



# Executive Wealth

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M A N A G E M E N T

**FORM ADV PART 2A  
FIRM BROCHURE**

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11/15/2017

This brochure provides information about the qualifications and business practices of Executive Wealth Management, LLC. If you have any questions about the contents of this brochure, please contact us at 810-229-6446 or [kritsema@ewmadvisors.com](mailto:kritsema@ewmadvisors.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Executive Wealth Management, LLC is a registered investment adviser. Reference made to the firm as being registered does not imply any particular level of skill or training.

Additional information about Executive Wealth Management, LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. Our firm's CRD number is 140736.

## **Item 2                      MATERIAL CHANGES**

Consistent with SEC rules, we seek to ensure that our clients receive a summary of any material changes to this and subsequent Disclosure Brochures within 120 days after the close of our fiscal year. We may also provide you with other disclosures at other times during the year in the event of any material changes to our business.

The last annual amendment filing of this Brochure was made with the SEC in March 2016. Please review carefully the following material changes that have been made since that filing:

- Executive Wealth Management, LLC has acquired 401(K) GPS, LLC, a previously registered investment advisor that was affiliated with Executive Wealth Management. This change has amended Item 4, 5
- Item 4 has been amended to add Advisor to Pension Plans as a part of our service capabilities.
- Executive Wealth Management changed Broker Dealer's in June of 2017. This change has amended several sections but has not increased or decreased disclosures required for this relationship.
- Item 4 has been amended to reflect a change in ownership of Executive Wealth Management, LLC from the primary owner Albert P. Herzog III to EWM Capital, LLC a Michigan Limited Liability Company.
- Item 4 has been amended on 02/07/2017 to further clarify additional costs within the Fortunatus Separately Managed Account platform.
- Item 4 has been amended under "Portfolio Management within Retirement Plans" to remove disclosure regarding a relationship with the Variable Annuity Insurance Company, or VALIC. Executive Wealth Management, LLC no longer manages client accounts within retirement plans associated with that company.
- Item 5 has been amended to present changes made to the EWM Program Fees and Costs to better clarify fee billing and assets not included in our management fees.
- Item 5 'Financial Planning' has been amended to reflect a lower-level range on fees charged for a financial plan from EWM.
- Item 5 has been amended to further clarify how accounts may be aggregated for billing purposes and assets not included in billing calculations;
- As of June 1, 2017, Executive Wealth Management is no longer party to any promissory notes. This information was removed from Item 5 under "General Information";
- Item 10 has been amended to disclose conflicts of interest related to firm ownership;
- Item 13 has been amended to disclose the firm's review of Financial Planning Services and disclose other client account reviews conducted by EWM;
- Item 14 has been amended to disclose the networking relationship EWM has with certain Banks and Credit Unions
- Item 18 has been amended to disclose the existence of a business continuity and disaster recovery plan.

Please note that the foregoing represents only material changes made since our last annual updating amendment filing of this Brochure.

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#### **Item 4     ADVISORY BUSINESS**

Executive Wealth Management, LLC (hereinafter “EWM”) is a SEC-registered investment adviser with its principal place of business located in Brighton, Michigan. EWM began conducting business as a registered investment adviser in 2006. EWM is owned by EWM Capital, LLC, a Michigan Limited Liability Company and principally managed by a Board of Managers consisting of Albert P. Herzog III, Michael R. Chechel, Jr., Gregory J. Barber, Adam R. Kulesza and Michael J. Lay.

EWM offers the following advisory services to our clients:

#### **Fortunatus Separately Managed Account Services**

We offer portfolio management services to clients as the sponsor and investment manager of Fortunatus Separately Managed Account Services, a wrap fee program (hereinafter “the Program”). A wrap-fee program is an investment management program that provides the client with advisory and brokerage execution services for a bundled fee. The Program client is not typically charged separate fees for these respective components of the total service.

Please refer to Executive Wealth Management’s Form ADV, Part 2A *Appendix 1* for further information regarding the EWM Wrap fee program, Fortunatus Separately managed Account Services.

#### **Adviser Managed Portfolios**

Adviser Managed Portfolios are investment accounts managed directly by representatives of EWM rather than through a portfolio created and managed by Investment Committee (such as the Fortunatus Separately Managed Account portfolios summarized above). Adviser Managed Portfolios are managed on a discretionary basis only (though certain legacy clients have engaged the firm to provide advice on a non-discretionary basis). Account supervision is guided by the stated objectives of the client.

Through personal discussions and the completion of a Risk Profile in which goals and objectives based on a client’s particular circumstances are established, EWM, through its investment adviser representative, develops and manages the Adviser Managed Portfolio. Adviser Managed Portfolios will generally either reflect a complete, “stand-alone” portfolio with an appropriate allocation to address the client’s investment needs, objectives and risk profile, or an “add-on” account designed and managed in conjunction with, or in consideration of, the client’s other portfolio holdings, whether through the Fortunatus Separately Managed Account Services or otherwise. Mixed platforms are used either to increase exposure to a particular asset class, or to accommodate non-standard assets, such as real estate investment trusts (REITs) or variable annuities. Adviser Managed Portfolios, due to the typically smaller size of these accounts or other client needs, tend to hold fewer investments than clients invested through the Fortunatus Separately Managed Account Services portfolios and, from time to time, be comprised of a position in a single security or instrument.

In general, Adviser Managed Portfolios are reviewed at least quarterly by the representative assigned to the account or his/her designee and are rebalanced as necessary. If EWM, through its investment adviser representative, believes that a reallocation is necessary, for example, that a particular investment is performing inadequately, a client’s situation has changed, or that a

different investment is more appropriate for the client account, EWM will enter into transactions for the account, as appropriate, in accordance with the discretionary authority granted by the client.

### **Executive Wealth Management 401(K) GPS Services<sup>1</sup>**

Executive Wealth Management 401(K) GPS Services consist exclusively of individual allocation recommendations for client-directed fund investments in employer-sponsored retirement plans. Through this service, EWM provides portfolio recommendations with respect to a client's 401(k), simple IRA, 403b, or 457 defined contribution retirement plans. These recommendations are provided via a secure web-based portal. EWM similarly provides the advisor associated with your relationship a separate, view-only portal to review information submitted by the client, the client's risk tolerance and program recommendations. Clients enrolled in these services that were referred to EWM by a third-party investment adviser may also choose to provide the referring adviser with view-only access to program recommendations through a separate portal.

Executive Wealth Management 401(K) GPS Services are limited to qualified plans and are provided to individual plan participants, plan sponsors or employers as contracted. EWM 401(K) evaluates investment options available within the plan that have been provided by the participant, and seeks to determine which of these are most appropriate for the client and in what allocations, depending on his/her individual Risk Tolerance Profile among other factors. Finally, and as appropriate, EWM will provide initial recommendations for changes to the client's current strategy, and further recommendations each calendar quarter to follow, with inter-quarter notifications going out as the investing environment dictates.

On-going services include quarterly emails with recommendations for the client's asset allocation, if appropriate. EWM will also provide periodic allocation monitoring services in light of market conditions. Clients are encouraged to inform us promptly of any material change to his/her risk tolerance, financial circumstances, investment options available through their employer-sponsored retirement plan or other information provided so that we may ensure that our recommendations continue to be suitable to the client's needs and in their best interest.

Once the client receives our initial and, as applicable, on-going recommendations, it will be up to the client to execute the recommendations and rebalance his/her own account according to the recommendations provided by EWM 401(K) GPS. The client is never obligated to implement any recommendations, including initial recommendations or those provided in the quarterly updates.

EWM has contracted Fortunatus Investments, LLC, an affiliated Registered Investment Advisor under common ownership and control, as subcontractor to EWM to integrate its Protactical™ investment process into the Executive Wealth Management 401(K) GPS Services software. The relationship with Fortunatus remains in order to design and deliver personalized retirement asset allocation recommendations to clients of 401(K) GPS as disclosed previously at Item 4.

