

Item 1: Cover Page

Evermay Wealth Management, LLC  
Part 2A of Form ADV  
Firm Brochure

1776 Wilson Boulevard,  
Suite 520, Arlington, VA 22209  
Phone: 703-822-5696  
[www.evermaywealth.com](http://www.evermaywealth.com)

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This Firm Brochure provides information about the qualifications and business practices of Evermay Wealth Management, LLC. If you have any questions about the contents of this Firm Brochure, please call us at 703-822-5696 or [info@evermaywealth.com](mailto:info@evermaywealth.com). The information in this Firm Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Registration as an investment adviser does not imply any certain level of skill or training.

Additional information about Evermay Wealth Management, LLC is also available on the SEC's website at: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2: Material Changes**

### **Annual Update**

The “Material Changes” section of this Disclosure Brochure (“Firm Brochure” or “Brochure”) is updated annually or when material changes occur since the previous release of the Brochure.

### **Material Changes Since the Last Update**

Evermay Wealth Management, LLC made material changes to the Firm Brochure since the previous version of this Brochure dated September 15, 2023. Please see the summary of material changes below. We encourage all clients to review the entire Firm Brochure.

**General Updates** – Several sections of this brochure were updated to include information about conflicts and potential conflicts of interest and how these conflicts are mitigated.

**Item 4 Advisory Business – Miscellaneous** - This section was revised to reflect additional information about Evermay’s business activities, including Retirement Account Rollovers, Custodian Charges, Cash Positions, Cash Sweep Accounts, Portfolio Activity, Cybersecurity Risk, Use of Mutual and Exchange Traded Funds, Client Obligations, Investment Risk, and Disclosure Brochures.

**Item 5 Fees and Compensation** – This section was updated to include details about fee dispersion, market value of margin assets for purposes of computing the advisory fee, and cash positions.

**Item 10: Other Financial Industry Activities and Affiliations** – This section was amended to add information about minority ownership interests in the Firm and related conflicts and potential conflicts of interest as well as how these conflicts are mitigated.

Please call us if you have any questions about the changes in this Brochure.

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## **Item 4: Advisory Business**

### **Overview**

Evermay Wealth Management, LLC (“Evermay”, “we”, “us”, “our”, or “the Firm”) is an investment adviser registered (“adviser” or “RIA”) with the Securities and Exchange Commission (“SEC”). The Firm became an adviser in December 2008. Evermay provides investment advisory services, sometimes referred to as Investment Management Services, on both a discretionary and non-discretionary basis to its clients, which may include individuals, high net worth individuals and associated trusts, estates, charitable organizations, pension and profit-sharing plans, and other corporations or business entities (together “clients” or “you”). Clients and prospective clients meet with Investment Adviser Representatives (“Advisors”, “Wealth Advisors”, “Associate Wealth Advisors”, “IARs”, or “Wealth Managers,” together “Advisory Services Team or Advisory Team”) to determine if an advisory program is in their best interest, uncover investment goals and objectives, establish suitable investment strategies, review portfolios, and work with clients to discuss any changes to the client’s financial goals and objectives. Advisors can also work with clients to create a financial plan. Additionally, Wealth Advisors are available to provide consulting services to certain retirement plans. Evermay offers a team-centric approach to helping clients with their financial needs whereby our clients work with different members of the Advisory Team.

Evermay invests in equities, mutual funds, bonds, cash-equivalents, private funds, private equity funds, and other instruments and/or third-party investment managers. In certain circumstances, clients have the ability to place reasonable restrictions on the types of investments that may be recommended by Evermay.

Evermay’s principal place of business is located in Arlington, Virginia.

The Firm is a limited liability company whose shares are majority owned by President and Co-Founder, William Pitt, IV.

### **Evermay is a Fiduciary to Clients**

Evermay is a fiduciary when providing advisory services to its clients. We are registered under the Investment Advisers Act of 1940, as amended (“Advisers Act”), which places a fiduciary obligation on us.

In addition, Evermay provides services as a “fiduciary” (as the term is defined in Section 3(21)(A) of the Employee Retirement Income Security Act of 1974, as amended (“ERISA”) and/or Section 4975 of the Internal Revenue Code of 1986, as amended (“the Code”)), with respect to Retirement Accounts. For the purposes of this Brochure, the term “Retirement Account” is used to cover certain retirement plans under Title I of ERISA, which includes Individual Retirement Accounts (“IRAs”).

As a fiduciary, Evermay’s responsibility is to make sure your best interests come first. Evermay provides you with full disclosure of all material facts relating to its advisory relationship with you. The advisory services are designed to avoid conflicts of interest. Evermay is obligated to disclose

conflicts of interest to make you aware of them as you evaluate the Firm's services. Conflicts of interest or potential conflicts of interest commonly refer to activities or relationships whereby Evermay's and/or its Advisors' interest compete with the interest of our clients. A conflict of interest arises when the conflict could incline Evermay or its Advisors to provide advice to you that is influenced by considerations of firm or personal advantages.

The Firm will provide you with objective investment advice. Portfolio investments and asset allocation decisions are subject to a due diligence review process by our experienced investment professionals.

Evermay investment strategy recommendations are provided to you only after we thoroughly review your investment goals, financial situation, liquidity needs, tax sensitivity and risk tolerance (together "Investor Profile"). We will provide ongoing investment advice to you and if your goals change, we will work with you to keep your investment strategy in-line with those changes. Evermay will provide ongoing monitoring of your portfolios and make changes to the portfolio holdings and asset allocations as necessary.

Prior to Evermay providing clients with objective investment advice, clients are required to enter into a written agreement with us setting forth the terms and conditions of the advisory relationship (the "Investment Advisory Agreement") sometimes referred to as the "Advisory Agreement." The Advisory Agreement will continue in effect until terminated by either party by written notice to the other. Evermay reserves the right to terminate the Advisory Agreement at any time by providing 30-day advance written notice to the client.

While this brochure generally describes the business of Evermay, certain sections also discuss the activities of the Firm's officers, Wealth Advisors, or other employees (together "Supervised Persons" or "Access Persons") who provide investment advice or support services on Evermay's behalf and are subject to the Firm's supervision and control.

If Evermay works with a third-party investment manager to manage a portion of a client's portfolio, these clients are provided with the third-party manager's Form ADV Part 2A, which describes information about third-party investment manager's investment strategies, advisory fees, conflicts of interest and advisory services. Third-party investment managers do not split their fees with us and therefore there is no conflict of interest associated with recommending clients invest with a third-party manager.

## **Investment Management Services**

Evermay and its Wealth Advisors provide ongoing discretionary portfolio Investment Management Services to clients. The portfolio advice and management are based on the client's individual financial needs. Wealth Advisors work closely with clients to establish financial goals and objectives based on their specific financial circumstances and needs. Evermay's investment portfolios have flexibility to use similar or different asset allocations, rebalancing methodologies, and security holdings within the same investment strategy. There is no guarantee that clients with the same asset allocations or investment strategy will have the same investment holdings or

performance. In a limited number of client engagements, we offer Investment Management Services on a non-discretionary basis.

