing public upon reasonable inquiry. We maintain a list of all securities holdings for ourselves that is reviewed on a regular basis by a principal of the firm. This log is available for client review upon request.

Item 12 – Brokerage Practices

Securities America, Inc.

If you elect to implement our advice, you are free to select any broker you wish. If you elect to have our representatives implement the advice in their capacity as registered representative then our representatives' broker/dealer, Securities America, Inc. ("SAI") will be used.

Not all investment advisors require the use of a particular broker/dealer. Some investment advisors allow their clients to pick which broker/dealer the client uses. However, in order to provide efficient services and based on the arrangement with SAI, we require the use of SAI when opening an account through our programs. We are limited in the broker/dealer or custodians we are allowed to use due to our relationship with SAI. SAI may limit or restrict the broker/dealer or custodial platforms for its registered representatives that are also independently licensed due to its duty to supervise the transactions implemented by these individuals.

Because our representatives are registered representatives of SAI, they are required to use the services of SAI and SAI's approved clearing broker/dealers when acting in their capacity as registered representatives. SAI serves as the introducing broker/dealer. All accounts established through SAI are cleared and held through National Financial Services, LLC. SAI has a wide range of approved securities products for which it performs due diligence prior to selection. SAI's registered representatives are required to adhere to these products when implementing securities transactions through SAI. Commissions charged for these products may be higher or lower than commissions you may be able to obtain if transactions were implemented through another broker/dealer. Because our representatives are also registered representatives of SAI, SAI provides compliance and supervision support to our representatives. In addition, SAI provides our representatives, and therefore us, with back-office operational, technology and other administrative support.

Economic benefits are provided to us by SAI that are not provided if you select another broker/dealer or account custodian. These benefits may include:

- Negotiated costs for transaction implementation
- A dedicated trade desk that services SAI participants exclusively
- A dedicated service group and an account services manager dedicated to our accounts
- Access to a real-time order matching system
- Electronic download of trades, balances and position information
- Access, for a fee, to an electronic interface with the account custodian's software
- Duplicate and batched client statements, confirmations and year-end reports

Fidelity Institutional Wealth Services

In addition, for account management services outside of the programs offered by SAI and when it is deemed to be in the best interest of our clients we also have the ability to recommend that you establish a brokerage account at Fidelity Institutional Wealth Services ("Fidelity"). Fidelity provides Evergreen Wealth Advisory Group with access to their institutional trading and custody services, which are typically not available to retail investors. The services from Fidelity include brokerage, custody, research and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

Fidelity also makes available to Evergreen Wealth Advisory Group other products and services that we benefit from but may not benefit your accounts. Some of these other products and services assist us in managing and administering client accounts. These include software and other technology that:

- Provide access to client account data (such as trade confirmation and account statements)
- Facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts)
- Provide research, pricing information and other market data
- Facilitate payment of our fees from client accounts
- Assist with back-office functions, recordkeeping and client reporting.

Many of these services generally may be used to service all or a substantial number of our accounts. Fidelity also makes available other services intended to help us manage and further develop our business. These services may include:

- Consulting, publications and conferences on practice management
- Information technology
- Business succession
- Regulatory compliance
- Marketing.

In addition, Fidelity may make available, arrange and/or pay for these types of services rendered to Evergreen Wealth Advisory Group by independent third-parties providing these services to us. As a fiduciary, we endeavor to act in your best interest. Our requirement that you maintain your assets in accounts at Fidelity may be based in part on the benefit to us of the availability of some of the foregoing products and services and not solely on the nature, cost or quality of custody and brokerage services provided by Fidelity. This creates a conflict of interest.

You are under no obligation to act on our recommendations. You may select a broker/dealer or account custodian other than Fidelity, although in this case we cannot assist you with asset management services.

Please all see **Item 5, Fees and Compensation**, for additional information about advisory services and implementing recommendations.

