Item 1 – Cover Page



Firm Brochure

Part 2A of Securities and Exchange Commission FORM ADV

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

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

The SEC's website also provides information about any persons affiliated with Empirical who are registered, or are required to be registered, as investment advisor representatives of the firm.

Item 2 – Material Changes

We update this document annually, or more frequently in the event of certain material changes. This section discusses only material changes to Empirical Wealth Management's Form ADV Part 2A since the date of our last annual or other-than-annual update. The date of our previous Disclosure Brochure update was March 31, 2026. No material changes were made with this filing.

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

IMPORTANT NOTE ABOUT THIS DISCLOSURE BROCHURE

This Disclosure Brochure is not:

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

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

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

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Item 4 – Advisory Business

Empirical Financial Services, LLC d/b/a Empirical Wealth Management ("Empirical", "EWM", "us", we") is registered as an investment adviser with the SEC pursuant to the Advisers Act.

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

Empirical's CEO and founder, Kenneth Smith, is Empirical's majority owner. The following Empirical employees own a minority interest equal to or greater than 5%: Ethan Broga, Lorne Enquist, Michael Kelly.

As of December 31, 2025, Empirical managed $8,425,771,219 on a discretionary basis and $3,197,054 on a non-discretionary basis.

Investment Advisory Services
Empirical offers fee-based, discretionary and non-discretionary investment management services. We also sponsor and manage a wrap-fee program, where eligible client accounts are charged a single comprehensive fee. Wrap-fee accounts are managed no differently to other (non-Wrap) accounts, and we receive a portion of the wrap fee for our services.

Our advisory services cater to a wide range of investment goals and risk tolerances, from conservative to aggressive, tailored to meet each client's specific needs. We start with a comprehensive financial plan that outlines a client's financial condition and personal goals, helping to clarify their investment and life objectives.

Clients can impose reasonable restrictions, in writing, on investing in certain securities or types of securities. These restrictions are generally, but not always, for tax purposes, such as managing large taxable gains from the sale of appreciated positions. We do not take responsibility for non-standard positions held in a client's account, whether transferred in or purchased at the client's instruction. These positions may be held in a non-managed account, and we are not responsible for their performance or monitoring. Although we generally do not charge fees on these non-standard positions, we reserve the right to charge fees based on the complexity of the situation.

Prospective clients should consider whether an Empirical advisory relationship suits their circumstances, including their investment objectives, liquidity requirements, tax situation, and risk tolerance. We strongly encourage prospective clients to conduct due diligence, review governing documents, and investigate Empirical's investment strategies, methods of analysis, and related risks before making an investment decision or committing to our services.

Occasionally, we may recommend that some, or all of your assets, be managed by an outside investment manager or sub-adviser. Please note that sub-advisory fees are separate from Empirical's advisory fees and may increase your overall costs. For discretionary accounts, unless directed otherwise, we have the authority to select or change a sub-adviser or outside money manager without prior approval from you. You may be required to sign a limited power of attorney or a separate agreement with the custodian or the selected sub-adviser.

Item 4 – Advisory Business (Continued)

Financial Planning Services
We provide financial planning services to our advisory clients and occasionally offer stand-alone financial planning services to non-advisory clients. Financial planning helps clients set long-term financial goals by reviewing investments, tax planning, asset allocation, insurance and risk management, retirement planning, estate and gift planning, executive coaching, and other areas. We meet with potential financial planning clients before preparing a financial plan to determine the billing amount. Generally, a financial planning contract is signed before services commence for non-advisory (stand-alone) planning clients. You may choose not to engage in the financial planning portion of our services. However, for qualified advisory clients, these services are generally included in our advisory fee. If planning services require what Empirical considers extraordinary planning, the client may be charged for such services. What constitutes extraordinary planning will be determined on a case-by-case basis at Empirical's sole discretion.

Tax Preparation Services
Empirical provides tax preparation services to both advisory and non-advisory clients. We charge a separate fee (fixed or hourly) for these services, depending on their scope and complexity. Generally, at our discretion, we may offer a discount on personal/individual tax preparation services to advisory clients with a minimum level of assets under management (generally above $3,000,000). These services are part of our goal to provide comprehensive wealth management, but you are not obligated to use them.

Retirement Accounts – Acknowledgement of Fiduciary Status under ERISA and the Code
According to guidance from the US Department of Labor (DOL) under Title I of the Employee Retirement Income Security Act (ERISA) and/or the Internal Revenue Code (Code), we need to inform you that when we provide investment advice for your retirement plan or individual retirement account (collectively, "retirement accounts"), we act as fiduciaries under ERISA and/or the Code. These laws govern retirement accounts.

Our method of earning money can create some conflicts with your interests. Therefore, for retirement accounts, we follow a special rule that requires us to act in your best interest and not prioritize our interests over yours. Under this rule, we must:

- Meet a professional standard of care when making investment recommendations (give prudent advice).
- Never put our financial interests ahead of yours when making recommendations (give loyal advice).
- Avoid misleading statements about conflicts of interest, fees, and investments.
- Follow policies and procedures designed to ensure that we give advice that is in your best interest.
- Charge no more than is reasonable for our services.
- Provide you with basic information about conflicts of interest

Retirement Account Rollovers
When you leave an employer, you typically have four options for your existing retirement plan:

1. Leave the assets in your former employer's plan, if permitted.
2. Roll over the assets to your new employer's plan, if available and rollovers are permitted.
3. Roll over the assets to an Individual Retirement Account ("IRA").
4. Take a full withdrawal in cash, which would result in ordinary income tax and a penalty tax if you are under age 59 1/2.