Evermay tailors its advisory services to meet the needs of its clients and works on a continuous basis to manage client portfolios in a manner consistent with those needs and objectives. After building a client's investment portfolio, we attempt to meet with clients at least annually, or as reasonably necessary under the circumstance, to discuss changes to the client's financial situation, investment goals and objectives, and aspects of their Investor Profile. During investment portfolio reviews or throughout the course of the year, Wealth Advisors are available to review various components of the client's investment portfolios including but not limited to, account performance, securities holdings, asset allocation, and the rebalancing strategy. Clients must notify us as soon as practical when there are changes to their financial situation.

Clients can engage Evermay to manage and/or advise on certain investment products or accounts that are not maintained at our primary custodian, such as employer sponsored retirement plans and qualified tuition plans (i.e., 529 plans). In these situations, Evermay recommends the allocation of client assets among various investment choices available within the account and works with the client to access the account and implement portfolio investment changes.

Some investments available for client portfolios take on additional degrees of investment risk and/or liquidity risk. These investments are only included in a client portfolio when consistent with the client's goals, objectives, liquidity needs, and risk tolerance.

Client accounts that are approved by the custodian to use margin have the ability to borrow money to buy securities and/or for other non-investment borrowing purposes such as short-term bridge loans. The custodian charges the investor interest for the right to borrow money and uses the securities in the account as collateral. Evermay does not recommend the use of margin for investment purposes and does not receive any interest or fees in connection with the use of margin.

Clients can make deposits to and withdrawals from their accounts at any time, subject to Evermay's right to terminate the Advisory Agreement for a client account. Deposits can be in cash or securities provided that the Firm reserves the right to liquidate or decline any transferred securities. Clients can withdraw account assets on notice to Evermay, subject to the usual and customary securities settlement procedures. However, the Firm designs its portfolios for long-term investing, and withdrawals of assets may impair the achievement of a client's investment objectives. Evermay may consult with its clients about the options and implications of transferring securities. Clients are advised that when securities transferred to the account are liquidated, the securities may be subject to transaction fees, short-term redemption fees, fees assessed at the mutual fund level (e.g., contingent deferred sales charges) and the sale of securities could have tax implications.

**Retirement Account Rollovers.** A client or prospective client who has changed employers over the years may have retirement plan accounts such as 401ks or 403bs remaining at their former employers. Clients who find themselves in these situations have four options regarding their prior qualified retirement plans which include the following: (i) leave the money in the former employer's plan, if permitted, (ii) roll over the assets to the new employer's plan, if one is available and rollovers are permitted, (iii) roll over the assets to an Individual Retirement Account ("IRA"), or (iv) cash

out the account value, which could, depending on the client's age, result in adverse tax consequences. If Evermay or its Wealth Advisors recommends clients roll over their retirement plan assets into an account to be managed by Evermay, such recommendations create a conflict of interest since Evermay will earn new or increase its compensation as a result of the rollover. If Evermay provides a recommendation as to whether a client should engage in a rollover or not, Evermay is acting as a fiduciary within the meaning of ERISA and/or the Code, as applicable, which are laws governing retirement accounts. No client is under any obligation to roll over retirement plan assets to an account managed by Evermay.

Additional information regarding potential conflicts of interest and conflicts of interest can be found throughout different sections of this brochure.

## **Financial Planning**

We offer financial planning services that focus on determining our client's unique long-term financial goals and objectives and establish a road map to help them achieve those goals. Clients who would like to obtain a financial plan are provided with a financial plan report and consultative review sessions to discuss detailed steps and recommendations to implement the plan.

Financial planning is the evaluation of a client's current and hypothetical future financial state that utilizes known variables to help model or forecast future cash flows, asset values, and portfolio withdrawals. During the financial planning process, we ask an extensive number of questions in order for you to provide us with the necessary information to assist us with building your financial plan.

**Planning Limitations.** Evermay believes that it is important for the client to address financial planning issues on an ongoing basis. Evermay's advisory fee, as set forth at Item 5 below, will remain the same regardless of whether or not the client determines to address financial planning issues with Evermay. It remains each client's responsibility to promptly notify Evermay if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising our previous recommendations and/or services.

## **Retirement Plan Consulting Services**

We provide consulting services to qualified retirement plans ("Plans"), which include, 401ks, profit sharing plans, and pensions. Evermay will analyze the Plan's current investment platform, and, if applicable, review and analyze the Plan's investment policy statement. Evermay will also recommend the investment options to offer in the Plan, provide participant education, and monitor the performance of the plan's available investment vehicles.

The firm will work with the Plans on an ongoing basis to include regular considerations of the goals and objectives of the Plan and provide plan participate education.

## Miscellaneous

**Custodian Charges-Additional Fees.** As discussed in Item 12, when requested to recommend a broker-dealer/custodian for client accounts, Evermay generally recommends that *Schwab* serve as the broker-dealer/custodian for client investment management assets. Broker-dealers such as *Schwab* charge brokerage commissions, transaction, and/or other type fees for effecting certain types of securities transactions (i.e., including transaction fees for certain mutual funds, and mark-ups and mark-downs charged for fixed income transactions, etc.). The types of securities for which transaction fees, commissions, and/or other type fees (as well as the amount of those fees) shall differ depending upon the broker-dealer/custodian. While certain custodians, including *Schwab*, generally (with exceptions) do not currently charge fees on individual equity transactions (including ETFs), others do. **Please Note:** there can be no assurance that *Schwab* will not change its transaction fee pricing in the future. **Please Also Note:** *Schwab* may also assess fees to clients who elect to receive trade confirmations and account statements by regular mail rather than electronically.

**Cash Positions.** Evermay continues to treat cash as an asset class. As such, unless determined to the contrary by Evermay, all cash positions (money markets, etc.) shall continue to be included as part of assets under management for purposes of calculating Evermay's advisory fee. At any specific point in time, depending upon perceived or anticipated market conditions/events (there being **no guarantee** that such anticipated market conditions/events will occur), Evermay may maintain cash positions for defensive purposes. In addition, while assets are maintained in cash, such amounts could miss market advances. Depending upon current yields, at any point in time, Evermay's advisory fee could exceed the interest paid by the client's money market fund.

**Cash Sweep Accounts.** Certain account custodians can require that cash proceeds from account transactions or new deposits, be swept to and/or initially maintained in a specific custodian designated sweep account. The yield on the sweep account will generally be lower than those available for other money market accounts. When this occurs, to help mitigate the corresponding yield dispersion, Evermay shall (usually within 30 days thereafter) generally (with exceptions) purchase a higher yielding money market fund (or other type security) available on the custodian's platform, unless Evermay reasonably anticipates that it will utilize the cash proceeds during the subsequent 30-day period to purchase additional investments for the client's account. Exceptions and/or modifications can and will occur with respect to all or a portion of the cash balances for various reasons, including, but not limited to the amount of dispersion between the sweep account and a money market fund, the size of the cash balance, an indication from the client of an imminent need for such cash, or the client has a demonstrated history of writing checks from the account. **Please Note:** The above does not apply to the cash component maintained within an Evermay actively managed investment strategy (the cash balances for which shall generally remain in the custodian designated cash sweep account), an indication from the client of a need for access to such cash, assets allocated to an unaffiliated investment manager, and cash balances maintained for fee billing purposes. **Please Also Note:** The client shall remain exclusively responsible for yield dispersion/cash balance decisions and corresponding transactions for cash balances maintained in any Evermay unmanaged accounts.