Best Execution

While we do not allow directed brokerage, we must still use reasonable diligence to make certain that best execution is obtained for clients when implementing any transactions. Best execution does not necessarily mean that clients receive the lowest possible commission costs but that the qualitative execution is best. In other words, all conditions surrounding the transaction execution is in the best

interests of clients. When considering best execution, our associated persons look at a number of factors besides prices and rates including, but not limited to:

- Execution capabilities (e.g., market expertise, ease/reliability/timeliness of execution, responsiveness, integration with existing systems of the advisor, ease of monitoring investments)
- Products and services offered (e.g., investment programs, back office services, technology, regulatory compliance assistance, research and analytic services)
- Financial strength, stability and responsibility
- Reputation and integrity
- Ability to maintain confidentiality

We exercise reasonable due diligence to make certain that best execution is obtained for all clients when implementing any transaction by considering the back-office services, technology and pricing of services offered. We perform periodic reviews to determine that the relationship with SAI and National Financial Services, LLC or Fidelity are still in the best interests of clients.

Soft Dollar

Investment advisors may direct portfolio brokerage commissions to a particular broker/dealer in return for services and research used in making investment decisions in client accounts. The commissions used to acquire these services and research are known as “soft dollars.” Section 28(e) of the *Securities Exchange Act of 1934* provides a “safe harbor” that allows an investment advisor to pay more than the lowest available commission for brokerage and research services if it determines in good faith that the commission paid was reasonable in relation to the brokerage and research services provided.

Although we don’t allow directed brokerage, we may still receive products and services from SAI or other program sponsors and product issuers. These products and services may be used for both research and non-research purposes and allows us to supplement, at no cost, our own research and analysis activities. These products and services can include, but are not limited to:

- Reports, publications and data on matters such as the economy, industries, sectors and individual companies or issuers, statistical information, account and law interpretations, political analyses, legal developments affecting portfolio securities, technical market actions, credit analyses, risk management and analyses of corporate responsibility issues
- On-line news services and financial and market database services
- Information management systems integrating quotation and trading, performance management, accounting, recordkeeping and document retrieval and other administrative matters
- Meetings, seminars, workshops and conferences with representatives of issuers, program sponsors and/or other analysts and specialists

Research obtained with soft dollars is not necessarily utilized for the specific account that generated the soft dollars. We do not attempt to allocate the relative costs or benefits of research among clients because we believe that, in the aggregate, the research we receive benefits all clients and assists us in fulfilling our overall duty to clients.

These arrangements are be deemed to create a conflict of interest to the extent that we would have to pay for some or all of the research and/or services with “hard dollars” if we were unable to obtain the research and services in exchange for commissions in connection with client transactions. Client trades

are always being implemented based on the goals and objectives of the client and not on any research, products or other incentives available.

Handling of Trade Errors

We have implemented procedures designed to prevent trade errors; however, trade errors in client accounts cannot always be avoided. Consistent with our fiduciary duty, it is our policy to correct trade errors in a manner that is in the best interest of the client. In cases where the client causes the trade error, the client is responsible for any loss resulting from the correction. Depending on the specific circumstances of the trade error, the client may not be able to receive any gains generated as a result of the error correction. In all situations where the client does not cause the trade error, the client is made whole and we absorb any loss resulting from the trade error if we caused the error. If the error is caused by the broker/dealer, the broker/dealer is responsible for covering all trade error costs. If an investment gain results from the correcting trade, the gain remains in the client's account unless the same error involved other client account(s) that should also receive the gains. It is not permissible for all clients to retain the gain. We may also confer with clients to determine if they should forego the gain (e.g., due to tax reasons). We never benefit or profit from trade errors.

Block Trades

Advisors may elect to purchase or sell the same securities for several clients at approximately the same time. This process is referred to as aggregating orders, batch trading, or block trading and may be used by when advisors believe such action may prove advantageous to clients. We do not block trades.

Item 13 – Review of Accounts

Account Reviews

Financial planning services terminate upon presentation of the plan or completion of the consultations and no reviews are conducted. We recommend that you have your financial situation reviewed and updated at least annually. If you elect this review and update, a new client agreement is required and additional fees are charged. Review and update services are provided in the same manner as previously described in **Item 5, Fees and Compensation**.

Managed accounts are reviewed at least quarterly. While the calendar is the main triggering factor, reviews may also be conducted due to your specific request, changes in your personal or financial circumstances, or unusual market or economic conditions. Reviews can also be conducted by in-person visits with you.

