

## Item 1      Cover Page

Part 2A of Form ADV

Firm Brochure

Weatherstone Capital Management

11152 Huron Street, Suite 105

Northglenn, CO 80234

[www.weatherstonecm.com](http://www.weatherstonecm.com)

Phone: (303) 452-4374

Date: July 25, 2014

This brochure provides information about the qualifications and business practices of Weatherstone Capital Management. If you have any questions about the contents of this brochure, please contact us at Phone: (303) 452-4374 or via email at [support@weatherstonecm.com](mailto:support@weatherstonecm.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Weatherstone Capital Management is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Please note that registration as an investment advisory firm does not imply a certain level of skill or training.

## **Item 2      Material Changes**

We have made the following material changes since our last filing of January 2014:

Item 12:

Changed:

We do not recommend TD Ameritrade if it is anticipated that account will trade very frequently, because TD Ameritrade may charge their own short-term redemption fee on mutual funds.

Added:

The pricing and execution that a client will receive will vary between TD Ameritrade and Trust Company of America. There is no guarantee that one will offer better execution than the other will. Choosing one over the other could cost you more money or could result in less favorable execution.

At Trust Company of America, we may opt to use liquidity providers, who assist us in achieving better execution in less frequently traded securities. Those liquidity providers are compensated for their assistance. We opt to use their services only when it seems reasonable that the overall execution quality will benefit.

Item 14:

We will pay some Solicitors and/or Referral Advisors marketing reimbursements.

### Item 3 Table of Contents

Item 1	Cover Page .....	1
Item 2	Material Changes .....	2
Item 4	Advisory Business.....	4
Item 5	Fees and Compensation.....	5
Item 6	Performance-Based Fees and Side-by-Side Management.....	5
Item 7	Types of Clients .....	5
Item 8	Methods of Analysis, Investment Strategies and Risk of Loss .....	6
Item 9	Disciplinary Information.....	12
Item 10	Other Financial Industry Activities and Affiliations.....	12
Item 11	Code of Ethics, Participation or Interest in Client Transactions and Personal Trading .....	12
Item 12	Brokerage Practices.....	12
Item 13	Review of Accounts .....	13
Item 14	Client Referrals and Other Compensation .....	13
Item 15	Custody .....	14
Item 16	Investment Discretion.....	14
Item 17	Voting Client Securities .....	14
Item 18	Financial Information .....	14
	Brochure Supplement .....	15
Item 1	Cover Page .....	15
Item 2	Educational Background and Business Experience.....	15
Item 3	Disciplinary Information.....	17
Item 4	Other Business Activities.....	17
Item 5	Additional Compensation .....	17
Item 6	Supervision.....	17

## **Item 4      Advisory Business**

### ***About the Firm***

Weatherstone Capital Management is a registered investment advisory firm located in Denver, Colorado. Our Investment Advisory Services include investment supervisory services and financial planning services to clients. We began offering investment advice in 1991.

Michael Ball is the owner of Weatherstone Capital Management.

### ***Investment Supervisory Services***

We offer investment supervision services, defined as providing continuous advice to a client or making investments for a client's individual needs. We do so through a limited power of attorney.

The assets are typically managed utilizing tactical asset allocation strategies. We provide these services as follows:

- 1) through solicitors acting as independent contractors and not as employees of the applicant (whose accounts are referred to as external clients);
- 2) as a sub-advisor for various broker/dealers or registered investment advisory firms on their respective platforms; and
- 3) we also provide these services directly to a limited number of direct clients (referred to as internal clients).

We participate in wrap fee programs by providing portfolio management services. How we manage our wrap fee programs may differ from how we manage our other programs. This is due to the difference in available investment selections and transaction fees. We receive a portion of the wrap fee for our services.

You are interviewed via an investment profile at the opening of the account as to your investment experience, liquidity requirements, and tolerance for risk, as well as for general financial information. The selected Investment Strategy or Strategies guided by your chosen Account Objectives then guides the placement and investments for your managed accounts.

You may instruct us to exclude certain securities on an individual basis or to impose reasonable restrictions on your accounts. You may also vote, pledge or hypothecate the securities in your account.

In order for us to provide ongoing services, you are responsible to advise Weatherstone in writing of any material changes in your financial status, modifications to your Account Objective, specific investment restrictions if applicable, special reports required if any, and material changes, such as a change of address, marital status, or any other relevant circumstance which may change how you wish your account to be managed. We cannot manage your account if you have no risk tolerance.