**Portfolio Activity.** Evermay has a fiduciary duty to provide services consistent with the client's best interest. Evermay will review client portfolios on an ongoing basis to determine if any changes



are necessary based upon various factors, including, but not limited to, investment performance, market conditions, fund manager tenure, style drift, account additions/withdrawals, and/or a change in the client's investment objective. Based upon these factors, there may be extended periods of time when Evermay determines that changes to a client's portfolio are unnecessary. Clients remain subject to the fees described in Item 5 during periods of portfolio inactivity. Of course, as indicated below, there can be no assurance that investment decisions made by Evermay will be profitable or equal any specific performance level(s).

**Cybersecurity Risk.** The information technology systems and networks that Evermay and its third-party service providers use to provide services to Evermay's clients employ various controls, which are designed to prevent cybersecurity incidents stemming from intentional or unintentional actions that could cause significant interruptions in Evermay's operations and result in the unauthorized acquisition or use of clients' confidential or non-public personal information. Clients and Evermay are nonetheless subject to the risk of cybersecurity incidents that could ultimately cause them to incur losses, including for example: financial losses, cost and reputational damage to respond to regulatory obligations, other costs associated with corrective measures, and loss from damage or interruption to systems. Although Evermay has established processes to reduce the risk of cybersecurity incidents, there is no guarantee that these efforts will always be successful, especially considering that Evermay does not directly control the cybersecurity measures and policies employed by third-party service providers. Clients could incur similar adverse consequences resulting from cybersecurity incidents that more directly affect issuers of securities in which those clients invest, broker-dealers, qualified custodians, governmental and other regulatory authorities, exchange and other financial market operators, or other financial institutions.

**Use of Mutual and Exchange Traded Funds:** Evermay utilizes mutual funds and exchange traded funds for its client portfolios. In addition to Evermay's investment advisory fee described below, and transaction and/or custodial fees discussed above, clients will also incur, relative to all mutual fund and exchange traded fund purchases, charges imposed at the fund level (e.g., management fees and other fund expenses). The mutual funds and exchange traded funds utilized by Evermay are generally available directly to the public. Thus, a client can generally obtain the funds recommended and/or utilized by Evermay independent of engaging Evermay as an investment advisor. However, if a prospective client does so, then they will not receive Evermay's initial and ongoing investment advisory services.

**Client Obligations.** In performing our services, Evermay shall not be required to verify any information received from the client or from the client's other professionals and is expressly authorized to rely thereon. Moreover, it remains each client's responsibility to promptly notify Evermay if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising our previous recommendations and/or services.

**Investment Risk.** Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by Evermay) will be profitable or equal any specific performance level(s).

**Disclosure Brochure.** A copy of Evermay’s written Brochure as set forth on Part 2A of Form ADV and Form CRS (“Client Relationship Summary”) shall be provided to each client prior to, or contemporaneously with, the execution of an agreement between the client and Evermay.

## **Assets Under Management**

As of March 1, 2024, Evermay managed approximately \$1,062,573,000 in assets under management, with \$1,037,276,000 on a discretionary basis and \$25,297,000 on a non-discretionary basis.

## **Item 5: Fees and Compensation**

### **Investment Management Services**

Clients pay an asset based annual fee (“Annual Advisory Fee” or “Investment Management Fee”) for Investment Management Services. The Annual Advisory Fee is based on an annual percentage of the market value of the assets in account(s) managed by Evermay. The Firm’s Investment Management Fee shall be prorated and paid quarterly, in advance, based upon the market value of the assets managed by Evermay (including cash, securities, pending trades, and accrued interest) on the last day of the previous quarter. Evermay determines the billing cycle and generally requires an account minimum of \$1,000,000 for Investment Management Services. However, Evermay, in its sole discretion, may require a lesser account minimum based upon certain criteria (i.e., anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with clients, etc.). If an account is fully removed from Evermay’s management during a billing quarter, the quarterly fee is prorated and the difference between the assessed fee and the prorated fee is refunded back to the client.

### **Standard Tiered Investment Management Fee Schedule**

<b>Account Market Value</b>	<b>Annual Advisory Fee</b>
\$0-\$5,000,000	1.00%
\$5,000,001 - \$10,000,000	0.60%
\$10,000,001 - \$25,000,000	0.50%
\$25,000,001 - \$50,000,000	0.40%
\$50,000,001 +	0.30%

As the market value of the account reaches a higher tier breakpoint, as shown in the table above, the assets within each tiered level are charged the corresponding Annual Advisory Fee. This type of fee schedule is sometimes referred to as a “blended fee schedule.”

**Fee Dispersion.** Evermay, in its discretion, may charge a lesser or higher investment advisory fee, charge a flat fee, waive applicable minimum asset or minimum fee levels, waive its fee entirely, or charge a fee on a different interval, based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, complexity of the engagement, anticipated services to be rendered, grandfathered fee schedules, employees and family members, courtesy accounts, competition, negotiations with client, etc.). **Please Note:** As a result of the above, similarly situated clients could pay different fees. In addition, similar advisory services may be available from other investment advisers for similar or lower fees.

Evermay's Investment Management Fee generally falls within the range from 0.3% to 1.0%. Although Evermay has established the standard tiered management fee schedule, we retain the discretion to negotiate alternative fee schedules on a client-by-client basis. While the annual fee is negotiable, it shall generally fall within the above-listed range but may be higher or lower than this range based on the nature of the account. Factors affecting fee percentages include the size of the account, complexity of asset structures, and other factors. Evermay, in its sole discretion, may consider a fixed annual advisory fee in lieu of an asset-based management fee. Investment Advisory services begin on the effective date of the Investment Advisory Agreement unless otherwise stated in writing by Evermay. The Firm offers a discretionary householding advisory fee program, sometimes referred to as "accounts related for fee billing purposes," whereby the firm can aggregate assets of multiple related accounts and apply the aggregated Account Market Value for purposes of calculating the Annual Advisory Fee for each account. In certain circumstances, the aggregated Account Market Values allow clients to reach a higher breakpoint on the tiered Standard Fee Schedule and pay a lower Annual Advisory Fee.

Evermay will include the entire market value of margin assets when computing its advisory fee. Accordingly, Evermay's advisory fee for clients that hold a margin balance shall be based upon the higher margined account value, resulting in Evermay earning a correspondingly higher advisory fee for these accounts. As a result, a potential conflict of interest arises since Evermay may have economic disincentive to recommend that the client terminate the use of margin. Evermay clients who sign up for margin will get a preferred margin rate at the custodian, which is lower compared to their standard retail margin rate. Wealth Advisors discuss the client's use of margin during their portfolio reviews. **Please Note:** Evermay does not recommend the use of margin for investment purposes and does not receive any interest or fees in connection with the use of margin.