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<sup>1</sup> 401(K) GPS, LLC, was previously a Registered Investment Adviser affiliated with EWM through common ownership and control. 401(K) GPS, LLC was acquired by EWM in November 2017 and the services provided by that firm are now offered by EWM under the name "Executive Wealth Management 401(K) GPS" Services as described herein.

EWM does not manage assets for any client on a discretionary or nondiscretionary basis through the Executive Wealth Management 401(K) GPS Service, nor do we accept trading authorization with respect to any 401(K) GPS client's account. Clients seeking portfolio management services for their account must engage EWM to provide portfolio management services through either the firm's Fortunatus Separately Managed Account Services or Adviser Managed Portfolios service.

### **Portfolio Management within Retirement Plans**

EWM is party to arrangements with the sponsors of retirement plans that offer self-directed options to the plan's participants. Under these arrangements, plan participants may separately engage EWM to provide portfolio management services within the plans. When engaged by plan participants, EWM will work with the participant to identify the participant's goals and objectives based on his/her circumstances. EWM then develops the participant's personal investment policy and creates and manages a portfolio based on that policy using the investment vehicles available through the plan. EWM will manage these accounts on a discretionary basis only (though certain legacy clients have engaged the firm to provide advice on a non-discretionary basis). Account supervision is guided by the stated objectives and time horizon of the client (i.e., maximum capital appreciation, growth, income, or growth and income).

In general, and depending on the options available through the plan, EWM will create a portfolio of no-load or load-waived mutual funds, exchange traded funds ("ETFs") and possibly individual equities, fixed income and/or other securities. Typically, mutual funds will be selected on the basis of any or all of the following criteria: the fund's performance history; the industry sector in which the fund invests; the track record of the fund's manager; the fund's investment objectives; the fund's management style and philosophy; and the fund's management fee structure.

Portfolio weighting between funds and market sectors will be determined by each client's individual needs and circumstances. Clients will have the opportunity to place reasonable restrictions on the types of investments which will be made on the client's behalf. However, EWM reserves the right to decline or terminate management within a client's account if it believes the restrictions imposed are not reasonable or otherwise may inhibit the effective management of the client's assets.

### **Pension Consulting**

Pension Consulting Services bundles several advisory services, which EWM may provide separately or in combination. While the primary clients for these services are governmental employers, EWM also offers these services to non-profit and private sector employers. Pension Consulting Services are comprised of four distinct services. Clients may choose to use any or all of these services.

- ***Investment Policy Statement Preparation (hereinafter "IPS")***: EWM will meet with the client (in person or over the telephone) to determine the client's investment needs and goals. EWM will then prepare a written IPS articulating those needs and goals and include a policy pursuant to which those goals may be sought. The IPS will list the criteria for investment vehicle selection and the procedures for and frequency of investment performance monitoring.

- **Selection of Investment Vehicles:** EWM will review various investment options, consisting primarily of mutual funds (both index and managed) and ETFs to determine which of these investments are appropriate for the implementation of the client's IPS. The client will determine the number of investment vehicles will be recommended based on the Investment Policy Statement.

**Monitoring of Investment Performance:** Client investments will be monitored in accordance with the frequency and procedures delineated in the IPS. Although EWM will not be involved in any way in the purchase or sale of these investments, EWM will supervise the client's portfolio and will make recommendations to the client as market factors and the client's needs dictate.

**Employee Communications:** For pension, profit sharing and 401(k) plan clients, in which there are individual accounts over which participants exercise control over assets ("self-directed plans"), EWM also provides quarterly educational support and investment workshops designed for the plan participants. The nature of the topics to be covered will be determined by EWM and the client under the guidelines established in ERISA Section 404(c). The educational support and investment workshops will not provide Plan participants with individualized, tailored investment advice or individualized, tailored asset allocation recommendations unless the participant separately engages EWM to provide such services.

## Financial Planning

EWM also provides advice in the form of a Financial Plan. Clients engaging the firm in writing to provide this service will receive a written report, providing the client with a detailed plan designed to achieve his or her stated financial goals and objectives. EWM does not give tax or legal advice.

In general, the financial plan will address any or all of the following areas of concern:

- **Personal:** Family records, budgeting, personal liability, estate information and financial goals.
- **Business:** Business valuation, planning, payroll and other business related issues.
- **Education:** Education IRAs, financial aid, state savings and 529 plans, grants and general assistance in preparing to meet dependent's continuing educational needs through development of an education plan.
- **Tax & Cash Flow:** Income tax and spending analysis and planning for past, current and future years. EWM will illustrate the impact of various investments on a client's current income tax and future tax liability.
- **Death & Disability:** Cash needs at death, income needs of surviving dependents, estate planning and disability income analysis.
- **Retirement:** Analysis of current strategies and investment plans to help the client achieve his or her retirement goals.
- **Investments:** Analysis of investment alternatives and their effect on a client's portfolio.

EWM gathers required information through in-depth personal interviews. Information gathered includes a client's current financial status, future goals and attitudes towards risk. Related documents supplied by the client are carefully reviewed, including a questionnaire completed by the client, and a written report is prepared.

Should a client choose to implement the recommendations contained in the plan, EWM suggests the client work closely with his/her attorney, accountant, insurance agent, and/or other professionals as appropriate. As disclosed at Items 10 and 12 of this Disclosure Brochure, certain associated persons of EWM are separately registered as representatives of Private Client Services, LLC (hereinafter "PCS"), member FINRA/SIPC, unaffiliated with EWM. Certain associated persons of EWM are also licensed insurance agents or brokers for one or more insurance companies and, in that capacity, may sell insurance products for separate compensation.

In general, EWM will recommend the use of PCS and these individuals, as appropriate, for implementation of financial planning recommendations involving securities transactions or the sale of insurance products, provided that this recommendation is consistent with EWM's fiduciary duty to the client. Clients of Financial Planning Services are under no obligation to use EWM, PCS or these associated persons in their separate capacities as registered representatives or insurance agents to implement any recommendations. The implementation of financial plan and EWM 401(K) recommendations are entirely at the client's discretion.

### **Amount of Managed Assets**

As of 10/31/2017, we were actively managing \$670,380,153 of clients' assets on a discretionary basis. Assets managed on a nondiscretionary basis totaled \$1,944,010.

### **Item 5 FEES AND COMPENSATION**

The fee paid to EWM for advice and management of discretionary accounts such as The Program accounts, Advisor Managed accounts, Pension Consulting and Portfolio Management within Retirement Accounts is broken down for clarity in two ways; Assets Under Management and Administrative Fees. Both fee structures are outlined below. Fees are negotiable at the discretion of the associated investment advisor. The annual Asset Based Management fee for advice will generally be charged as a percentage of assets under management, according to the following schedule:

<b>Assets Under Management</b>		<b>Annual Fee (%)</b>
First	\$249,999	1.50%
\$250,000	\$499,999	1.25%
\$500,000	\$999,999	1.00%
\$1,000,000	\$2,000,000	0.75%
Over	\$2,000,000	0.75%

There is no minimum account size required for Advisor Managed Accounts or Management within Retirement plans. The Program has a \$2000 minimum initial investment/account size. More information on The Program can be found in Part 2A Appendix 1 of Form ADV: Wrap Fee



Program Brochure.

In addition to the asset based management fee, EWM clients will be charged an annual administrative fee as set forth below. This administrative fee is charged for maintenance and supervision of client accounts, or, if enrolled in The Program, fees associated with Model Management. Administrative fees are subject to an Annual \$35 minimum fee, billed quarterly in advance.