If we recommend a client roll over a 401(k) or other qualified plan assets to an IRA, this rollover recommendation presents a conflict of interest in that we would receive compensation (or may increase current compensation) when providing investment advice after you decide to roll over your plan assets. We will discuss all your retirement plan options, including keeping your 401(k) or qualified plan assets with their current plan, if allowed. Before deciding, you should carefully review the information regarding your rollover options. You are under no obligation to rollover retirement plan assets to an account managed by Empirical.

Item 4 – Advisory Business (Continued)

Estate Planning Services
Empirical refers clients with estate-planning needs to Secure Legacy Law Group, P.C. ("Secure Legacy") as well as other outside attorneys. Secure Legacy's services include, but are not limited to, the preparation of wills, trusts, advance directives (i.e. living wills) or other health-care documents related to incapacity planning, and durable power of attorney for financial management for individuals and married couples.

These services are part of our goal to provide comprehensive wealth management, but you are not obligated to use them. Empirical does not serve as an attorney, and no portion of our services should be construed as offering legal services. We do not prepare estate planning documents or offer legal advice.

Although Empirical does not receive any compensation from Secure Legacy for referrals, recommending Secure Legacy's estate planning services presents a potential conflict of interest. Both firms have an economic incentive to refer clients to each other instead of other law firms or financial professionals. Please refer to Item 10 – *Other Financial Industry Activities Affiliations* for additional information about Secure Legacy.

Empirical has engaged with a third-party company which creates tools for financial professionals to review and/or develop estate plans. As part of this engagement, Empirical may offer Client a subscription license to the company's services to create their estate plan. Empirical will charge the client a fee for this license and reserves the right to waive such a charge. See Item 5*, Estate Planning Services* for information related to these costs and charges.

Insurance Services
Empirical, through its subsidiary, Empirical Insurance, LLC ("Empirical Insurance"), offers insurance-planning services tailored to address the life, disability, and long-term care needs of our clients. Empirical Insurance reviews current coverage in the context of a client's financial plan, discusses how insurance can mitigate potential risks, and guides clients through the process of obtaining coverage. With access to various insurance carriers, Empirical Insurance can compare financial strengths, costs, and product benefits to find the best option for clients. These services are part of our comprehensive wealth management approach, but clients are not obligated to use them. Empirical Insurance does not charge any direct fees for its services; instead, it earns commissions from product sales, which vary depending on the product.

Our recommendation to use Empirical Insurance poses a potential conflict of interest. Please refer to Item 10 – *Other Financial Industry Activities and Affiliations* for additional information about Empirical Insurance.

Real Estate Services
Empirical Properties offers a comprehensive range of residential real estate services through licensed brokers. These services include assisting clients with the purchase and sale of residential properties, providing complimentary market analysis, reviewing real estate portfolio holdings and reporting, tracking local market trends, and conducting cost-benefit analyses of home improvement projects. Our recommendation to use Empirical Properties poses a potential conflict of interest. Please refer to Item 10 – *Other Financial Industry Activities and Affiliations* for additional information about Empirical Properties.

Retirement Plan Services
We offer retirement and pension consulting and management services. We have engaged a third-party service provider that allows Empirical to actively view, monitor, and, where authorized, implement investment changes in certain participant-directed retirement accounts, such as employer-sponsored retirement plan accounts. Generally, these accounts are not held in custody at the same custodian as the other accounts Empirical manages on your behalf (hereinafter "Held-Away" accounts/assets). Via this third-party service, Empirical is able to actively manage your Held-Away account assets and incorporate them into your overall investment strategy. To facilitate this service, you must authorize access to the Held-Away account and acknowledge the scope and limitations of the arrangement (this is facilitated through your acceptance of the third-party's end-user privacy policy and agreement). Please note: if you authorize the third-party to access your retirement account(s), Empirical does not receive or share any login or identifying information from the third-party. Importantly,

Item 4 – Advisory Business (Continued)

Empirical is not able to affect transactions known to violate applicable state or federal securities laws or the terms of our Advisory Agreement. Not all retirement accounts are eligible for this service, and plan-level restrictions or account features may limit our ability to implement recommendations. Clients do not pay a separate fee for this service to the third-party provider. However, should you elect to have Empirical manage these Held-Away assets, the assets in the Held-Away account(s) will be included in the calculation of Empirical's advisory fees (incorporated into the average daily balance). Please see the *Retirement Plan Services* section of Item 5 below for more information.

Executive Consulting Services
For executive consulting advisory clients, these services are generally included in your fee to Empirical, provided you maintain at least $3 million in assets under management. If your assets under management fall below $3 million, you will be required to pay a quarterly or annual fee in addition to investment advisory fees.

Pooled Investment Vehicle (Private Fund)
Empirical offers discretionary portfolio management and investment advisory services to a pooled investment vehicle called the Empirical Alternative Income Fund, LP (the "Fund"). This Fund is available to "accredited investors" as defined in Regulation D and "qualified clients" under SEC Rule 205-3. The Fund focuses on non-traditional investments to generate higher current income and growth opportunities that are less correlated to public stock markets.

Alternative investments are generally classified as an investment other than a traditional stock, bond, mutual fund or exchange-traded fund. Alternative investments come with specific risks that are different from traditional investments and may not be suitable for everyone. These investments include hedge funds, private equity funds, venture capital funds, private real estate funds, and other private investments. They are intended for experienced and sophisticated investors who can handle the high economic risks. Alternative investments alone do not provide a balanced investment program.