**Financial Planning Fees.** Evermay's Financial Planning Services are provided at no additional charge to Investment Management clients. Based on individual facts and circumstances, Wealth Advisors have the ability to provide Financial Planning Services on a stand-alone basis and negotiate a payment arrangement with the client. Evermay does not have a set financial planning fee schedule.

**Retirement Plan Consulting Services Fees.** The annual fee for Evermay's Retirement Plan Consulting Services is charged either on a quarterly basis in advance or in arrears and is based on a percentage of assets under administration within the plan and typically ranges from .50 to 1.00% per year. The annual fee is based upon several factors including the size of the plan, the number of participants, the number of office locations as well as the method of employee education and the

services required. Fees are paid directly to Evermay from the plan administrators or Sponsors. The annual fee for Retirement Plan Consulting Services will not be higher than Evermay's standard fee schedule for Investment Management.

**Fee Payment.** Fees will be debited directly from each client's account. The advisory fee is billed in advance at the beginning of each calendar quarter, and the value used for the fee calculation will be determined using the account value as of the last day of the previous quarter. Any contributions and/or withdrawals made during a calendar quarter may cause an adjustment to the advisory fee. Generally, any contributions and/or withdrawals intra-quarter, which result in a prorated quarterly fee adjustment of over one hundred dollars, is charged or credited to the client.

Clients whose fees are directly debited will provide written authorization to debit advisory fees from their accounts held by a qualified custodian. Each quarter, clients may receive a bill from Evermay itemizing the fees to be debited and the time period covered by the fee. The invoice may additionally state that the fee was not independently calculated by the custodian. The client should also receive a statement from their account custodian showing all transactions in their account, including the advisory fee.

Clients should be aware of their responsibility to verify the accuracy of the fee calculation submitted to the custodian by Evermay, as the custodian will not determine whether the fee has been properly calculated. At the client's request, Evermay may provide the client with a separate copy of each invoice, setting forth the basis for the calculation.

**Other Fees.** The Advisory Fee charged by Evermay is separate and distinct from fees and expenses charged by mutual funds, private funds, and/or investment managers which have their own fee structures, including investment advisory fees. Descriptions of these fees and expenses are available in each fund's prospectus or in management agreements. Evermay's fees are for advisory services only and do not include other costs that the client may incur such as, but not limited to; transaction fees, commissions, or other management fees charged by non-affiliated third parties including investment managers that are recommended to clients. Clients may incur certain charges imposed by custodians, brokers, third-party investments, private funds, private equity funds, and other third parties such as fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, private fund management, performance, and carry and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and exchange traded funds also charge internal management fees, which should be disclosed in a funds' prospectus. Such charges, fees, and commissions are exclusive of and in addition to Evermay's fee. Evermay does not independently value any private securities held in client accounts or in the hedge funds it recommends. The quarterly financial information provided by the private funds themselves will be used as the basis for client reporting and fee billing (where a client pays an asset-based fee). This valuation is determined independent of Evermay. For marketable securities, the prices provided by custodians are used for client reporting and fee billing.

**Pro-rata Fees.** If you become a client at any time other than the beginning of a quarter, you will pay a management fee for the number of days left in that quarter. Evermay does not reimburse or charge client accounts for intra-quarter deposits or withdrawals unless the amount of the pre-paid quarterly advisory fee increases or decreases by more than one hundred dollars. If you terminate

our relationship at any time other than the beginning of the quarter, you will be refunded the portion of the prepaid management fee for the remainder of the quarter (or the credit can be applied to another Investment Management Account). Either Evermay or the client may terminate the Agreement for any reason upon 30-days written notice. Once your notice of termination is received, we will refund the unearned fees to you via check or wire.

**Cash Positions.** As discussed in Item 4, Evermay continues to treat cash as an asset class. As such, unless determined to the contrary by Evermay, all cash positions (money markets, etc.) shall continue to be included as part of assets under management for purposes of calculating Evermay's advisory fee.

## **Item 6: Performance Based Fees and Side-by-Side Management**

Evermay does not charge performance-based fees or engage in side-by-side account management. Performance-based fees are typically based on a share of capital gains or capital appreciation of a client's account. Side-by-side management is the practice of managing accounts that are charged a performance-based fee while at the same time managing accounts that are charged another type of fee, such as an asset-based fee, whereby a potential conflict could arise that could cause an advisor to favor one account over another account.

## **Item 7: Types of Clients**

Evermay primarily provides customized investment supervisory services to individuals, high net worth individuals and associated trusts, estates, charitable organizations, pension and profit-sharing plans, and other corporations or business entities.

A minimum of \$1,000,000 of assets under management is required for investment management services. However, Evermay, in its sole discretion, may require a lesser account minimum or charge a lesser management fee based upon certain criteria (i.e., anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with clients, etc.)

Client relationships vary in scope and length of service. Evermay reserves the right to decline any new account or resign as adviser to any account after initiation of an investment advisory relationship for any reason at its sole discretion.

## **Item 8: Methods of Analysis, Investment Strategies and Risk of Loss**

**It is important for you to know and remember that all investments carry risks. Investing in securities involves risk of loss that clients should be prepared to bear.**

### **Investment Allocations**

Each client's portfolio will be invested according to that client's investment objectives. We determine these objectives by interviewing the client and/or asking the client to put these objectives in writing. Once we ascertain your objectives for each account, we will develop asset allocation guidelines. Asset allocation guidelines are percentage-based allocations to different investment types, or types of managers or funds. For example, an asset allocation strategy may call for 40-60% of the portfolio to be invested in equity securities, with the remaining balance in fixed income. Another program may have an asset allocation of 50-60% in fixed income securities, 20% in equities, and the remainder in cash or a personal business. Yet another program may have an asset allocation of 100% in equities.

The investment strategy that we recommend is based on the needs of the client, current market conditions, the client's current financial situation (including assets that may be managed by another advisor), financial goals, and the timeline to meet those goals. Because we develop an investment strategy based on your personal situation and financial goals, your asset allocation guidelines may be similar to or different from another client.

We may periodically recommend changes to the client portfolios to meet the guidelines of the asset allocation. It is important to remember that because market conditions can vary greatly, your asset allocation guidelines are not necessarily strict rules. Rather, we review accounts individually, and may deviate from the guidelines as we believe necessary. Evermay reserves the right to add or delete any security holdings and otherwise change the list of securities it buys and sells for client accounts. Subsequent changes to the list of securities Evermay buys or sells does not mean a particular client holding will change. Evermay does not offer proprietary ETFs or mutual funds and it does not manage or sub-advise mutual funds or ETFs. The Firm is not a publicly traded company, and it does not issue publicly traded equity or debt securities, therefore portfolios do not hold securities issued by or affiliated with Evermay.

When Evermay makes changes to investment strategies, these changes may not be made simultaneously. Rather, some accounts may be modified before others. This may result in accounts being traded earlier, inadvertently having an advantage or disadvantage over accounts traded later.