**Administrative Fee Schedule\***

\$0	-	\$1,999,999	0.50%
\$2,000,000	-	\$2,999,999	0.45%
\$3,000,000	-	\$4,999,999	0.40%
\$5,000,000	-	\$7,499,999	0.35%
\$7,500,000	-	Above	0.30%

\*Subject to an annual \$35 minimum fee, billed quarterly

EWM does group certain related client accounts for the purposes of determining the annualized fee for advice and administrative fee. Accounts are grouped based on any or all of the following criteria: nuclear family, control persons and residency, among other considerations. In addition, the fee schedule is negotiable at the EWM investment adviser representative's discretion depending on the complexity of the client's circumstances, investment needs, and the total amount of accounts or assets, among other considerations.

Certain assets held in the client's account are excluded from EWM's calculation of Asset Based Management fees, such as Non-Publically Traded REITS and other commissionable products. In addition, Mutual fund C shares or A shares that transfer into EWM managed accounts are excluded from the calculation of Asset Based Management fees and generally, if in line with our fiduciary duty to our clients, are converted to institutional share classes and incorporated into Advisor Managed Accounts or The Program.

Client accounts will be directly debited, as authorized, in advance at the beginning of each calendar quarter based upon the value (market value or fair market value in the absence of market value) of the client's account at the end of the previous quarter. Administrative fees are also charged quarterly, in advance. Relationships that do not have access to direct debit will be sent an invoice based on the same criteria at or around the same date as direct debits and given a reasonable time to remit payment.

Although EWM does not impose a minimum account size for Advisor Managed Portfolios, clients with accounts valued at less than \$7,000 will incur a higher overall percentage fee than is set forth in the firm's lowest tier of the fee schedule set forth above due to the firm's \$35 minimum required administrative fee. Consequently, such smaller accounts may be too costly or impractical to maintain with the firm.

**EWM 401(K) GPS**

Fees for the EWM 401(K) GPS service, which includes initial and ongoing recommendations as described in Section 4, range from 0-\$299.00 annually. There is no minimum fee. Certain accounts engaged with EWM 401(K) GPS predecessor, 401(K) GPS, LLC, are contracted at different rates up to \$599.00. Fees are charged annually or quarterly to the client depending on

the particular arrangement with the client. At no time are fees over \$1200.00 collected more than six months in advance.

When an employer engages 401K GPS to provide its employees with access to our services, we are compensated for our services by the employer, the employee or a combination of the employer and employee depending on the agreement. Under this circumstance, our fees will be invoiced quarterly, in advance, based the number of employees that elect to participate in the program, pro-rated for any partial quarter. We typically charge \$100 to \$250 per employee.

## **Financial Planning**

Financial planning fees are charged as a fixed fee, typically ranging from \$250 to \$2,000 depending on the nature and complexity of the client's personal circumstances. The length of time it will take to provide a financial plan will depend on each client's personal situation as well as the promptness with which the client provides all information necessary to prepare the plan. All fees are agreed upon in writing prior to entering into a contract with any client. Fees are due and payable upon presentation of the plan. A retainer may be requested upon completion of EWM's fact-finding session with the client; however, advance payment will never exceed \$1,200 for work that will not be completed within six months. There is no minimum financial planning fee.

If Financial Planning Services client implements investment recommendations by engaging EWM for Portfolio Management Services, EWM may, at its discretion, waive, discount, or adjust Financial Planning Services fees for Portfolio Management Services fees.

## **General Information**

***Negotiability of Fees:*** In certain circumstances, all fees may be negotiable. In addition, certain family members and personal acquaintances of EWM's affiliated persons may receive advisory services at a discounted rate which is not available to advisory clients generally. In addition, certain existing clients had engaged EWM under previously applicable fee schedules, including a different administrative fee, which may be lower than or otherwise different from those disclosed above. These legacy fee schedules are no longer available to new clients generally. For EWM 401(K) GPS, our fees are negotiable under certain circumstances and at our sole discretion. Our fees cover investment advisory services provided via initial, quarterly and, as appropriate, interquarter communications only and do not include any other professional services that may be required by a client to implement the recommendations.

***Termination:*** A client agreement may be canceled at any time, by either party, for any reason upon receipt of 30 days written notice. As disclosed above, certain fees are paid in advance of services provided. Upon written termination of any account, any prepaid, unearned fees will be promptly refunded. In calculating a client's reimbursement of fees, we will pro rate the reimbursement according to the number of days remaining in the billing period. Clients always have the right to terminate an agreement without penalty within five business days after entering into the agreement.

***Fund Fees and Expenses:*** All fees paid to EWM for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds, ETFs and ETNs to their

shareholders. These types of pooled investment vehicles are commonly offered through 401(k), simple IRA, 403b, or 457 defined contribution retirement plans. In the case of mutual funds, these fees and expenses are described in each fund's prospectus. These fees will generally include a management fee, other fund expenses, and a possible distribution fee. If the fund also imposes sales charges, a client may pay an initial or deferred sales charge. A client could invest in a fund directly, without the services of EWM. In that case, the client would not receive the services provided by EWM which are designed, among other things, to assist the client in determining which fund or funds are most appropriate to each client's financial condition and objectives. Accordingly, the client should review both the fees charged by the funds or other investments and the fees charged by EWM to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

***Additional Fees and Expenses:*** In addition to EWM's advisory fees, clients are also responsible for the fees and expenses charged by custodians and imposed by broker dealers. Such fees may include, but are not limited to, any transaction charges, fees for duplicate statements and transaction confirmations, and fees for electronic data feeds and reports. As disclosed above, clients enrolled in the Fortunatus Separately Managed Account Services wrap fee program will not incur separate brokerage charges for transactions executed in their account. Please refer to the "Brokerage Practices" section (Item 12) of this Form ADV for additional information.

Clients enrolled in Executive Wealth Management 401(K) GPS Services, in addition, are responsible for the fees and expenses charged by plan sponsors/trustees, plan administrators, custodians and broker dealers. Such fees may include, but are not limited to, any transaction charges, fees for duplicate statements and transaction confirmations, and fees for electronic data feeds and reports. If the client's plan is managed by a third party investment adviser, such adviser's fees are in addition to those charged by 401KGPS

***Advisory Fees in General:*** Clients should note that similar advisory services may (or may not) be available from other registered (or unregistered) investment advisers for similar or lower fees.

## **Item 6 PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

EWM does not charge performance-based fees to any client.

## **Item 7 TYPES OF CLIENTS**

EWM provides advisory services to individuals, including high net worth individuals, pension and profit-sharing plans, retirement plan participants, trusts, estates, charitable organizations, corporations and other businesses.

As previously disclosed at Item 5 of this Brochure, we do not currently impose minimum account balance requirements for opening or maintaining an account with our firm.

## **Item 8 METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

### ***METHODS OF ANALYSIS***

We use the following methods of analysis in formulating our investment advice and/or managing client assets. Individual investment advisor representatives of EWM may utilize some or all of these methods of analysis within portfolios:

***Fundamental Analysis.*** We attempt to measure the intrinsic value of a security by looking at economic and financial factors (including the overall economy, industry conditions, and the financial condition and management of the company itself) to determine if the company is underpriced (indicating it may be a good time to buy) or overpriced (indicating it may be time to sell).

Fundamental analysis does not attempt to anticipate market movements. This presents a potential risk, as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating the stock.

***Technical Analysis.*** We analyze past market movements and apply that analysis to the present in an attempt to recognize recurring patterns of investor behavior and potentially predict future price movement. Technical analysis employed by EWM includes trend following and relative strength analysis.

***Trend Following:*** Trend following is a method of analysis that objectively determines whether our client portfolios should have exposure to a rising asset class or preserve capital during unfavorable market environments.

***Relative Strength:*** This method of analysis seeks to objectively identify market strength in order to ensure that clients invest in the best performing segments while underweighting or avoiding the weaker segments.

Technical analysis does not consider the underlying financial condition of a company. This presents a risk in that a poorly-managed or financially unsound company may underperform regardless of market movement.