The Fund is an alternative investment option offered directly by Empirical as the Investment Manager, not through a third-party or affiliate. It is a limited partnership formed under Delaware law with PPB Empirical AIF Mgt LLC as the fund's general partner and Empirical as the investment manager. The Fund operates under an exemption from investment company registration in Section 3(c)(1) of the Investment Company Act of 1940. See Item 10 – *Other Financial Industry Activities and Affiliations* of this Brochure for more information regarding Empirical's affiliated entities.

Clients investing in alternative investments should make their own independent assessment of the opportunity and carefully review all disclosure documents, private offering memoranda, prospectuses, or other materials provided by Empirical and any third-party service providers. Many alternative investment offering documents are not reviewed or approved by federal or state regulators.

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

Details about the Fund, and its investment objectives, strategies, restrictions, guidelines and risks are described in the Fund's governing documents and available to investors only through Empirical or an authorized party.

Investing in the Fund does not create an advisory relationship between the investor and Empirical. Empirical may provide advisory services directly to Fund investors, but any such arrangement will be treated like any other advisory client relationship, including execution of an investment advisory agreement.

Item 5 – Fees and Compensation

Fee-Based Investment Advisory Clients
The specific way we calculate fees is established in your written investment advisory agreement with us. Lower fees for comparable services may be available from other sources. In addition to Empirical's fee, clients are also subject to the fees outlined in the *Other Fees* portion of this section.

Our standard fee schedule starts at 1.00% and scales lower for greater levels of assets under management (Tiers). The Tiers and their associated annual fee rate may vary based on the total assets we manage for you but will never exceed 1%. Fees are negotiable based on several qualitative and quantitative factors.

Although some clients will pay different fees based on their agreed upon fee schedules, we do not treat higher paying clients more favorably. Fees are due and payable on the first day of each calendar quarter and are generally deducted directly from your accounts.

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

New clients are billed quarterly in arrears using an average-daily-balance calculation. The fee, for clients under the average-daily-balance fee schedule, is calculated using the fee schedule in your advisory agreement, multiplied by the average daily market value of the account during the preceding quarter and is billed in arrears. [For example, a 1.00% annual fee charged over four (4) calendar quarters is 0.25% per quarter]

Empirical has relationships with clients who are billed quarterly in advance. We are working to transition these clients to arrears billing over time. The fee for those clients paying quarterly in advance will be calculated using the agreed upon fee schedule, multiplied by the market value of the account on the last day of the quarter. If you are billed in advance, fees for partial quarters at the start or end of our advisory relationship will be prorated based on the number of days the account was funded during the quarter. Significant contributions and/or withdrawals of $100,000 or more, taking place within the first ten (10) weeks of the calendar quarter will also be rebated or billed on the above pro-rated basis. Margin debt is considered managed and will not be excluded from billing or offered billing rebates.

You may withdraw or terminate the relationship at any time by submitting a written request to us. Termination will be effective immediately, and prorated fees will be refunded within fourteen (14) days if paid in advance. If your fee is calculated using an average daily balance, you will be billed directly , or invoiced with payment due immediately upon receipt, for any balance due and owing.

Termination will not affect:

1. Any action taken by us prior to termination;
2. Liabilities or obligations of the parties from transactions initiated before termination;
3. Your obligation to pay termination and transfer fees assessed by and paid to the custodian, if any.

Item 5 – Fees and Compensation (Continued)

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

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

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

Wrap-Fee Program Investment Advisory Clients
Clients in the wrap fee program will pay a comprehensive fee, whereby the schedule, billing practices, and termination procedures are identical to that for other (non-wrap) fee-based clients. The wrap fee program covers portfolio management, brokerage execution costs (regardless of the number of transactions executed during the billing period), and custodial services. Empirical has negotiated fees with Charles Schwab & Co., Inc. ("Schwab"), a FINRA/SIPC/NFA qualified custodian, who provides custody, clearing, and execution services. Clients who are not participating in our wrap fee program will be charged transaction fees and commissions by the custodian in addition to the management fees charged by Empirical. Clients participating in the wrap fee program will be charged a single, comprehensive fee that may include, portfolio management, custodial and brokerage services, among other services. Please reference Empirical's *Wrap Fee Brochure* for additional information regarding fees and expenses. Fees and expenses incurred in Held-Away accounts, are not covered under this Program.

Financial Planning Services
Financial planning services are included as part of the investment advisory fee for most advisory clients. However, should your situation require extraordinary planning, you may be charged additional fees. What constitutes extraordinary planning will be determined by Empirical on a case-by-case basis. The cost will be based on the specifics of the work requested and will be communicated before work begins. Financial planning services will be included in your quarterly investment advisory fee provided you meet the minimum assets under management (generally above $3,000,000). If a client does not meet the minimum threshold for assets under management, an additional fee will be charged. This fee will be determined by the specifics of the work requested and will be communicated before work begins. For non-advisory clients who wish to engage in stand-alone financial planning (excluding executive consulting clients), fees are calculated on an hourly or fixed-fee basis.

Item 5 – Fees and Compensation (Continued)

Tax Preparation Services
Tax preparation services are billed as a separate charge (fixed or hourly) depending on the scope and complexity of the tax services required. Empirical may offer a discount on personal/individual tax preparation services to clients who meet a minimum level of assets under management (generally above $3,000,000).

Estate Planning Services
We do not receive compensation when clients engage Secure Legacy or another attorney's services. Empirical may offer to cover all, or a portion of, estate planning expenses incurred by an advisory client, whether engaged with Secure Legacy or another attorney.