### **Methods of Analysis and Strategies**

As in-house portfolio managers, we employ both top-down and bottom-up techniques in constructing client portfolios. Our top-down approach includes the analysis of macroeconomic, geopolitical, and capital market conditions, business regulations and industry developments. With this data in mind, we select equities based on their long-term total return potential and ability to pass our fundamental and technical analyses. Once we invest in a company, we continuously monitor its business fundamentals and stock valuation.

Evermay selects fixed income investments based on their investment grade, liquidity, duration, and yield to maturity. We primarily choose investment-grade securities issued by financially sound corporations, and by the U.S. government or its agencies. If a client is subject to high income tax rates, as many of our clients are, we often utilize high grade, tax-exempt state, and local bonds.

**Third-Party Managers.** At times we may recommend that significant portions of a client's portfolio be managed by independent third-party managers or recommend direct investment with independent third-party managers or in private funds, typically if those managers demonstrate knowledge and expertise in a particular investment strategy. Investments in private funds, including private equity funds, are governed by and fully described in the private placement memorandum and related subscription materials. Fees charged by independent third-party managers are in addition to the advisory fee charged by Evermay.

The experience, expertise, investment philosophies and past performance of independent third-party investment managers are examined in an attempt to determine if that manager has demonstrated an ability to invest over a period of time and in different economic conditions. We monitor the manager's underlying holdings, strategies, concentration, and leverage as part of our overall periodic risk assessment.

Based on a client's individual circumstances and needs, we may determine which selected money manager's portfolio management style is appropriate for that client. Factors considered in making this determination include account size, risk tolerance, and the investment philosophy of the selected money manager. We encourage clients to review managers selected by us and each third-party manager's disclosure document regarding the particular characteristics of any program.

We regularly and continuously monitor the performance of the selected money managers. If we determine that a particular selected money manager is not providing sufficient management services to the client or is not managing the client's portfolio in a manner consistent with the client's investment objectives, we may remove the client's assets from that selected money manager and place the client's assets with another money manager at our discretion and without prior consent from the client.

Evermay may obtain appropriate due diligence on independent third-party managers, making reasonable inquiries into their performance calculations, policies and procedures, code of ethics policies, and other operational and compliance matters to account for performance and risk management. In attempting to determine which managers have the best chance to outperform, it is not enough to focus solely on quantitative risk and return measurements. Qualitative analysis is necessary as well, to determine:

- If there were true factors leading to out-performance, as opposed to just "luck"; and,
- If the factors leading to previous out-performance are identifiable and repeatable.

Qualitative screening includes a review of each firm's organizational history and stability, depth/experience of investment team and research group, investment process and strategy, and legitimacy of track record, among other characteristics. Other qualitative or quantitative screens

include a fund's or manager's expense ratio, assets under management, manager tenure, length of track record, and minimum initial investment.

Our due diligence does not stop once we select a manager. We meet or speak with managers on a periodic, ongoing basis, and factors we analyzed before recommending managers are reviewed and scrutinized.

## **Risk of Loss**

There are always risks to investing. It is impossible to name all possible types of risks. Among the risks are the following:

- **Political Risks.** Most investments have a global component, even domestic stocks. Political events anywhere in the world may have unforeseen consequences to markets around the world.
- **General Market Risks.** Markets can, as a whole, go up or down on various news releases or for no understandable reason at all. This sometimes means that the price of specific securities could go up or down without real reason and may take some time to recover any lost value. In addition, significant market disruptions, such as those caused by pandemics, natural or environmental disasters, war, acts of terrorism, or other events, can adversely affect local and global markets and normal market operations. Market disruptions may exacerbate political, social, and economic risks. Adding additional securities does not help to minimize this risk since all securities may be affected by market fluctuations.
- **Currency Risk.** When investing in another country using another currency or in a company that conducts business in other countries, the changes in the value of the country's currency can change the value of the securities in your portfolio.
- **Regulatory Risk.** Changes in laws and regulations from any government can change the value of a given company and its accompanying securities. Certain industries are more susceptible to government regulation. Changes in zoning, tax structure, or laws impact the return on these investments.
- **Tax Risks Related to Short Term Trading.** Clients should note that Evermay may engage in short-term trading transactions. These transactions may result in short-term gains or losses for federal and state tax purposes, which may be taxed at a higher rate than long-term strategies. Evermay endeavors to invest client assets in a tax efficient manner, but all clients are advised to consult with their tax professionals regarding the transactions in client accounts.
- **Purchasing Power Risk.** Purchasing power risk is the risk that your investment's value will decline as the price of goods rises (inflation). The investment's value itself does not decline, but its relative value does, which is the same thing. Inflation can happen for a variety of complex reasons, including a growing economy and a rising money supply.
- **Business Risk.** This can be thought of as certainty or uncertainty of income. Management comes under business risk. Cyclical companies (like automobile companies) have more business risk because of the less steady income stream. On the other hand, fast food chains tend to have steadier income streams and therefore, less business risk.
- **Financial Risk.** The amount of debt or leverage determines the financial risk of a company.



- **Default Risk.** This risk pertains to the ability of a company to service their debt. Ratings provided by several rating services help to identify those companies with more risk. Obligations of the U.S. government are said to have low default risk.
- **Risks specific to sub-advisors and other managers.** If we invest some of your assets with another advisor, including a private placement, there are additional risks. These include risks that the other manager is not as qualified as we believe them to be, that the investments they use are not as liquid as we would normally use in your portfolio, or that their risk management guidelines are more liberal than we would normally employ. The other manager may have had historical success, but such success does not guarantee any future success. In addition, as we do not select the underlying investments that may be used by such other manager, one or more other managers used by the firm to manage the client's assets may purchase the same security, increasing the risk to the client if that security were to fall in value. Clients should review the other managers' disclosure documents for the investment risks for those managers and the underlying investments.
- **Private Equity.** If we invest some of your assets with a fund that invests in private equity, including private placements, there are additional risks that will be fully described in the private placement memorandum and related subscription materials which shall govern. These risks include, but are not limited to, the realization of gains, which require finding a buyer willing to pay the fair market value without discount. That there is no assurance of investment returns. The reliance on fund personnel's ability to identify and properly analyze companies for investment. The reliance on portfolio company management teams. There can be no assurance that the existing management team, or any successor, will be able to operate the portfolio company successfully or implement any operational improvements. The lack of diversification resulting in the fund being substantially adversely affected by the unfavorable performance of any single portfolio company. The holding of minority investments, limited rights, or abilities to exert significant influence over the portfolio company. The investment in illiquid and long-term investments with no assurance that the fund will be able to monetize investments in a timely manner, or at all, and dispositions of such investments may require a lengthy time-period. The availability of limited investment opportunities since there is a highly competitive market for investment opportunities. And that the funds may use leverage and assume contingent liabilities of the portfolio company when acquiring portfolio companies.
- **Options.** The use of options transactions as an investment strategy involves a high level of inherent risk. Although the intent of many of the options-related transactions implemented by Evermay is to hedge against principal risk, certain options-related strategies (i.e., straddles, short positions, etc.), may in and of themselves, produce principal volatility and/or risk. Thus, a client must be willing to accept the enhanced volatility and principal risks associated with such strategies. In light of these enhanced risks, a client may direct Evermay, in writing, not to employ any or all such strategies for his/her/their/its accounts. Clients participating in the Options Strategy should *carefully* consider all information regarding the strategy and its risks prior to participating.
- **Margin Risk.** "Margin" is a tool used to maximize returns on a given investment by using securities in a client account as collateral for a loan from the custodian to the client. The proceeds of that loan are then used to buy more securities. In a positive result, the additional securities provide additional return on the same initial investment. In a negative result, the additional securities provide additional losses. Margin therefore carries a higher degree of

risk than investing without margin. Evermay utilizes margin on a very limited basis for clients with higher risk tolerances.