We manage client assets. As of December 31, 2013, our discretionary assets under management were \$1,163,845,041. As of December 31, 2013, our non-discretionary assets under management were \$43,180,537.

### ***Financial Planning Services***

We may provide financial planning services to our internal clients. This service includes reviewing current investment holdings on a periodic or one-time basis and can include a written statement of findings and investment advice.

## Item 5 Fees and Compensation

### *Fees for Investment Supervisory Services*

For our investment supervisory services, we collect an investment advisory fee (*Management Fee*) on a quarterly basis. Our fee schedule is listed below. Our fees are negotiable at our discretion.

Bond and Equity Programs at Trust Company of America

\$1,000,000 and under 1.95%

\$1,000,001 and over Negotiable

Bond and Equity Programs at all other Custodians

\$1,000,000 and under 2.00%

\$1,000,001 and over Negotiable

Custom Programs up to 2.50%

Management Fees are due at the beginning of each calendar quarter, in advance, based on the account valuation on the last business day of the prior calendar quarter. An account that is opened mid-quarter is charged an initial Management Fee that includes a portion of the fee that is pro-rated for the number of days that the account is open in the first quarter. In addition, an account that is terminated mid-quarter is charged a Management Fee that is calculated on a pro-rated basis for the number of days the account is open in the quarter. You may obtain a refund of pre-paid management fees by notifying us of the termination.

### *Fees for Financial Planning Services*

Financial Planning Services are offered for a fee that ranges from \$90 to \$175 per hour depending on the person providing the financial planning services.

### *Other Information about Advisory Fees*

The fees charged may be higher or lower than fees charged in the industry for like services. Exceptions or any other modifications to the fee schedule or minimum account sizes require our approval. In some instances, the primary custodian receives 12B-1 fees from investment companies. These fees offset client custodial fees and administrative costs. The client assets will be subject to additional fees and expenses as set forth in the prospectuses of those funds and variable annuities. The custodian of the assets may also charge fees for custodial services or trading charges. These fees and expenses are ultimately born by the client.

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

In limited circumstances we accept performance-based fees, and the same people who manage the performance-based fee accounts also offer services for a fixed fee or an asset-based fee. Those associated people may have an incentive to favor accounts that receive a performance-based fee. To mitigate that risk, we monitor the trading activity in performance-based accounts and strive to treat clients equitably.

## Item 7 Types of Clients

We provide investment advice to Individuals, Trusts, Estates, Corporations and other business entities. We have a minimum account value of \$25,000 and a program minimum of \$12,500. At our discretion, we may accept smaller accounts and programs

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

Investing involves risk that you should be prepared to bear.

We offer the Investment Programs listed below. Each investment strategy has different objectives and ways of adjusting to changing investment climates. Most programs seek to manage risk based upon various measures that have been useful historically. While we expect that they will be useful in the future, market dynamics can and do change, and as a result it is not unusual to see the methods of risk measurement and analysis change over time as well. While risk management strategies can be quite effective when market changes are due to the impact of factors such as rising interest rates or economic cycles, they have little ability to protect against unexpected events such as terrorist attacks, major earthquakes, etc. which are unpredictable. If we experience one of these types of situations, our goal is to determine if the financial markets have overreacted to the intermediate and long-term impact of the event and adjust the asset allocations accordingly.

Each investment strategy is best suited for investors who can hold the portfolio over a full market cycle of both a bull and bear market, because there are some market environments where programs may excel in comparison to their benchmarks, and others where they will lag behind. A full market cycle will typically give you some of each. You should review each program description to ensure that you are comfortable with the style of management and types of investments used by each program that you select under your investment advisory agreement. Please consult our program sheets for a current listing of custodians on which the investment management programs are made available. The programs will often have different holdings and may trade differently from one custodian to another based upon factors such as investment options available and transaction fees. Each program listed below has corresponding risks associated with the investment. The numbers following the description list the investment risks associated with each program and are explained in detail in the "Program Risks" section. Our program sheets also show performance for the programs. This data is given for performance at the primary custodian. We do not provide program sheets by individual custodians.