As described in Item 4 - *Estate Planning Services,* Empirical has engaged with a third-party company which creates tools for financial professionals to review and/or develop estate plans. As part of this engagement, Empirical may offer Client a subscription license to the company's services to create their estate plan. Empirical will charge the client a fee for this license and reserves the right to waive such charge. Details of such charge will be reflected in a separate disclosure from Empirical delivered via the third-party subscription invitation and will be reflected in the quarterly advisory fee invoice.

Retirement Plan Services
As described in the *Retirement Plan Services* section of Item 4, eligible Held-Away retirement accounts may be managed by Empirical via a third-party service which enables us to implement investment changes in accordance with your overall investment strategy. Clients do not pay a separate fee for this service to the third-party. Empirical is compensated by adding the value of these Held-Away assets into the calculation of its advisory fee (average daily balance) as described in the Advisory Agreement. Empirical pays the third-party service provider from its own resources. Fees cannot be deducted directly from Held-Away accounts. Empirical and the Client may agree to assign another managed account as the account from which the associated fees will be deducted.

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

Empirical Properties
Agents representing Empirical Properties earn a commission from each real estate transaction. There are two types of agents:

- Employees of Empirical: These representing agents are paid by Empirical regardless of whether a transaction occurs, in addition to receiving a commission.
- Independent Contractors: These representing agents are only paid through commissions earned from completed transactions.

Empirical Properties may refer clients to third-party agents. In such cases, Empirical Properties receives a fee for the referral. The third-party agent will receive their commission from a completed transaction. As the parent company of Empirical Properties, Empirical has a financial interest in these transactions. Clients are under no obligation to engage with Empirical Properties and do so at their complete discretion.

Empirical offers a rebate to clients who complete a real estate transaction with Empirical Properties. This rebate is applied to reduce Empirical's advisory fee and is limited in amount and frequency. Details of this rebate program are provided to client prior to engaging with Empirical Properties.

Item 5 – Fees and Compensation (Continued)

Other Fees Charged
Additional fees may apply to all clients. These fees are your responsibility and are separate from, and in addition to, Empirical's fees. Such fees may include, but are not limited to: custodial fees, debit balances, related margin interest, IRA and retirement plan fees, transfer fees, SEC fees, fees embedded in money market funds or mutual funds, wire transfer fees, overnight check fees, account closing fees, paper statement delivery fees, non-standard asset fees, insufficient fund fees, returned check fees, transaction charges for fund level asset allocation model trades, expenses charged by mutual funds (including management fees, transaction charges incurred for fund-level asset allocation model trades, custody of fund assets and other fund expenses), expenses charged by variable annuities and exchange-traded funds, or other fees or taxes that are required by law. Empirical may reimburse clients for certain fees or charges that are not due to the client's actions. Underlying fees can vary between investments and are generally deducted directly from invested assets. Further information on these fees can be found in the prospectuses of the underlying funds.

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

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

Associated operating expenses ("Operating Expenses") of the Fund include, but are not limited to, fees paid to the General Partner and Empirical, reimbursements to the General Partners for costs incurred in connection with regulatory and compliance requirements, vendor monitoring, reporting services, state registrations, fees paid to affiliates for fund administration, legal fees, accounting expenses, and state and federal taxes.

The Fund pays Empirical a fee (the "Management Fee") as compensation for services rendered in the management of the Fund. The Management Fee is calculated by multiplying (i) 0.375% (1.50% per annum) of each Limited Partner's Capital Account, all as of the last Business Day of the previous Fiscal Quarter. An administrative fee ("Admin Fee") is paid to the General Partner, or its affiliates, on a quarterly basis in advance as compensation for services rendered in connection with the administration of the Fund and the management of its records.

Additionally, the Fund may have advanced expenses incurred in connection with organization of the Fund and this Offering of Interests (excluding commissions), including legal fees, regulatory and compliance expenses, and related accounting fees and printing costs (the "Organizational Expenses") and all expenses incurred in connection with the commencement of operations and other related out-of-pocket expenses (the "Start-up Expenses"). The Fund will reimburse the appropriate party for any of these Organizational Expenses and Start-up Expenses. The Fund intends that the Organizational Expenses and Start-up Expenses will be amortized and charged to the Limited Partners' Capital Accounts in equal monthly installments over a period of sixty (60) months commencing from the Initial Closing Date.

Although GAAP normally requires that organizational costs be treated as an expense when incurred, the General Partner believes that both (i) the impact on the Partnership's results from this departure from GAAP will result in a fairer apportionment of such expenses among Limited Partners, and (ii) this departure from GAAP is likely to be deemed immaterial by the Partnership's accountants and the Partnership anticipates receiving an unqualified audit opinion from its auditors. If the Partnership is unexpectedly terminated within 60 months of the Initial Closing Date or does not receive concurrence from its auditor any unamortized expenses will be recognized. The General Partner may modify the time period over which the amounts are expensed for accounting purposes as it deems fit, but only to the extent consistent with GAAP and its accountant's recommendations.

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

In some cases, we enter into performance-based fee arrangements with qualified clients ("Qualified Clients"). Such fees are subject to individualized negotiation with each such client. A Qualified Client is generally defined by Rule 205-3 of the Investment Advisers Act of 1940, as amended ("Advisers Act") as a natural person or company who has at least $1,100,000 under management with us or has a net worth of at least $2,200,000. We generally recommend that a client has a minimum of $3,000,000 assets under management with Empirical to enter into the performance-based fee arrangement.

We structure any performance-based fee arrangement subject to Section 205(a)(1) of the Advisers Act in accordance with the available exemptions thereunder, including the exemption set forth in Rule 205-3. As defined in your Investment Advisory Agreement, the performance-based fee would be a given percentage of capital appreciation in the account(s) over the previous quarter, net of the asset-based fee and is billed in arrears.