- **Information Risk.** All investment professionals rely on research in order to draw conclusions about investment options. This research is always a mix of both internal (proprietary) and external (provided by third-parties) data and analyses. Even an advisor who says they rely solely on proprietary research must still collect data from third-parties. This data, or outside research is chosen for its perceived reliability, but there is no guarantee that the data or research will be completely accurate. Failure in data accuracy or research will translate to a compromised ability by the advisor to reach satisfactory investment conclusions.
- **Small Companies.** Some investment opportunities in the marketplace involve smaller issuers. These companies may be starting up, or are historically small. While these companies sometimes have potential for outsized returns, they also have the potential for losses because the reasons the company is small are also risks to the company's future. For example, a company's management may lack experience, or the company's capital for growth may be restricted. These small companies also tend to trade less frequently than larger companies, which can add to the risks associated with their securities because the ability to sell them at an appropriate price may be limited as compared to the markets as a whole. Not only do these companies have investment risk, if a client is invested in such small companies and requests immediate or short-term liquidity, these securities may require a significant discount to value in order to be sold in a shorter time frame.
- **Concentration Risk.** While Evermay selects individual securities, including mutual funds, for client portfolios based on an individualized assessment of each security, this evaluation comes without an overlay of general economic or sector specific issue analysis. This means that a client's equity portfolio may be concentrated in a specific sector, geography, or sub-sector (among other types of potential concentrations), so that if an unexpected event occurs that affects that specific sector or geography, for example, the client's equity portfolio may be affected negatively, including significant losses.
- **Transition Risk.** As assets are transitioned from a client's prior advisors to Evermay there may be securities and other investments that do not fit within the asset allocation strategy selected for the client. Accordingly, these investments will need to be sold in order to reposition the portfolio into the asset allocation strategy selected by Evermay. However, this transition process may take some time to accomplish. Some investments may not be unwound for a lengthy period of time for a variety of reasons that may include unwarranted low share prices, restrictions on trading, tax consequences, contractual restrictions on liquidity, or market-related liquidity concerns. In some cases, there may be securities or investments that are never able to be sold. The inability to transition a client's holdings into recommendations of Evermay may adversely affect the client's account values, as Evermay's recommendations may not be able to be fully implemented.
- **Restriction Risk.** Clients may, at all times, place reasonable restrictions on the management of their accounts. However, placing these restrictions may make managing the accounts more difficult, thus lowering the potential for returns.
- **Risks Related to Investment Term & Liquidity.** Securities do not follow a straight line up in value. All securities will have periods of time when the current price of the security is not an accurate measure of its value. If you require us to liquidate your portfolio during one of these periods, you will not realize as much value as you would have, had the investment

had the opportunity to regain its value. Further, some investments are made with the intention of the investment appreciating over an extended period of time. Liquidating these investments prior to their intended time horizon may result in losses.

- **Exchange Traded Funds (ETFs):** ETFs are typically investment companies that are legally classified as open-end mutual funds or UITs. However, they differ from traditional mutual funds, in particular, in that ETF shares are listed on a securities exchange. Shares can be bought and sold throughout the trading day like shares of other publicly traded companies and the market price for a share of an ETF may fluctuate from the value of its underlying securities. Consequently, ETF shares may trade at a discount or premium to their net asset value. In addition, there is a price difference between the bid price and the ask price that is often referred to as the “spread”, which generally varies based on the ETF’s trading volume and market liquidity. Although many ETFs are registered as an investment company under the Investment Company Act of 1940, some ETFs, in particular those that invest in commodities, are not registered as an investment company.
- **Leveraged and Inverse ETFs, ETNs and Mutual Funds Risk:** Leveraged ETFs, ETNs and mutual funds, sometimes labeled “ultra” or “2x” for example, are designed to provide a multiple of the underlying index’s return, typically on a daily basis. Inverse products are designed to provide the opposite of the return of the underlying index, typically on a daily basis. These products are different from and can be riskier than traditional ETFs, ETNs and mutual funds. Although these products are designed to provide returns that generally correspond to the underlying index, they may not be able to exactly replicate the performance of the index because of fund expenses and other factors. This is referred to as tracking error. Continual resetting of returns within the product may add to the underlying costs and increase the tracking error. As a result, this may prevent these products from achieving their investment objective. In addition, compounding of the returns can produce a divergence from the underlying index over time, in particular for leveraged products. In highly volatile markets with large positive and negative swings, return distortions are magnified over time. Because of these distortions, these products should be actively monitored, as frequently as daily, and may not be appropriate as an intermediate or long-term holding. To accomplish their objectives, these products use a range of strategies, including swaps, futures contracts, and other derivatives. These products may not be diversified and can be based on commodities or currencies. These products may have higher expense ratios and be less tax efficient than more traditional ETFs, ETNs and mutual funds.
- **REITs:** Evermay may recommend that significant portions of client portfolios be allocated to liquid and illiquid real estate investment trusts, otherwise known as “REITs”. A REIT is an entity, typically a trust or corporation, that accepts investments from a number of investors, pools the money, and then uses that money to invest in real estate through either actual property purchases or mortgage loans. While there are some benefits to owning REITs, which include potential tax benefits, income and the relatively low barrier to invest in real estate as compared to directly investing in real estate, REITs also have some increased risks as compared to more traditional investments such as stocks, bonds, and mutual funds. First, real estate investing can be highly volatile. Second, the specific REIT chosen may have a focus such as commercial real estate or real estate in a given location. Such investment focus can be beneficial if the properties are successful but lose significant principal if the properties are not successful. REITs may also employ significant leverage for the purpose of purchasing more investments with fewer investment dollars, which can

enhance returns but also enhances the risk of loss. The success of a REIT is highly dependent upon the manager of the REIT. Clients should ensure they understand the role of the REIT in their portfolio.

- **MLPs:** Evermay may recommend that significant portions of client portfolios be allocated to master limited partnerships, otherwise known as “MLPs”. An MLP is a publicly traded entity that is designed to provide tax benefits for the investor. In order to preserve these benefits, the MLP must derive most, if not all, of its income from real estate, natural resources and commodities. While MLPs may add diversification and tax favored treatment to a client’s portfolio, they also carry significant risks beyond more traditional investments such as stocks, bonds, and mutual funds. One such risk is management risk-the success of the MLP is dependent upon the manager’s experience and judgment in selecting investments for the MLP. Another risk is the governance structure, which means the rules under which the entity is run. The investors are the limited partners of the MLP, with an affiliate of the manager typically the general partner. This means the manager has all the control in running the entity, as opposed to an equity investment where shareholders vote on such matters as board composition. There is also a significant amount of risk with the underlying real estate, resources, or commodities investments. Clients should ask Evermay any questions regarding the role of MLPs in their portfolio.