***Mutual Fund and/or ETF Analysis.*** We look at the experience and track record of the manager of the mutual fund or ETF in an attempt to determine if that manager has demonstrated an ability to invest over a period of time and in different economic conditions. We also look at the underlying assets in a mutual fund or ETF in an attempt to determine if there is significant overlap in the underlying investments held in other fund in the client's portfolio. We also monitor the funds or ETFs in an attempt to determine if they are continuing to follow their stated investment strategy.

A risk of mutual fund and/or ETF analysis is that, as in all securities investments, past performance does not guarantee future results. A manager who has been successful may not be able to replicate that success in the future. In addition, as we do not control the underlying investments in a fund or ETF, managers of different funds held by the client may purchase the same security, increasing the risk to the client if that security were to fall in value. There is also a risk that a manager may deviate from the stated investment mandate or strategy of the fund or ETF, which could make the fund or ETF less suitable of the client's portfolio.

**Legacy Holdings.** Investment advice may be offered on any investments held by a client at the start of the advisory relationship. In general, depending on tax considerations and client sentiment, these investments will be sold over time and the assets invested in the appropriate EWM strategy. As with any investment decision, there is the risk that EWM's timing with respect to the sale and reinvestment of these assets will be less than ideal or even result in a short term or long term loss to the client.

**Other Investment Vehicles.** As appropriate, investment advice may also be provided on investments in commodity pool fund of funds, limited partnerships and private placement partnerships (each a "Private Fund"). For private investments such as these, traditional fundamental, technical or other securities analysis is not possible when formulating recommendations. Instead, we rely on our due diligence process of the Private Funds and their investment managers in determining which funds to invest in on behalf of our clients.

It is our policy and practice to conduct initial due diligence with respect to the investment manager of any prospective Private Fund investment and to monitor any selected investment manager on an on-going basis to determine and evaluate the portfolio management team's background, experience and philosophy; the process by which the manager makes investment decisions; how those decisions are implemented; the manager's investment track record in both up and down markets; the manager's risk management controls, parameters and evaluation process, and the adequacy and effectiveness of the manager's operational and compliance controls and infrastructure. It is our policy and practice to seek to avoid investment in any Private Fund where we determine that the manager of such fund has failed to adopt certain minimal operational and compliance controls and safeguards.

The principal driver of portfolio selection is the relative skill set of the underlying fund managers in research, trading, risk management and organization building, with integrity of the individual(s) managing the Private Funds the paramount consideration. A primary source of information used to identify potential Private Funds for investment include personal references, qualitative reviews of fund's portfolio managers as described above, and review of the Fund Offering Memorandum, Limited Partnership Agreement, Subscription Agreement, performance records and other documents.

One of the primary risks of investing with a third-party fund manager based, in part, on successful past performance is that he/she may not be able to replicate that success in the future. In addition, as we do not control the underlying investments in a third-party manager's portfolio, there is also a risk that a manager may deviate from the stated investment mandate or strategy of the portfolio, making it a less suitable investment for our clients. Moreover, as we do not control the manager's daily business and compliance operations, it is possible for us to miss the absence of internal controls necessary to prevent fraud or other business, regulatory or reputational deficiencies.

**Computer software.** Through our Executive Wealth Management 401(K) GPS Services offering, we use computerized financial planning software to organize data and create a preliminary analysis of the client's current and projected risk tolerance. In order to analyze security performance and risk, we use a variety of data supplied by third parties as well as percentile rankings of mutual fund managers' adjusted risk performance.

A risk of such computer programs is that projections and recommendations formulated from the program are generated from assumptions entered by the software's programmers, often based

on how markets or securities have historically performed. However, markets and securities can and often do perform differently than they have in the past.

**Risks for all forms of analysis.** Our securities analysis methods rely on the assumption that the companies whose securities we purchase and sell, the rating agencies that review these securities, and other publicly-available sources of information about these securities, are providing accurate and unbiased data. While we are alert to indications that data may be incorrect, there is always a risk that our analysis may be compromised by inaccurate or misleading information.

## **INVESTMENT STRATEGIES**

We use the following strategy(ies) in managing client accounts, provided that such strategy(ies) are appropriate to the needs of the client and consistent with the client's investment objectives, risk tolerance, and time horizons, among other considerations:

**Asset Allocation.** The primary investment strategy used by EWM is based on diversification of the client's assets among a variety of investment vehicles and asset classes, popularly termed "Asset Allocation." The focus of EWM's recommendations then is primarily to achieve a diversified portfolio of investment assets with risk and return characteristics similar to those desired by EWM's clients. This strategy may include evaluation of the current percentage allocation of assets among or within various broad categories with recommendations to reposition assets to work toward the client's desired results.

The Board of Managers for EWM Capital, LLC, EWM's parent company, meets regularly to evaluate new and reevaluate existing investment opportunities and, as appropriate, subadvisors. During these meetings EWM will deliberate issues regarding the proper allocation of client assets based on the current economic conditions.

**Fortunatus Investments, LLC and Protactical™ Investing:** As disclosed at Item 10 of this Brochure, we have engaged Fortunatus Investments, LLC, a registered investment adviser affiliated with EWM through common ownership and control, and with whom EWM shares its principal place of business, to provide model investment portfolios for EWM clients enrolled in the Program. Due to our affiliation and shared principal office, we are familiar with the background, experience and philosophy of Fortunatus' Investment Committee members; the process by which the firm makes investment decisions; the firm's risk management controls, evaluation processes, and the adequacy and effectiveness of the its operational and compliance controls and infrastructure. Fortunatus uses an approach to investment analysis and strategy that it refers to as Protactical™, which is summarized below.

Beginning with its diversified model asset allocation portfolios, designed to meet predefined investment objectives, Fortunatus uses a proactive approach in an effort to exploit situations in which the risk for executing the strategy is likely to be rewarded. Fortunatus seeks to measure the performance momentum of a particular asset class against the overall market in an attempt to anticipate the relative strength of a particular asset class. After appropriate risk/reward opportunities are identified, fundamental research is used to determine the investments that are best positioned to capitalize on this relative strength should the trajectory of performance continue as expected.

A risk of Protactical™ investing is that the Investment Committee's assumptions regarding relative strength and the continued momentum of a particular asset class may prove to be incorrect.

**Long-term purchases.** We purchase securities with the idea of holding them in the client's account for a year or longer. Typically we employ this strategy when:

- we believe the securities to be currently undervalued, and/or
- we want exposure to a particular asset class over time, regardless of the current projection for this class.

A risk in a long-term purchase strategy is that by holding the security for this length of time, we may not take advantages of short-term gains that could be profitable to a client. Moreover, if our predictions are incorrect, a security may decline sharply in value before we make the decision to sell.

**Short-term purchases.** When utilizing this strategy, we purchase securities with the idea of selling them within a relatively short time (typically a year or less). We do this in an attempt to take advantage of conditions that we believe will soon result in a price swing in the securities we purchase.

A short-term purchase strategy poses risks should the anticipated price swing not materialize; we are then left with the option of having a long-term investment in a security that was designed to be a short-term purchase, or potentially taking a loss.

In addition, this strategy involves more frequent trading than does a longer-term strategy, and will result in increased brokerage and other transaction-related costs, as well as less favorable tax treatment of short-term capital gains.

**Short sales.** We may borrow shares of a stock for your portfolio from someone who owns the stock on a promise to replace the shares on a future date at a certain price. Those borrowed shares are then sold. On the agreed-upon future date, we buy the same stock and return the shares to the original owner. We engage in short selling only on a nondiscretionary basis based on our determination that the stock will go down in price after we have borrowed the shares (that is, even though the client may have granted discretionary authority to EWM, prior to entering into a short sale in a client account, we will contact the client to notify him/her of our recommendation and request approval). If we are correct and the stock price has gone down since the shares were purchased from the original owner, the client account realizes the profit.