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

Return is defined as appreciation in the value of the portfolio over the previous quarter's close and is adjusted for any contributions to or withdrawals from the account. Appreciation includes all dividends, interest or capital gains (realized and unrealized) over the billing quarter. The calculation of return does not include money deposited into or withdrawn from the account. The performance fee allocation is subject to a "high water mark" provision, such that no performance-based fee will be paid to us, except to the extent that the amount of the capital increase exceeds the sum of any cumulative loss in the account as well subject to adjustment for withdrawals, contributions, and the asset-based fee. Performance-based fee will be charged on the return net of the asset-based fee. If the account is below the high-water mark, Empirical will still charge the asset-based fee on the account.

Performance-based fee arrangements may create an incentive for us to recommend investments that are riskier or more speculative than those which would be recommended under an asset-based fee arrangement. Such fee arrangements also create an incentive to favor higher fee-paying accounts over other accounts in the allocation of investment opportunities. We have procedures designed and implemented so that all clients are treated fairly, and to prevent this conflict from influencing the allocation of investment opportunities among clients. Namely, our code of ethics requires that, as fiduciaries, all supervised persons place the best interests of Empirical's clients above their own personal interests.

Item 7 – Types of Clients

We provide investment advice to:

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

In general, we require a minimum of $3,000,000 to open and maintain an investment advisory account, although it is at our discretion to waive the minimum account size and the minimum fee.

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

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

Methods of Analysis

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

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

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

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

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

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

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

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

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

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

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

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

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

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

If appropriate based on your circumstances, Empirical may recommend that you engage in a strategy designed to provide diversification away from certain concentrated equity position(s) through a combination of long equity investments alongside shorting certain other equities ("Long/Short"). Empirical has partnered with sub-advisors that specialize in the area. The goal of the strategy is to offset significant unrealized capital gains in certain appreciated assets in a manner that accumulates offsetting realized capital losses with the goal of diversifying away from the concentrated position over time and resulting in lessened tax impact. This strategy brings about certain risks not associated with our other strategies. These risks are enumerated below. Prior to recommending a Long/Short strategy, Empirical will thoroughly review and disclose the risks and fees associated with this strategy. The client will be asked to sign an acknowledgement prior to engaging.

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

Risk of Loss

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Long/Short Strategy Risk
A Long/Short strategy is designed provide diversification away from certain concentrated equity position(s) through a combination of long equity investments alongside shorting certain other equities ("Long/Short"). The goal of the strategy is to offset significant unrealized capital gains in a manner that accumulates offsetting realized capital losses with the goal of diversifying away from the concentrated position over time, resulting in lessened tax impact. There are specific risks unique to this strategy:

- It provides NO protection against depreciation of the Assets.
- There is no guarantee the strategy will be successful.
- It employs the use of leverage (margin borrowing) which is inherently riskier than strategies that do not use leverage. Use of leverage also incurs additional expenses from the Custodian. See Margin Risk below.
- The Strategy employs the practice of short selling, which involves additional risk and costs.

Margin Risk
Margin risk refers to the potential losses that can occur when trading on margin. Margin risk arises when an investor borrows funds from a broker to purchase financial instruments, such as stocks or commodities. This amplifies both potential gains and losses because the investor is leveraging borrowed capital. Margin risk specifically measures the likelihood that the account's equity may fall below the required maintenance margin, potentially triggering a margin call, where the broker demands additional funds to cover losses

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Additional Risks Related to the Private Fund

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

Item 9 – Disciplinary Information

Investment advisers registered with the SEC are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of us or the integrity of our management.

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

Item 10 – Other Financial Industry Activities and Affiliations

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

Wholly-Owned Subsidiaries

Empirical Insurance, LLC

Empirical Insurance, LLC ("Empirical Insurance"), offers insurance-planning services specifically designed to address the life, disability, and long-term care insurance needs of our clients. Empirical Insurance partners with an independent third-party insurance broker, who has a knowledgeable team dedicated to, among other things, carrier and product expertise, underwriting negotiation, and back-office processing. Empirical Insurance can review current coverage in the context of a client's financial plan, discuss risks insurance could help cover, and guide clients through the process of obtaining coverage.

Certain Empirical supervised persons are affiliated with Empirical Insurance. These affiliated persons are appointed with various unaffiliated, third-party insurance companies. Empirical Insurance receives a commission when insurance is sold. Clients are never obligated or required to purchase insurance products through these affiliated employees in their capacity as insurance producers. This creates a potential conflict of interest in that it provides an incentive for the affiliated employee to recommend insurance products based on compensation received by Empirical Insurance rather than on a client's needs. As supervised persons of Empirical, these affiliated employees are bound by the fiduciary standards set forth in Empirical's code of ethics to place the needs of each client above their own personal financial gain.

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

Directional Financial Services

Directional Financial Services, LLC ("Directional"), an SEC-registered investment adviser, is a wholly-owned subsidiary of Empirical. Directional was founded as a means to serve those clients who do not meet the minimum asset levels required by Empirical. Directional files its own Form ADV, please refer to this document for additional information.

Empirical Properties

Empirical Real Estate Services, Inc. d/b/a Empirical Properties, a California incorporated business and Empirical Properties, LLC d/b/a Empirical Properties, a Washington limited liability company, (collectively, "Empirical Properties") provides clients with real estate brokerage services through licensed real estate brokers. Empirical Properties offers a full spectrum of residential real estate services.

If we recommend Empirical Properties, clients are never obligated or required to use these services. Any engagement of Empirical Properties is separate and independent of our services by a separate written agreement.