## **Item 9: Disciplinary Information**

Evermay has had no legal or disciplinary events that would be material to a client or prospective client’s evaluation of Evermay’s business or firm management.

## **Item 10: Other Financial Industry Activities and Affiliations and Other Conflicts of Interest**

Evermay does not have other financial industry activities or affiliations.

A limited number of clients have a minority interest in Evermay as well as certain Evermay Supervised Persons (together “Minority Owners”). These Minority Owners receive a floating dividend at certain frequencies (e.g., quarterly) from the Firm. Minority Owner clients do not provide input into the direction or day-to-day management of the firm and pay a negotiated advisory fee for Investment Management Services. Minority-owner client portfolios are managed the same as all clients and they do not receive any special treatment with respect to allocation of trades or access to investment opportunities.

These arrangements could cause a conflict of interest whereby the goals of the Firm compete with Evermay clients’ interest. These conflicts and potential conflicts of interest are mitigated by the Firm and Wealth Advisor’s fiduciary duty to its clients, the Firm’s policies and procedures and Code of Ethics, and the duty of Evermay’s Chief Compliance Officer to review conflicts and potential conflicts of interest with Officers of the Firm.

## **Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

### **Code of Ethics**

Evermay has adopted a Code of Ethics, as mandated by the Adviser Act rules. The Code of Ethics sets forth high ethical standards of business conduct that we require of our employees, including compliance with applicable federal securities laws and reporting any violations of the Code of Ethics.

- The Code of Ethics includes the following provisions:
- Standards of business conduct required of Access Persons, which standards reflect fiduciary duty obligations and those of Supervised Persons to advisory clients;
- Terms requiring Supervised Persons to comply with applicable federal securities laws;
- Terms and procedures relating to the review and approval of certain securities transactions and holdings by Supervised Persons with access to client information;
- Requirements prohibiting the use of material non-public information for personal or professional gain;
- Procedures for reporting violations of the Code of Ethics; and
- Procedures for the receipt and acknowledgment of the Code of Ethics by Supervised Persons.

Evermay will provide a copy of the Code of Ethics to any client or prospective client upon request.

### **Participation or Interest in Client Transactions and Personal Trading**

Evermay's Supervised Persons often have their own brokerage accounts as well as different investment objectives, risk tolerance, and financial goals for those accounts. Evermay's Supervised Persons also have the ability to enroll in one or several of the Firm's advisory accounts and engage in different investment strategies.

Although Evermay's advisory accounts are designed for long-term investing, the investment strategies for accounts associated with Evermay's Supervised Persons can differ substantially from those of its clients. As such, Supervised Persons can buy, sell, or sell short securities that could also be held in client portfolios. Evermay's investment portfolios can also include mutual funds or ETFs that engage in short selling, alternative investment strategies, or the use of various options strategies.

If there is a violation of the Code of Ethics or conflict of interest, Evermay's Chief Compliance Officer will review the facts and circumstances and, if necessary, take appropriate steps to resolve the issue, keeping in mind the Firm and its Wealth Advisors must always put the client's interest first to resolve conflicts.

## **Item 12: Brokerage Practices**

### **Recommendation of Broker-Dealer**

Evermay generally recommends that investment accounts be held in custody by Schwab Advisor Services (“Schwab”). Schwab offers enhanced services to independent investment advisors. These services include custody of securities, trade execution platforms, and access to research not available to the general public. It is expected that most, if not all transactions in a given client account may be cleared through the custodian of that account in its capacity as a broker-dealer. In the future, Evermay could expand the number of custodians available for client accounts.

Evermay seeks to obtain best execution for client transactions which is not necessarily the lowest commission but the best overall qualitative execution under the particular circumstances. Evermay recommends broker-dealers or custodians such as Schwab to its clients based on a variety of factors. These include, but are not limited to, commission costs. Schwab has what can be considered discounted commission rates. However, in choosing a broker-dealer or custodian to recommend, we are most concerned with the value the client receives for the cost paid, not just the cost. Other factors that may be considered in determining overall value include speed and accuracy of execution, financial strength, knowledge and experience of staff, and research and service. Schwab also has arrangements with many mutual funds that enable us to purchase these mutual funds for client accounts at reduced transaction charges. Evermay re-evaluates the use of Schwab periodically to determine if they are still the best value for our clients.

Although not a material consideration when determining whether to recommend that a client utilize the services of a particular broker-dealer/custodian such as Schwab, we may receive from that firm, or have access to, investment research and other practice support materials. These items may be available to us as a result of executing client securities transactions through that firm or clients utilizing that company to provide custodial services. These items may be in the form of research reports, other securities analysis products, investment seminars, education seminars, various written publications on topics related to firm practice, discount programs, access to technology solutions, and support and other products or services.

The aforementioned services are used by our firm to manage accounts for which we have investment discretion, and not solely for particular clients. Without this arrangement, our firm might be compelled to purchase the same or similar services at our own expense.

As a result of receiving these services for no additional cost, we may have an incentive to continue to use or expand the use of a particular broker-dealer/custodian’s services. Our firm considered this potential conflict of interest when we chose to enter into the relationships with the broker-dealer/custodian and we have determined that the relationships are in the best interest of our firm’s clients and satisfies our client obligations, including our duty to seek best execution. In addition, this potential conflict of interest is addressed because our clients may not pay more for investment transactions effected and/or assets maintained at a particular broker-dealer/custodian as result of our receipt of such aforementioned benefit(s).

We do not consider whether Schwab or any other broker-dealer/custodian refers clients to Evermay as part of our evaluation of these broker-dealers.

Some clients may come to Evermay with accounts held at other broker-dealers. Evermay does not require that clients hold their assets at Schwab. A client's direction of brokerage to other broker-dealers can limit or eliminate Evermay's ability to negotiate commissions (which could result in higher commission costs) and otherwise obtain most favorable execution of client transactions. In addition, Evermay may be unable to aggregate orders to reduce transaction costs. If the client directs brokerage, the client will negotiate terms and arrangements for the account with that broker-dealer, and Evermay will not seek better execution services or prices from other broker-dealers. As a result, the client may pay higher commissions or other transaction costs or incur greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case. In other words, directing brokerage may cost a client more money. Further, because Evermay's access to information may differ from access to information for clients whose assets are held at Schwab, there may be delays in meeting client needs.

**Aggregating Trades.** Commission costs per client may be lower on a particular trade if all clients' accounts in which the trades are to be made are executed at the same time. This is called aggregating trades. Instead of placing a number of trades for the same security for each account, we may, when appropriate, execute one trade for all accounts and then allocate the trades to each account after execution. If an aggregate trade is not fully executed, the securities may be allocated to client accounts on a *pro rata* basis, except where doing so would create an unintended adverse consequence (For example,  $\frac{1}{4}$  of a share, or a position in the account of less than 1%).