Short selling results in some unique risks:

- *Losses can be infinite.* A short sale loses when the stock price rises, and a stock is not limited (at least, theoretically) in how high it can go. For example, if you short 100 shares at \$50 each, hoping to make a profit but the shares increase to \$75 per share, you'd lose \$2,500. On the other hand, the price of a stock cannot fall below \$0, which limits your potential upside.
- *Short squeezes can wring out profits.* As stock prices increase, short seller losses also increase as sellers rush to buy the stock to cover their positions. This increase in demand, in turn, further drives the prices up.

- *Timing.* Even if we are correct in determining that the price of a stock will decline, we run the risk of incorrectly determining when the decline will take place, i.e., being right too soon. Although a company is overvalued, it could conceivably take some time for the price to come down; during which you are vulnerable to interest, margin calls, etc.
- *Inflation.* History has shown that over the long term, most stocks appreciate. Even if a company barely improves over time, inflation should drive its share price up somewhat. In fact, short selling may not be appropriate in times of inflation for that very reason, as prices may adjust upwards regardless of the value of the stock.

**Options.** Within advisor managed accounts the use of options including writing (selling) covered calls, writing cash-secured puts and, at times, uncovered options, spreads, and the purchase of options are utilized. Both the purchase and writing of options contracts involves a significant degree of risk not suitable for all investors. Investors wishing to participate in an options strategy with EWM will be provided the Options Clearing Corporation booklet "Characteristics and Risks of Standardized Options" for review prior to participating in this type of trading. Options can be useful tools of risk management when utilized to hedge current positions. Options also pose unlimited potential for loss such as writing uncovered calls. Individuals should not participate in options without awareness and acceptance of these risks.

**Margin transactions.** We may also purchase stocks for your portfolio with money borrowed from your brokerage account. This allows you to purchase more stock than you would be able to with your available cash, and allows us to purchase stock without selling other holdings. It is common that accounts have de minimus margin balances during trade settlement periods. Any account that will enter into a Margin Balance greater than 20% of the overall portfolio value will be done on a nondiscretionary basis only.

**Risk of Loss.** Securities investments are not guaranteed and you may lose money on your investments. We ask that you work with us to help us understand your tolerance for risk. Any changes to your current situation or risk tolerance should be promptly reported to EWM.

#### **Item 9 DISCIPLINARY INFORMATION**

We are required to disclose any legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management.

Neither our firm nor our management personnel have any reportable disciplinary events to disclose.

#### **Item 10 OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

In addition to advisory services and as appropriate, we may provide divorce consultation services to individuals for a fee. Our fee for these non-investment advisory services is based on a fixed fee.

EWM is related through common ownership and control to Fortunatus Investments, LLC, a registered investment adviser ("Fortunatus"). As disclosed at Item 8 of this Brochure, EWM has entered into an agreement with Fortunatus to compensate that firm for providing model portfolios which are utilized by EWM in the management of Fortunatus Separately Managed



Account Services accounts. The arrangement between EWM and Fortunatus creates a conflict of interest in that EWM's investment adviser representatives with an indirect ownership interest in Fortunatus may have incentive to enroll their client accounts in the Program rather than another platform or to separately manage the account because revenue received from Fortunatus will inure to the benefit of that firm's owners. EWM seeks to address this conflict of interest in the following ways:

- We have adopted Code of Ethics provisions reminding all supervised persons of their fiduciary obligations to EWM Clients (refer to Item 11 of this Brochure);
- We clearly disclose the existence of our arrangement with Fortunatus and the resulting conflict for the owners of EWM to existing and prospective clients in our Disclosure Brochures so that they can assess the inherent conflicts of interest and make a fully informed investment decision.

Officers and employees of EWM, in their separate capacities as registered representatives and/or insurance agents or brokers, are able to effect securities transactions and/or purchase insurance and insurance-related investment products for clients, including interests in limited partnerships, real estate investment trusts (REITs), and other securities, for which they will receive separate, yet customary compensation. Although these products may be included on a client's account statement for consolidated reporting purposes, no advisory or administrative fees are charged by EWM for these products.

Certain associated persons of EWM are also insurance agents or brokers for one or more insurance companies that are not affiliated with EWM. Certain principal executive officers of EWM are also officers of *Executive Financial Planning, Inc.* a licensed insurance agency related to EWM through common ownership and control. The independent insurance activities of associated persons of EWM will typically be provided through this related entity.

Neither EWM nor any related person of EWM serves as General Partner to, or has any ownership stake in, any limited partnership recommended to clients. Clients are not under any obligation to engage PCS or these individuals when considering implementation of recommendations. Except where EWM has been granted discretionary authority (e.g., Fortunatus Separately Managed Accounts), the implementation of any or all recommendations is solely at the discretion of the client. No affiliated person of EWM receives commission or other transaction-based compensation in connection with trades placed in any account managed by EWM on a discretionary basis.

While the officers, directors and employees of EWM endeavor at all times to put the interests of the clients first as part of EWM's fiduciary duty, clients should be aware that the receipt of additional compensation for outside, related activities itself creates an inherent conflict of interest, which may unknowingly affect the judgment of these individuals when making recommendations. The outside business activities of EWM Investment Advisor Representatives are provided via form ADV Part 2B – Brochure Supplement. We encourage you to review these documents.

#### **Item 11 CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

Our firm has adopted a Code of Ethics, which sets forth high ethical standards of business

conduct that we require of our employees, including compliance with applicable federal securities laws. EWM and our personnel owe a duty of loyalty, fairness and good faith towards our clients, and have an obligation to adhere not only to the specific provisions of the Code of Ethics but to the general principles that guide the Code.

Our Code of Ethics includes policies and procedures for the review of quarterly securities transactions reports as well as initial and annual securities holdings reports that must be submitted by the firm's access persons. Among other things, our Code of Ethics also requires the prior approval of any acquisition of securities in a limited offering (e.g., private placement) or an initial public offering. Our code also provides for oversight, enforcement and recordkeeping provisions.

EWM's Code of Ethics further includes the firm's policy prohibiting the use of material non-public information. While we do not believe that we have any particular access to non-public information, all employees are reminded that such information may not be used in a personal or professional capacity.

A copy of our Code of Ethics is available to our advisory clients and prospective clients. You may request a copy by email sent to [kritsema@ewmadvisors.com](mailto:kritsema@ewmadvisors.com), or by calling us at 810-229-6446.

Our Code of Ethics is designed to assure that the personal securities transactions, activities and interests of our employees will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Our firm and/or individuals associated with our firm may buy or sell for their personal accounts securities identical to or different from those recommended to our clients. In addition, any related person(s) may have an interest or position in a certain security (ies) which may also be recommended to a client.

It is the expressed policy of our firm that no person employed by us may purchase or sell any security prior to a transaction(s) being implemented for an advisory account, thereby preventing such employee(s) from benefiting from transactions placed on behalf of advisory accounts. Employees and the indirect owners of EWM also maintain personal accounts invested within The Program Fortunatus model portfolios. Trades within the models are executed in a block fashion and employee accounts will be treated identically to client accounts during those trading occurrences. In the case of partial execution, client accounts will be given priority for allocation over employee or employee related accounts.

As these situations present actual or potential conflicts of interest to our clients, we have established the following policies and procedures for implementing our firm's Code of Ethics, to ensure our firm complies with its regulatory obligations and provides our clients and potential clients with full and fair disclosure of such conflicts of interest:

- No principal or employee of our firm may put his or her own interest above the interest of an advisory client.
- No principal or employee of our firm may buy or sell securities for their personal portfolio(s) where their decision is a result of information received as a result of his or her employment unless the information is also available to the investing public.
- It is the expressed policy of our firm that no person employed by us may purchase or sell any

security prior to a transaction(s) being implemented for an advisory account. This prevents such employees from benefiting from transactions placed on behalf of advisory accounts.