Certain supervised persons of Empirical are also employees and licensed real estate brokers of Empirical Properties. These individuals, in their individual capacity as licensed real estate brokers, may be engaged by clients and will be compensated, in part, by revenue generated from the commission of real estate transactions. Because Empirical Properties is an affiliate of Empirical, the recommendation that a client engages the services of Empirical Properties presents a potential conflict of interest. Empirical Properties personnel are bound by Empirical's code of ethics which requires all supervised persons to place the best interests of Empirical clients ahead of their own personal interests.

Other Affiliations

Secure Legacy Law Group, P.C.

Secure Legacy Law Group, P.C. ("Secure Legacy") is a separate, independent entity, wholly-owned by James Jones, II, a minority member of Empirical. Empirical refers clients with estate-planning needs to Secure Legacy as well as other outside attorneys. Certain supervised persons of Empirical are also, in their separate and individual capacities, licensed attorneys with Secure Legacy. Secure Legacy personnel are bound by Empirical's code of ethics requiring all supervised persons to place the best interests of Empirical clients ahead of their own personal interests. Referring clients to Secure Legacy may be considered a conflict of interest due to Mr. Jones' ownership in both firms and the economic incentive for both firms to refer clients to each other rather than referring clients to other law firms or financial professionals. These services are in place solely for the convenience of the client and to enhance the client's overall experience. Clients are always free to use their own service providers.

If we recommend the services of Secure Legacy, clients are never obligated or required to use these services. There are other law firms that provide legal services similar to those provided by Secure Legacy and may provide such services for lower rates. Whenever we recommend Secure Legacy, clients are encouraged to consider other law firms too. Any engagement of Secure Legacy is separate and independent of our services by a separate written agreement between the client and Secure Legacy. There is no fee sharing arrangement between Empirical and Secure Legacy.

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

Pooled Investment Vehicle (Private Fund)

Empirical manages one private fund, Empirical Alternative Income Fund, LP, that qualifies for the exclusion from the definition of investment company under section 3(c)(1) of the Investment Company Act of 1940. This relationship does not create a material conflict of interest with clients.

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

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

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

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

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

Furthermore, in accordance with Rule 204A-1 under the Advisers Act, the Code of Ethics, 1) describes standards of business conduct, 2) contains provisions that require supervised persons to comply with all applicable state and Federal laws, 3) requires that all access persons (defined as supervised persons who have access to non-public information regarding a client's investments or who are involved in making securities recommendations to clients) report for review personal securities transactions and holdings reports, 4) requires that supervised persons report breaches of the Code of Ethics to the Chief Compliance Officer ("CCO") or designee, and 5) stipulates that Empirical deliver to and receive written acknowledgement from employees regarding their receipt of the Code of Ethics and any amendments. You may request a copy of our Code of Ethics by contacting your advisor or our CCO at compliance@empirical.net.

Our Code of Ethics prohibits the use of material non-public information and requires all access persons to act with the fundamental principles of openness, integrity, honesty, diligence, respect, trust, competence, dignity, and to conduct themselves in an ethical manner. We will act as a fiduciary that owes each of our clients the duties of care and loyalty with respect to all services undertaken on their behalf. We will use reasonable care and exercise independent judgment when conducting investment analysis, making investment recommendations, taking investment actions, and engaging in other professional activities.

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

We may provide advice or services related to securities in which any of our employees have an economic interest. We will do this only if we believe it is appropriate without disclosing the conflict, or we will disclose the conflict before giving advice or services to your account. Our employees may also trade securities for their personal accounts identical to or different than those recommended to our clients or included in the Empirical Alternative Income Fund. These two scenarios present a conflict of interest in that there is a possibility that employees may benefit from market activity in a security in your account. To mitigate this conflict, employee trading is monitored under the Code of Ethics to reasonably prevent conflicts of interest between Empirical and its clients. It is our expressed policy that no person employed by us will place his or her own interest over our clients or make personal investment decisions based upon a client's investment decisions.

Empirical offers its advisory services to its employees. Each such relationship is treated as any other advisory relationship and no favoritism is shown to employee personal accounts. These accounts may trade in the same securities as client accounts on an aggregated basis when consistent with our obligation to seek best execution. In such circumstances, the employee accounts and client accounts will share commission costs equally and receive securities at a total average price. We will retain records of trade orders (specifying each participating account) and its allocation, which will be completed prior to the entry of the aggregated order. Completed orders will be allocated as specified in the initial trade order. Partially filled orders will be allocated on a pro-rata basis. Any exceptions will be explained in the order.

Item 12 – Brokerage Practices

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

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

<u>How We Select Brokers-Dealers/Custodians</u>

We aim to use a broker-dealer or custodian who holds client assets and executes transactions on terms that are advantageous, considering all relevant factors, compared to other available providers and their services including:

- Transaction execution and custody services, often without a separate custody fee.
- Trade processing, including execution, clearing, and settlement.
- Account facilitation, such as transfers and payments (e.g., wires transfers, check requests).
- Investment offerings, including stocks, bonds, mutual funds, and ETFs.
- Research and tools that support investment decision-making.
- Service quality and pricing competitiveness, including fees and rate negotiations.
- Provider reliability, reputation, financial strength, and prior service history.
- Broker-dealer capabilities, including execution efficiency, facilities, and financial responsibility.
- Additional beneficial products and services available to us.