**Trade Error.** From time to time, Evermay or the custodian may make an error in placing a trade on a client's behalf. Evermay generally considers a "trade error" to be the execution of a transaction on behalf of a client on terms other than those intended. Evermay faces an inherent conflict in addressing trade errors, as trade errors are often detected by firm personnel who may have an inherent incentive to mitigate such trade errors in Evermay's favor, which could be to the detriment of the clients. To address this risk, Evermay logs, and firm management reviews, all trade errors. We believe these controls, along with periodic employee engagement on trade errors, mitigate these inherent risks.

**Cross Transactions and Principal Trades.** A cross transaction is a transaction between two accounts managed by the same investment advisor. We recognize that significant conflicts of interest could arise when performing internal cross transactions in client accounts. Evermay does not perform internal cross transactions. Additionally, Evermay does not act as principal in any transaction ("principal trades") nor does the firm sell securities held in inventory to clients.

## **Item 13: Review of Accounts**

### **Account Reviews**

For Investment Management Services clients, account reviews are conducted on an ongoing basis by Evermay's team members. Investment Management Services accounts are reviewed with clients on different frequencies (i.e., monthly, quarterly, or semi-annually, annually, or as needed) based

on factors such as the complexity of the client's objectives and changes to the client's Investor Profile. When needed, clients can review their accounts more frequently with Wealth Advisors. Account reviews, which vary in focus, can include asset allocation updates and rebalancing, performance reviews, tax harvesting, security holdings reviews, cash flow monitoring, and more. It remains the client's responsibility to advise Evermay (in person, virtually or via telephone) of any changes in their investment objectives and/or financial situation.

### **Account Statements and Reports**

Clients are provided with transaction confirmation notices and regular summary account statements directly from their custodian. On a quarterly basis, clients also receive a performance report from Evermay or its service provider that contains certain account related information such as account holdings, asset allocation breakdown, or account performance. Clients should compare the account statements they receive from their custodian with any documents or reports they receive from Evermay.

## **Item 14: Client Referrals and Other Compensation**

Clients may be introduced to Evermay via other third parties. In the event that Evermay compensates any party for the referral of a client to Evermay, any such compensation will be paid by Evermay, and not the client. If the client is introduced to Evermay by an unaffiliated third party, the referral arrangement with Evermay will be disclosed, including the compensation for the referral. The client will be provided with a copy of Evermay's ADV Parts 2A ("Firm Brochure"), 2B ("Brochure Supplement"), and 3 ("Form CRS" or "Client Relationship Summary"). The Firm does not currently have any referral programs whereby Evermay compensates a third-party for client referrals.

### **Professional Services Referrals**

Occasionally, Evermay refers clients to other professionals for a variety of services such as accounting, tax, legal, or insurance brokerage. Clients, however, are under no obligation to purchase any products or services through these professionals or to purchase any products recommended by these professionals. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any professional recommendations from the Advisor. If the client engages any such recommended professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional. The engaged professionals and unaffiliated licensed professionals, and not Evermay, shall be responsible for the quality and competency of the services provided.

Evermay has a conflict of interest in making these professional service referral recommendations because it could receive referrals from professionals it has recommended to clients. In instances where the referred professional is also a client of Evermay, it may appear that Evermay has an economic incentive for the referral. Evermay will refer other professionals to its clients only when we believe the services provided by the professional best suit the client's needs.



More specifically, Evermay works with a small number of insurance firms whereby insurance agents offer a complimentary review of our clients' insurance coverage to help determine if their insurance coverage is adequate and meets their needs. Clients are under no obligation to engage with these firms or purchase insurance from their agents. Evermay does not receive any compensation or commissions related to these types of referrals.

## **Item 15: Custody**

Client assets are held by unaffiliated broker/dealers or banks ("qualified custodians"). Evermay is also considered to have custody of client assets due to the following services and activities: ability to deduct advisory fees directly from client accounts; being able to access client accounts using client credentials on custodial or retirement plan websites; forwarding checks to custodians on behalf of our clients; having limited power of attorney of certain accounts on behalf of our clients; and facilitating withdrawals, payments and/or other disbursements to third parties (including wire transfers and ACHs) whereby clients maintain a standard letter of authorization ("SLOA") on file with the firm and the custodian. Additionally, on a case-by-case basis and at the request of clients, Evermay's Wealth Advisors may serve in the capacity of trustee, co-trustee or successor trustee. Given these services and activities that deem Evermay to have custody of client assets, Evermay engaged an outside accounting firm to perform an annual surprise audit of the related accounts. This audit is required by the Advisers Act.

Account custodians send statements by mail or electronically to the account owners on at least a quarterly basis. Clients should carefully review these statements and should compare these statements to any account information provided by Evermay.

Therefore, on an annual basis, for these clients, Evermay is required to undergo a surprise examination of client funds and securities, by an independent public accountant.

## **Item 16: Investment Discretion**

When a client agrees to discretionary management, Evermay may be responsible for asset allocation and selecting investment managers. When given discretionary management authority, Evermay will be authorized to determine the securities to be bought or sold for the client's account(s), the amount of securities to be bought or sold, the timing of securities transactions, and the broker or dealer to be used to execute client securities transactions. The only limitations on the investment authority may be those limitations imposed in writing by the client.

If we retain an investment manager for the client, we reserve the discretion to hire and fire money managers on our client's behalf. The only limitations on the investment authority may be those limitations imposed in writing by the client. For the investment managers that we select to manage client assets, clients should review their disclosure document(s) for more information on their policy with regard to investment or brokerage discretion.

## **Item 17: Voting Client Securities**

With the exception of certain legacy and trust accounts, notwithstanding Evermay's discretionary authority to make investment decisions on behalf of clients, Evermay will not exercise proxy voting authority over securities held in client accounts. Clients should instruct each custodian of the assets to forward to the clients copies of all proxies and shareholder communications relating to the client's holdings. The obligation to vote client proxies shall at all times, rest with the client. Evermay shall not be deemed to have proxy voting authority solely as a result of providing advice or information about a particular proxy vote to a client. With regard to the legacy and trust accounts, Evermay may have discretion and may vote all, vote some, or not vote proxies for those clients. In the event we vote, we will vote those proxies in the best interest of the client. These clients may direct the votes, as well as obtain information on voting and voting policies by request. Evermay does not vote proxies on behalf of itself and therefore does not expect to have any conflict with voting clients' proxies or clients' proxy voting. In addition, clients maintain exclusive responsibility for making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings, class or mass actions, legal proceedings or other events pertaining to the securities held in client accounts.

## **Item 18: Financial Information**

Evermay is not required to disclose any financial information due to the following:

- Evermay does not require payment of more than \$1,200 in fees per client, six months or more in advance;
- Evermay is unaware of any financial commitment that is reasonably likely to impair its ability to meet its contractual commitments to clients; and
- Evermay has not been the subject of bankruptcy proceedings at any time during the past ten years.

**ANY QUESTIONS: Evermay's Chief Compliance Officer remains available to address any questions that a client or prospective client may have regarding the above disclosures and arrangements.**