- Our firm requires prior approval for any IPO or private placement investments by related persons of the firm.
- We maintain a list of all reportable securities holdings for our firm and anyone associated with this advisory practice that has access to advisory recommendations ("access person"). These holdings are reviewed on a regular basis by our firm's Chief Compliance Officer or his/her designee.
- All of our principals and employees must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.
- We require delivery and acknowledgement of the Code of Ethics by each supervised person of our firm.
- We have established policies requiring the reporting of Code of Ethics violations to our senior management.
- Any individual who violates any of the above restrictions may be subject to disciplinary action up to and including termination.

As disclosed at Item 10 of this Brochure, related persons of our firm are separately registered as securities representatives of a broker-dealer, investment adviser representatives of another registered investment adviser, and/or licensed as an insurance agent/broker of various insurance companies. Please refer to the preceding section for a detailed explanation of these relationships and important conflict of interest disclosures.

EWM and individuals associated with our firm are prohibited from engaging in principal or agency cross transactions. (A principal transaction occurs when our firm or individuals associated with our firm may buy securities for the firm or for themselves from our advisory clients; or sell securities owned by the firm or the individual(s) to our advisory clients. An agency cross transaction occurs where our firm acts as an investment adviser in relation to a transaction in which any person controlled by or under common control with our firm, acts as broker for both the advisory client and for another person on the other side of the transaction).

## **Item 12    BROKERAGE PRACTICES**

### **Fortunatus Separately Managed Account Services**

Please refer to EWM's *Form ADV, Part 2A, Appendix 1: Fortunatus Separately Managed Account Services* for information regarding the firm's brokerage practices with regard to accounts enrolled in the Program.

### **Adviser Managed Portfolios**

EWM does not accept the discretionary authority to determine the broker dealer to be used or the commission rates to be paid on a trade-by-trade basis. As such, clients must direct the firm

regarding which broker dealer to use for trades placed in the client's account. Not all Registered Investment Advisers require their clients to direct brokerage to specific broker-dealers. By directing brokerage, EWM may be unable to achieve most favorable execution of client transactions and this practice may cost clients more money.

For trades in most securities, EWM generally requests that clients direct the use of TD Ameritrade, Inc., an unaffiliated, FINRA- member broker dealer (TD Ameritrade), for custody and brokerage services related to the client's account. TD Ameritrade Institutional is a division of TD Ameritrade, Inc. ("TD Ameritrade") member FINRA/SIPC. TD Ameritrade is an independent and unaffiliated SEC-registered broker-dealer and FINRA member. There is no employee or agency relationship between EWM and TD Ameritrade. TD Ameritrade offers to independently registered investment advisers services which include custody of securities, trade execution, and clearance and settlement of transactions. EWM receives some benefits from TD Ameritrade through its participation in the Program as discussed below.

In the alternative, clients may maintain their accounts at National Financial Services, LLC (NFS), an affiliate of Fidelity Brokerage Services, LLC (Fidelity) and to direct the firm to place trades through Fidelity, an unaffiliated SEC registered and FINRA member broker dealer. There is no employee or agency relationship between EWM and NFS or Fidelity. EWM also receives certain benefits from Fidelity discussed below.

Notwithstanding the client's directive to execute securities transactions for the client's account through TD Ameritrade or Fidelity, as applicable, for transactions in certain fixed income securities such as bonds, EWM generally requests that the client provide a separate direction to execute such trades through the Bond Center at Advisors Asset Management, Inc (AAM),. No person affiliated with EWM will receive transaction based compensation on any fixed income trade placed through the Bond Center.

EWM has evaluated TD Ameritrade, Fidelity and the Bond Center of Advisors Asset Management and believes that each firm can provide our clients with a blend of execution services, commission costs (as applicable) and professionalism that will assist EWM in meeting its fiduciary obligations to clients.

EWM reserves the right to decline acceptance of any client account custodied at a firm other than TD Ameritrade or NFS or for which the client directs the use of a broker other than TD Ameritrade or Fidelity if we believe that the client's choice would hinder our ability to service the account. In directing the use of TD Ameritrade, Fidelity, or any other particular broker dealer, it should be understood that EWM will not have authority to negotiate commissions on a trade-by-trade basis or to necessarily obtain volume discounts, and best execution may not be achieved. In addition, a disparity in commission charges may exist between the commissions charged to the client and those charged to other clients (who may direct the use of a different broker dealer). This may result in higher costs to the client than may otherwise be obtained if we were free to select the broker dealer on a trade-by- trade basis. Clients should note, while EWM has a reasonable belief that both TD Ameritrade and Fidelity are able to obtain competitive prices, EWM will abide by the client's brokerage instructions and will not independently seek best execution price capability through other broker dealers on a trade-by- trade basis.

Clients should note that EWM participates in TD Ameritrade's Institutional customer program. There is no direct link between EWM's participation in the program and the investment advice it gives to its clients, although EWM receives economic benefits through its participation in the program that are typically not available to TD Ameritrade retail investors. These benefits include

the following products and services provided without cost to EWM: duplicate client statements and confirmations; research related products and tools; consulting services; access to a dedicated trading desk serving advisor participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts); the ability to have advisory fees deducted directly from client accounts; access to an electronic communications network for client order entry and account information; access to mutual funds with no transaction fees and to certain Institutional money managers; discounts on compliance, marketing, research, technology, and practice management products or services provided by third party vendors, and; low-cost or no cost business consulting, coaching and development services provided to EWM by third party vendors referred to EWM by TD Ameritrade.

TD Ameritrade may also pay for or reimburse expenses (including travel, lodging, meals and entertainment expenses) for our personnel to attend conferences or meetings relating to the program or to TD Ameritrade's advisor custody and brokerage services generally. Some of the products and services made available by TD Ameritrade through the program may benefit EWM but may not benefit its client accounts. These products or services may assist EWM in managing and administering client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help EWM manage and further develop its business enterprise. The benefits received by EWM or its personnel through participation in the program do not depend on the amount of brokerage transactions directed to TD Ameritrade. Clients should be aware, however, that the receipt of economic benefits by EWM or its related persons in and of itself creates a potential conflict of interest and may indirectly influence our recommendation of TD Ameritrade for custody and brokerage services. (Please see Item 14 of this Brochure for additional disclosure regarding EWM's participation in TD Ameritrade's AdvisorDirect Program).

We also participate in Fidelity's platform services offered to independent investment advisers by Fidelity. As part of these services, EWM receives benefits that it would not receive if it did not offer investment advice to clients.

Through Fidelity's platform, Fidelity and NFS provide EWM with a number of benefits including, among other things, brokerage, custodial, administrative support, record keeping and related services that are intended to support intermediaries like EWM in conducting business and in serving the best interests of our clients.

Fidelity charges brokerage commissions and transaction fees for effecting certain securities transactions (i.e., transactions fees are charged for certain no-load mutual funds, commissions are charged for individual equity and debt securities transactions). Fidelity enables EWM to obtain many no-load mutual funds without transaction charges and other no-load funds at nominal transaction charges. Fidelity's commission rates are generally considered discounted from customary retail commission rates. However, the commissions and transaction fees charged by Fidelity may be higher or lower than those charged by other custodians and broker-dealers. As part of the platform services arrangement, Fidelity also makes available to our firm, at no additional charge to us, certain research and brokerage services, including research services obtained by Fidelity directly from independent research companies, as selected by EWM (within specified parameters). Without this arrangement, we might be compelled to purchase the same or similar services at our own expense.

As a result of receiving such services for no additional cost, we may have an incentive to continue to use or expand the use of Fidelity's services. We examined this potential conflict of

interest when we chose to enter into the relationship with Fidelity and have determined that the relationship is in the best interests of EWM's clients and satisfies our client obligations, including our duty to seek best execution. A client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where we determine in good faith that the commission is reasonable in relation to the value of the brokerage and research services received.

Clients should note that clients excluded from blocked trades may receive more or less favorable terms for the transaction and a disparity may exist between the price paid or received by the client and/or the commission charged to the client and the price paid or received and/or commissions charged to other clients participating in an aggregated trade.