All reviews are conducted by Victor Cheng, our managing member and an investment advisor representative. Absent your specific instructions, we review accounts to verify portfolio holdings, appropriate asset allocation, possible re-balancing needs, anti-money laundering concerns, fee calculation accuracy, continued suitability and that performance continues to work toward your investment goals and objectives.

Account Reports

Financial planning clients do not receive account reports other than the financial plan originally contracted for. You receive a statement at least quarterly from the broker/dealer, investment company where your account is maintained. In addition, you may request quarterly or semi-annual position reports from us at no additional charge.

Item 14 – Client Referrals and Other Compensation

We do not directly or indirectly compensate anyone for client referrals to us.

Please see **Item 5, Fees and Compensation, Item 10, Other Financial Industry Activities and Affiliations** and **Item 12, Brokerage Practices**, for additional discussion about other compensation and non-economic benefits.

Item 15 – Custody

Custody, as it applies to investment advisors, has been defined as having access or control over client funds and/or securities, but does **not** include the ability to execute transactions in client accounts. Custody is not limited to physically holding client funds and securities. If an investment advisor has the ability to access or control client funds or securities, the investment advisor is deemed to have custody for purposes of the *Investment Advisers Act of 1940* and must ensure proper procedures are implemented. Please note that regulators have deemed the authorization to trade in client accounts to not be custody. However, we are deemed to have custody of client funds and securities whenever we are given the authority to have fees deducted directly from client accounts. Our procedures do **not** result in our maintaining custody of client funds and securities.

For accounts where we are deemed to have custody, we have established procedures to ensure all client funds and securities are held at a qualified custodian in a separate account for each client under that client's name. Clients or an independent representative of the client will direct, in writing, the creation of all accounts and therefore are aware of the qualified custodian's name, address and the manner in which the funds or securities are maintained.

Finally, account statements are delivered directly from the qualified custodian to each client, or the client's independent representative, at least quarterly. The quarterly statement shows all disbursements from the account, including any advisory fees deducted. Prior to any fees being deducted from an account (and at the same time a billing statement is sent to the custodian), we send clients a fee billing notice showing the amount deducted, the manner in which the fee is calculated, any adjustments to the fee and an explanation of any such adjustments. Clients should carefully review those statements and are urged to compare the statements against reports received from us. Clients should also verify the accuracy of the fee calculations since the custodian will not. When clients have questions about their account statements, they should contact us or the qualified custodian preparing the statement.

Item 16 – Investment Discretion

In addition to having trading authority on your accounts, we may implement trades in the EWAG Managed accounts on a discretionary or non-discretionary basis. If implemented on a discretionary basis, we make all decisions to buy, sell or hold securities, cash or other investments in the managed account in our sole discretion without consulting with you before implementing any transactions. You must provide us with written authorization to exercise this discretionary authority.

When discretionary authority is granted, it is limited. We do not have access to your funds and/or securities with the exception of having advisory fees deducted from your account and paid to us by the account custodian. Any fee deduction is done pursuant to your prior written authorization provided to the account custodian.

If management services are provided on a non-discretionary basis, we always contact you before implementing any transactions in an account. You must accept or reject our investment recommendations, including (1) the security being recommended, (2) the number of shares or units and (3) whether to buy or sell. Once these factors are agreed upon, we are responsible for making decisions regarding the timing of the purchase or sale and the price at which it is bought or sold. You should know that if you are not able to be reached or are slow to respond to our request, it can have an adverse impact on the timing of implementing trades and we may not achieve the optimal trading price.

You have the ability to place reasonable restrictions on the types of investments that may be purchased in an account. You may also place reasonable limitations on the discretionary power granted to us so long as the limitations are specifically set forth or included as an attachment to the client agreement.

Item 17 – Voting Client Securities

We do not vote proxies on your behalf. You are solely responsible for all proxy-voting decisions. You should read through the information provided with the proxy-voting document and make a determination based on the information provided.

Item 18 – Financial Information

This item is not applicable to our brochure. We do not require or solicit prepayment of more than \$1200 in fees per client, six months or more in advance. Therefore, we are not required to include a balance sheet for our most recent fiscal year. We are not subject to a financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients. Finally, we have not been the subject of a bankruptcy petition at any time.