Item 12 – Brokerage Practices (Continued)

Our Current Broker-Dealer Relationships

We currently use Schwab Advisor Services, a division of Charles Schwab & Co., Inc. ("Schwab"). Schwab is an independent and unaffiliated SEC-registered broker-dealer. Schwab will hold your assets in a brokerage account and buy and sell securities when we instruct them. Empirical is not affiliated with Schwab. Generally, Empirical's wrap-fee account clients will be custodied at Schwab and retain their brokerage services. Fee-based accounts may also utilize the custodial and brokerage services of Schwab.

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

Empirical Alternative Income Fund, LP, uses Inspira Financial Trust, LLC as custodian to hold some assets that are part of the private fund.

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

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

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

Products and Services Available to Us from Mutual Fund Companies

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

Item 12 – Brokerage Practices (Continued)

Products and Services Available to Us from Charles Schwab

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

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

Schwab Advisor Services – services that May Not Directly Benefit a client: Schwab also makes available to Empirical other products and services that benefit us but may not directly benefit client accounts. These products and services assist us in managing and administering client accounts. They include, but are not limited to:

- Software and other technology
    - provides access to your account data (such as trade confirmations and account statements)
    - facilitates trade execution and allocate aggregate trade orders for multiple client accounts
    - provides pricing and other market data
    - facilitates payment of our fees from your accounts
    - assists with back-office functions, record keeping and client reporting
- Services intended to help us manage and further develop our business enterprise
    - educational conferences and events
    - technology, compliance, legal and business consulting
    - access to employee benefit providers, human capital consultants, and insurance providers
    - publications and conferences on practice management and business succession
    - access to an online compliance program to monitor employee personal trades, gifts and entertainment
- Occasional business entertainment of our personnel

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

Our Interest in Schwab Services

Empirical does not pay for Schwab's services so long as we keep a total of at least $10 million of client assets in accounts at Schwab. Beyond that, these services are not contingent upon us committing any specific amount of business to Schwab in trading commissions or assets in custody. The $10 million minimum may give us an incentive to request that you maintain your account with Schwab, based on our interest in receiving Schwab's services that benefit our business rather than based on your interest in receiving the best value in custody services and the most favorable execution of your transactions. It may cause clients to pay commissions higher than those charged by other broker-dealers. This may cost you more money. This is a conflict of interest. We believe, however, that our selection of Schwab as custodian and broker is in your best interest. It is primarily supported by the scope, quality and price of Schwab's services and not Schwab services that benefit only us. We have over $5 billion in client assets under management at Schwab, and do not believe that maintaining at least $10 million of those assets at Schwab to avoid paying Schwab quarterly services fees presents a material conflict of interest.

Item 12 – Brokerage Practices (Continued)

Fee for Schwab Client Referrals

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

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

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

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

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

Item 12 – Brokerage Practices (Continued)

Directed Brokerage

Empirical may recommend that a client custody their assets at Schwab, thus effectively directing brokerage through them. We may recommend that you direct brokerage to Schwab as that arrangement benefits us in that Schwab provides us with the aforementioned products and services in exchange for this business. This creates a conflict of interest. However, we believe that Schwab offers highly-competitive brokerage services, and therefore we feel comfortable recommending their custodial services to clients. By directing brokerage, transactions may cost you more money as we may be unable to achieve best execution. Unless the client is participating in the Empirical Wrap Program at Charles Schwab, Schwab generally does not charge separately for custodial services but is compensated by charging commissions or other fees on trades that it executes, or that settle in your Schwab account. The custodian generally charges you a flat dollar amount as a "prime broker" or "trade away" fee for each trade that we execute with a different broker-dealer but where the securities "settle" in your Schwab account (purchased securities or proceeds from sold securities delivered). These fees are in addition to the commission or other compensation you pay the executing broker-dealer. In order to minimize your trading costs, we endeavor to have your custodian execute most trades in your account.

In the event you direct us to use a particular broker-dealer, we may be unable to negotiate commissions and may be unable to obtain volume discounts or best execution, and this may cost you more money. In addition, a disparity in commission charges may exist between those charged to clients who direct us to use a particular broker-dealer and those who do not. We may trade directed brokerage after non-directed brokerage accounts, and this could potentially make the trades more or less favorable to certain clients. In addition, certain types of Held-Away accounts (retirement plans) may allow for some of the assets to be invested in a broader selection of investment options, which may include individual stocks, bonds, ETFs – often referred to as a Self-Directed Brokerage Account (SDBA). These types of accounts are often subject to Plan-imposed restrictions related to trading and/or settlement of securities which limit our ability to select brokers, negotiate commissions (if any), obtain volume discounts or best execution.

Aggregation of Orders

We may aggregate orders when performing the same trade across many accounts (including employee accounts). This typically occurs only when we are making a broad change to an investment strategy. Generally, most trading is done at the individual level, considering your specific needs and objectives. When transactions are aggregated, the actual prices applicable to the aggregated transaction will be averaged, and your account will be deemed to have purchased or sold its proportionate share of the securities or instruments involved at the average price obtained. See Item 11 for more information.

Item 13 – Review of Accounts

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

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

Account reviewers include Portfolio Managers, Financial Advisors and Tax Managers (review only taxable accounts for tax purposes).

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

Item 14 – Client Referrals and Other Compensation

We receive client referrals from Schwab through participation in Schwab Advisor Network. We pay Schwab fees to receive client referrals through the service.

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

Empirical pays Schwab a Participation Fee on all referred clients' accounts that are maintained in custody at Schwab and a Non-Schwab Custody Fee on all accounts that are maintained at, or transferred to, another custodian. The Participation Fee paid by Empirical is a percentage of the fees the client owes to Empirical or a percentage of the value of the assets in the client's account, subject to a minimum Participation Fee.