### **Portfolio Management within Retirement Plans**

Typically, plan sponsors will select the account custodian and broker dealer through which trades placed in the retirement plan must be executed. When free to select the broker dealer through which to execute trades, EWM will endeavor to select those brokers or dealers that will provide the best services at the lowest commission rates and costs possible. The reasonableness of transaction costs are based on the broker's ability to provide professional services at competitive commission rates. Generally accounts that contract our services within Plans are custodied at NFS/Fidelity.

### **Executive Wealth Management 401(K) GPS Services**

Due to the nature of our services and client needs, our advisory practice does not include the placement of trades, negotiating commissions with broker dealers or obtaining volume discounts. Clients will be required to use the broker dealers or fund companies selected by the plan sponsor or select their own broker dealers for the implementation of recommendations made by us as part of this service. If appropriate, we may recommend any one of several brokers. 401K GPS clients must independently evaluate these brokers before opening an account. The factors considered by 401K GPS when making this recommendation are the broker's ability to provide professional services, 401K GPS's experience with the broker, the broker's reputation, and the broker's financial strength, among other factors. We do not accept trading authorization with respect to any client's plan account.

### **Financial Planning Services**

EWM's Financial Planning Services, due to the nature of the services and client needs, does not include the implementation of investment recommendations. Therefore, we do not block trades, negotiate commissions with broker dealers, or seek to obtain volume discounts or the best price in the execution of trades for any Financial Planning Services client.

As disclosed at Items 4 and 10 of this Disclosure Brochure, certain associated persons of EWM are separately registered as representatives of Private Client Services, LLC (hereinafter "PCS"), a FINRA-member broker-dealer unaffiliated with EWM. If the services of a Broker Dealer are requested by the Financial Planning Services client, EWM will recommend the use of PCS and these individuals, as appropriate, for implementation of financial planning recommendations involving securities transactions provided that this recommendation is consistent with EWM's

fiduciary duty to the client. Clients are under no obligation to use PCS or these associated persons in their separate capacities as registered representatives to implement any recommendations. Implementation of financial plan recommendations is entirely at the client's discretion.

Clients should understand that if they elect to have investment recommendations made in financial plans implemented through PCS and an associated person of EWM through his/her separate capacity as a registered representative of PCS, lower commissions or better execution may be able to be achieved, for certain types of securities, elsewhere.

### **Trade Error Policy**

While EWM endeavors at all times to enter trades correctly, errors will sometimes occur. It is EWM's policy and practice to seek to identify and correct trade errors promptly without disadvantaging the client in any way. Should EWM discover a trade error attributable to the action or inaction of EWM or its staff, it is the firm's policy to correct the error so as to place the client in as good a position as he/she would have been in had the error not occurred. If a trade error results in a profit, the gains will be donated to a 501(c)(3) charity of EWM's choosing.

## **Item 13 REVIEW OF ACCOUNTS**

### **Fortunatus Separately Managed Account Services**

Clients enrolled in the Program should refer to the Form ADV, Part 2A, Appendix 1 for information regarding the nature and frequency of reviews and reports provided.

### **Adviser Managed Portfolios and Portfolio Management within Retirement Plans**

While the underlying securities within Adviser Managed Portfolio Services accounts are continuously monitored, these accounts are generally reviewed at least quarterly by the representative assigned to the account or his/her designee and rebalanced as necessary. Accounts are reviewed in the context of each client's stated investment objectives and guidelines. More frequent reviews may be triggered by material changes in variables such as the client's individual circumstances, or the market, political or economic environment. Due diligence of Adviser Managed Portfolios is reviewed by a principal of EWM for suitability against the clients stated investment objectives and risk profile.

As appropriate and as applicable, EWM will periodically conduct the following reviews of certain, but not necessarily all, Adviser Managed Accounts:

- Vulnerable Client reviews
- Updated risk data
- Concentrated positions
- Margin reviews

In addition to the monthly statements and confirmations of transactions that Portfolio Management Services clients receive from their broker dealer, EWM may provide written

quarterly or annual reports summarizing account performance, balances and holdings.

### **EWM 401(K) GPS Services**

EWM will review all investment options provided by the client and available within the plan and seek to determine which of these is most appropriate for the client and in what allocations, depending on his or her individual Risk Tolerance Profile completed in the system. We will make recommendations for changes to the client's current strategy, and each calendar quarter to follow, as appropriate. Recommendations are provided based on a model asset allocation selected in reliance upon the Risk Tolerance Profile and other information provided by the client at the outset of the engagement. We request that clients promptly notify us of any material change to his/her risk tolerance, financial circumstances, investment options offered within the employer-sponsored plan or other information so that we may ensure that our recommendations continue to be suitable to the client's needs. Following the initial plan review and recommendations, EWM does *not* review client accounts on a regular basis.

Clients will typically receive written recommendations for making adjustments to the account's asset allocation on a quarterly basis, as applicable. At times, there will be no changes recommended from the current allocation. Interim recommendations may also be provided from time to time as appropriate. We do not provide portfolio performance reports to any client. All correspondence and use of the product is done electronically. Recommendations provided by EWM are fully at the client's discretion to implement.

### **Financial Planning Services**

Accounts of Financial Planning Services clients are reviewed as contracted for at the inception of the advisory relationship.

Financial Planning clients will receive a completed financial plan in a format acceptable to the client. Additional reports will not typically be provided unless otherwise contracted for at the inception of the advisory relationship. Contracts for financial planning are reviewed prior to payment to ensure all aspects of the contract are being met and the client has signed in receipt of the final agreed upon financial plan. As stated, recommendations provided within a financial plan are fully at the client's discretion to implement.

### **Item 14 CLIENT REFERRALS AND OTHER COMPENSATION**

From time to time, we compensate, either directly or indirectly, third parties, whether natural persons or a companies, for client referrals. These individuals are Solicitors for EWM. We are aware of the special considerations promulgated under Section 206(4)-3 of the Investment Advisers Act of 1940 and similar state regulations. As such, appropriate disclosure shall be made, all written instruments will be maintained by EWM and all applicable Federal and/or State laws will be observed. The fee paid to a solicitor by us will be specified in a separate disclosure document provided to the client. Payment of referral fees for prospective client referrals creates a potential conflict of interest to the extent that such a referral is not unbiased and the solicitor is, at least partially, motivated by financial gain. Therefore, it is



possible that such a referral may be made even if our advisory services are not the most suitable to a particular client's needs or when entering into an advisory relationship with us is not, overall, in the best interest of the client. As these situations present a conflict of interest, we have established the following restrictions in order to ensure our fiduciary responsibilities:

- All such referral fees are paid in accordance with the requirements of Rule 206(4)-3 of the Investment Advisers Act of 1940, and any corresponding state securities law requirements;
- Any such referral fee will be paid solely from our advisory fee, and will not result in any additional charge to the client; and
- All referred clients are required to sign a Solicitors Disclosure Document that fully discloses the solicitor's relationship with our firm.

As disclosed at Item 12 of this Brochure, EWM receives certain economic benefits through its participation in TD Ameritrade's Institutional customer program. We also participate in Fidelity's platform services offered to independent investment advisers by Fidelity. As part of these services, EWM receives benefits that it would not receive if it did not offer investment advice to clients. Please refer to Item 12 of this Brochure for complete details regarding these arrangements and the conflicts of interest that arise as a result.

EWM receives client referrals from TD Ameritrade through its participation in TD Ameritrade AdvisorDirect. TD Ameritrade has established AdvisorDirect as a means of referring its brokerage customers and other investors seeking fee-based personal investment management services or financial planning services to independent investment advisers. In addition to meeting the minimum eligibility criteria for participation in AdvisorDirect, EWM may have been selected to participate in AdvisorDirect based on the amount and profitability to TD Ameritrade of the assets in, and trades placed for, client accounts maintained with TD Ameritrade. TD Ameritrade is a discount broker-dealer independent of and unaffiliated with EWM and there is no employee or agency relationship between them.

TD Ameritrade does not supervise EWM and has no responsibility for EWM's management of client portfolios or EWM's other advice or services. EWM pays TD Ameritrade an on-going fee for each successful client referral. This fee is usually a percentage (not to exceed 25%) of the advisory fee that the client pays to EWM ("Solicitation Fee"). EWM will also pay TD Ameritrade the Solicitation Fee on any advisory fees received by EWM from any of a referred client's family members, including a spouse, child or any other immediate family member who resides with the referred client and hired EWM on the recommendation of such referred client. EWM will not charge clients referred through AdvisorDirect any fees or costs higher than its standard fee schedule offered to its clients or otherwise pass Solicitation Fees paid to TD Ameritrade to its clients. For information regarding additional or other fees paid directly or indirectly to TD Ameritrade, please refer to the TD Ameritrade AdvisorDirect Disclosure and Acknowledgement Form.

Clients should note that EWM's participation in AdvisorDirect raises potential conflicts of interest that do not necessarily arise in the context of other third party referral arrangements. TD Ameritrade will most likely refer clients through AdvisorDirect to investment advisers that encourage their clients to custody their assets at TD Ameritrade and whose client accounts are profitable to TD Ameritrade. Consequently, in order to obtain client referrals from TD Ameritrade,

EWM may have an incentive to recommend to clients that the assets under management by EWM be held in custody with TD Ameritrade and to place transactions for client accounts with TD Ameritrade. In addition, EWM has agreed not to solicit clients referred to it through AdvisorDirect to transfer their accounts from TD Ameritrade or to establish brokerage or custody accounts at other custodians, except when its fiduciary duties require doing so. EWM's participation in AdvisorDirect does not diminish its duty to seek best execution of trades for client accounts.

In addition, our firm and/or our officers and representatives are eligible to receive incentive awards (including prizes such as trips or bonuses) for recommending certain types of insurance policies or other investment products that we recommend.

EWM has entered into an agreement with certain of its representatives to partially reimburse those representatives for expenses incurred in marketing the Fortunatus Separately Managed Account Services Wrap Fee Program ("the Program") for their practices. Covered expenses include a percentage of the costs incurred for sales materials/collateral, seminars, travel for business development purposes, and any other pre-approved expenses that are deemed reasonable by EWM senior management in connection with the marketing of the Program. This reimbursement is based on the representative's total client assets invested through the Program. In theory, this reimbursement arrangement creates a conflict of interest or the appearance of a conflict of interest by incentivizing the representative to spend resources to promote the Program over the firm's Advisor Managed Accounts service or products and services available through the unaffiliated Broker Dealer. EWM seeks to address this conflict of interest in the following ways:

- We have adopted Code of Ethics provisions reminding all supervised persons of their fiduciary obligations of loyalty, fairness and to always place client interests first (refer to Item 11 of this Brochure), and;
- We clearly disclose the existence of this arrangement to existing and prospective clients in these our Disclosure Brochures so that they can assess the conflict or appearance of a conflict of interest and make a fully informed investment decision.

Several EWM investment adviser representatives, who are also registered representatives of Private Client Services, LLC, are contracted through EWM to participate in a networking agreement with certain banks and credit unions to offer non-deposit investment vehicles and investment advice on the premises of those entities. EWM pays rent to these banks and credit unions for the space utilized by these representatives within their buildings. As appropriate, these banks and credit unions will refer clients to EWM.

Clients referred to EWM through these arrangements are not charged higher fees than other EWM clients not referred by a third party. Nevertheless, these arrangements can give rise to certain conflicts of interest as the advisers contracted within the networking agreement may have incentive to spend a disproportionate percentage of their time on the premises of these financial institutions or in servicing clients referred by these financial institutions in order to generate additional referrals. EWM seeks to mitigate this conflict of interest by closely following the guidance and requirements set forth by the INTERAGENCY STATEMENT ON RETAIL SALES OF NONDEPOSIT INVESTMENT PRODUCTS dated February 15, 1994, the letter dated November 24, 1993 from the Securities and Exchange Commission to Chubb Securities Corporation and The NCUA Letter to federal credit unions No 10-FCU-03.

While we endeavor at all times to put the interest of our clients first as part of our fiduciary duty, the possibility of receiving incentive awards creates a conflict of interest, and may affect the judgment of these individuals when making recommendations.

#### **Item 15 CUSTODY**

We do not have actual custody of any client's account. However, as disclosed at item 5 of this brochure, we may directly debit our fees from client accounts as authorized. Under applicable regulatory interpretations, as a result of this authority, we are deemed to have constructive custody of client assets. As part of this billing process, the client's custodian is advised of the amount of our fee which the custodian then debits from the client's account. EWM aggregates the Asset Management Fee and Administrative fee indicated in Item 5 into one fee reported to the custodian. On no less than a quarterly basis, the custodian will send a statement to the client that shows all transactions in the account during the reporting period. Because the custodian does not calculate the amount of the fee to be deducted, it is important for clients to carefully review their custodial statements to verify the accuracy of this calculation, among other things. Clients should contact us directly if he/she believes that there may have been an error in the calculation of their fee or any other information provided in their statement.

In addition to the no less than quarterly statements that clients receive directly from their custodians, as disclosed at Item 13 of this brochure, EWM sends account summaries directly to clients who have requested them, on a quarterly or annual basis. **In order to ensure that all account transactions, holdings and values are correct and current, EWM urges clients to compare our firm's account summaries with those statements you receive directly from your qualified independent custodian.** Contact EWM directly with any questions or discrepancies.

#### **Item 16 INVESTMENT DISCRETION**

Clients may engage us to provide discretionary asset management services through Fortunatus Separately Managed Accounts Services wrap fee program, the Advisor Managed Account Platform and/or the Portfolio Management within Retirement Platforms. In which case we place trades in a client's account without contacting the client prior to each trade to obtain the client's permission. Under these circumstances, our discretionary authority includes the ability to do the following without contacting the client:

- Determine the security to buy or sell; and/or
- Determine the amount of the security to buy or sell.

Clients give us discretionary authority when they sign a discretionary Investment Advisory Agreement with our firm, and may limit this authority by giving us written instructions. Client's limitations may include prohibition on certain securities or companies, among other things. Clients may also change/amend such limitations by once again providing us with written instructions.

Financial Planning and Executive Wealth Management 401(K) GPS Services do not include the direct management of a client's account nor does the firm accept investment discretion over any client account engaged in those services.

Advisory clients that have previously elected not to grant such discretionary authority to EWM are advised that trades in their accounts could, in some instances, be executed subsequent to trades placed in discretionary accounts for the same security due to the time involved in obtaining the requisite client approval. In some cases, trades for non-discretionary clients may, out of necessity, be placed on a different day than clients granting discretion authority. Consequently, non-discretionary clients may be excluded from blocked trades and there may be a difference in the price paid per share of a given security and, if applicable, the commission rates or mark-up/down paid by these clients as compared to other clients. EWM currently offers advisory services on a discretionary basis only.

Clients interested in or enrolled in the Fortunatus Separately Managed Account Services Program should refer to that program's Form ADV, Part 2A, Appendix 1 disclosure document for additional information.

#### **Item 17 VOTING CLIENT SECURITIES**

As a matter of firm policy, we do not vote proxies on behalf of clients. Therefore, although our firm may provide investment advisory services relative to client investment assets, clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets. Clients are responsible for instructing each custodian of the assets, to forward to the client copies of all proxies and shareholder communications relating to the client's investment assets.

We may provide clients with consulting assistance regarding proxy issues if they contact us with questions at our principal place of business.

#### **Item 18 FINANCIAL INFORMATION**

Under no circumstances do we require or solicit payment of fees in excess of \$1,200 per client more than six months in advance of services rendered. Therefore, we are not required to include a financial statement.

EWM has not been the subject of a bankruptcy petition at any time during the past ten years.