Empirical pays Schwab the Participation Fee for so long as the referred client's account remains in custody at Schwab. The Participation Fee is billed to Empirical quarterly and may be increased, decreased or waived by Schwab from time to time. The Participation Fee is paid by Empirical and not by the client. Empirical has agreed not to charge clients referred through the Service fees or costs greater than the fees or costs Empirical charges clients with similar portfolios who were not referred through the Service. This Participation Fee may be eliminated or reduced upon approval Schwab's approval of a fee waiver request made by one of Empirical's Financial Advisor.

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

Item 14 – Client Referrals and Other Compensation (Continued)

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

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

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

Empirical employees may receive a bonus based on assets from new accounts.

Employees are encouraged to refer prospective clients to the firm and can earn additional compensation if the referral becomes an advisory client.

Empirical has engaged in a referral arrangement with an unaffiliated third party who refer clients to Empirical (promoter). In such cases, Empirical compensates the promoter with referral fees, which are paid solely by Empirical and do not result in any additional charge to the client. These referral arrangements comply with Rule 206(4)-1(b) of the Investment Advisers Act of 1940. At the time of the referral, the referring party is required to disclose the nature of their relationship with Empirical, including the compensation received and any material conflicts of interest.

Empirical has a referral arrangement with a third-party business transaction coordinator that provides services to business owners in connection with the sale of their business. Pursuant to this arrangement, Empirical will receive a referral fee if a client referred by Empirical elects to engage with them and a successful transaction is completed (the fee received by us is a pre-determined percentage of the consulting fee received by the third-party). Clients are under no obligation to act upon Empirical's referral. Any such referral is clearly communicated and disclosed to the client prior to the engagement and will include all related compensation received, or to be received by Empirical.

As described in the *Retirement Plan Services* section of Items 4&5 herein, Empirical will receive compensation from the client for Held-Away assets we manage (connected via the third-party application). Although Empirical receives compensation by incorporating these assets into the advisory fee calculation, this is not considered a referral arrangement and is being disclosed herein in an abundance of caution.

Empirical utilizes client Testimonials as that term is defined in SEC Rule 206(4)-1(e)(17) of the Investment Advisers Act of 1940 in firm's marketing material, including its website. All such testimonials are given by current clients, there has been no compensation paid to these clients for the statement(s) and there are no known conflicts between these clients and Empirical.

Item 15 – Custody

Empirical does not act as custodian and does not take possession of client assets. Under government regulations, we are deemed to have custody of your assets if you authorize us to instruct your custodian to deduct our advisory fees directly from your accounts. Recent SEC guidance also clarified that a standing letter of authorization granting third-party money movement also constitutes as custody.

Aside from these scenarios, Schwab, and/or an Annuity Provider (as defined in Item 12 – *Brokerage Practices* herein) acts as a qualified custodian for client assets. Clients will receive, at least quarterly, statements from qualified custodians that hold and maintain client accounts. They will be delivered to the email or postal address provided to the custodian by the client. Clients should carefully review those statements promptly upon receipt. We urge clients to compare official custodian account statements to the quarterly account statements received from Empirical. Our statements may vary slightly from custodian statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

As described in the *Retirement Plan Services* section of Items 4&5 herein, Empirical has engaged a third-party service provider that allows clients to connect their Held-Away retirement plan assets. As required, we have reviewed the third-party service provider to ensure your use (acceptance of) the service does not constitute custody as defined by known applicable state or federal regulation.

Item 16 – Investment Discretion

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

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

For certain eligible Held-Away retirement accounts that you authorize us to access through a third-party service provider, we may have limited authority to implement investment changes within the account in accordance with your overall investment strategy, subject to plan restrictions, recordkeeper limitations, and the scope of authority granted by you. Such authority does not extend to withdrawals, beneficiary changes, loans, contribution elections, or other non-investment administrative functions.

Item 17 – Voting Client Securities

Unless clients direct otherwise in writing, we are responsible for voting client proxies for most of our clients (however, the client shall maintain exclusive responsibility for all legal proceedings or other types of events pertaining to the account assets, including, but not limited to, class action lawsuits). For these clients, Empirical shall vote proxies in accordance with its Proxy Voting Policy, a copy of which is available upon request. If a client wishes to direct our vote in a particular situation, he or she may request as such. Empirical has contracted with an independent, third-party service provider for proxy-voting services for our clients.

Using this third-party platform Empirical monitors corporate actions of individual issuers and investment companies consistent with our fiduciary duty to vote proxies in the best interests of the clients. Factors Empirical will consider when determining how it will vote include but are not limited to: a review of recommendations from issuer management, shareholder proposals, cost effects of such proposals, effect on employee and executive and director compensation, and recommendations from third-party. With respect to individual issuers, Empirical may be solicited to vote on matters including, but not limited to, corporate governance, adoption or amendment to compensation plans (including stock options), and matters involving social issues and corporate responsibility.

With respect to investment companies (e.g. mutual funds), Empirical may be solicited to vote on matters including, but not limited to, the approval of advisory contracts, distribution plans, and mergers. Empirical shall maintain records pertaining to proxy voting as required pursuant to Rule 204-2 (c)(2) under the Advisers Act. Information pertaining to how Empirical voted on any specific proxy issue is available upon written request. Requests should be made by contacting our Chief Compliance Officer at compliance@empirical.net. If any conflicts of interest should arise between Empirical and its clients with regard to voting in a particular solicitation, Empirical is bound by its fiduciary duty to place the needs of its clients ahead of its own financial interests.

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

Item 18 – Financial Information

Empirical does not require or solicit prepayment of fees six months or more in advance. Empirical has no financial commitments that may impair our ability to meet our contractual obligations to our clients.