**MANAGED BOND** - The Managed Bond strategy is designed to generate income and growth through a portfolio primarily composed of non-investment grade corporate bond mutual funds. This program is designed to hold corporate bond mutual funds when various risk measurement models show that the funds have the potential to produce a higher return than a money market fund over an intermediate-term time frame. Mutual funds used to provide greater diversification and liquidity than in a portfolio of individual bonds. During periods that show above average risk, the money is typically moved into a money market fund, inverse bond fund or floating rate bond fund. (2,3,5)

**ASSET ENHANCEMENT** - The goal of the program is to provide clients with the ability and opportunity to participate in various financial markets and to provide that participation with a reduced level of risk. The program is based on a foundation of dynamic asset allocation/modeling. The primary trading model is trend following in nature and based on technical indicators. Short-term, intermediate, and long-term trends are taken into consideration. A series of secondary models may be used when the primary model is less than 100% invested or in a defensive mode. The secondary models are designed to invest in bonds and other asset classes with less volatility than the broad stock market indexes. The primary model is 90% mechanical and allows for some manager discretion. This component allows for flexibility during unusual events. The secondary models are driven by a variety of factors, as well as by manager discretion. Equity, bond, domestic and international funds are all options to be used within this program. Position size will vary accordingly, with money market positions taken as a defensive stance. The two main goals of the program are capital preservation and consistent returns over time. (1-8)

**CONSERVATIVE GROWTH** - The Conservative Growth strategy is designed for investors who want growth and income from a portfolio composed primarily from bonds. The bond portion of the portfolio typically follows the Income Plus strategy (see description for further information). The goal of the investment strategy is to provide steady growth from the bond portion of the portfolio while enhancing returns from the equity portion of the portfolio. The equity portion of the portfolio is typically comprised of broad based index funds, style specific funds, and sector specific funds. Some of the investments purchased in the equity portion of the portfolio may not typically be considered "conservative" by themselves, but the small weighting to each equity position inside the portfolio in conjunction with risk management on the portfolio qualifies these investments to be held in a strategy designed for conservative investors. (1-8)

**INCOME PLUS** - The Income Plus program is designed for income-oriented and conservative investors who wish to grow their assets through bonds and other conservative investments. The portfolio will primarily concentrate its assets in the high yield corporate bond asset class when that sector is favorable, and will also use other bond asset classes and other income oriented asset classes if the manager determines that they could have a favorable impact on the portfolio. During time period when market conditions are determined to be generally unfavorable to bonds then money market funds and inverse rising rate bond funds, and other defensive mutual funds designed to preserve purchasing power may be used. (2-8)

**MANAGED INCOME** – This program is designed for investors where income and preservation of principal are the primary investment goals. This portfolio is a “tactically” managed bond portfolio which invests 100% in bond mutual funds, primarily using high yield corporate bonds with the ability to use other bond categories such as U.S. Government bonds, investment grade corporate bonds, and international bond funds. Money market funds may also be utilized during defensive periods. (2-8)

**TACTICAL YIELD** – The Tactical Yield program is designed with the primary objective of capital preservation, with a secondary objective of providing an attractive yield and competitive total return while experiencing lower volatility than equity investments. The Tactical Yield investment committee seeks to achieve these goals primarily by tactically moving between high yield corporate bonds and money market funds. During periods when high yield bonds are considered to have below-average return potential, other types of bond funds can become the primary bond asset classes used. Some of the factors considered when deciding to trade include prevailing market conditions and the predicted economic environment, input from bond fund managers and technical indicator signals. The portfolio also has the ability to hedge certain components using market timing to exchange between derivative-based “long” and “short” or “inverse” bond funds. (2-8)

**GLOBAL MULTI-ASSET** – The Global Multi-Asset program is designed for investors who wish to allocate the investment across a number of “core” asset classes such as large-cap domestic stocks, small-cap domestic stocks, and large-cap foreign stocks, as well “alternative” asset classes such as emerging market stocks, real estate, commodities and tactical mutual funds employing “hedge fund” type strategies. The purpose of the strategy is to provide exposure to a diverse range of asset classes while employing risk reduction strategies that monitor the long-term trend of the asset classes on a monthly basis (although some adjustments may be more short-term) and move between the asset classes and money market funds or bonds as the trend for an asset class changes (1,2,5,6,7,8)

**GMA GROWTH** – The GMA Growth portfolio incorporates all of the features of the Global Multi-Asset portfolio but does not typically have any bond exposure. (1,2,5,6,7,8)

**GMA CONSERVATIVE** – The GMA Conservative portfolio incorporates all of the features of the Global Multi-Asset portfolio, but the weightings are changed so that the bulk of the asset allocation is allocated to bonds with a smaller portion of the portfolio allocated to equities. (1,2,5,6,7,8)

**BALANCED GROWTH** - The goal of the Balanced Growth program is to provide long-term growth of capital from a portfolio of stocks and bond mutual funds that is diversified across several different tactical investment strategies where each directs a portion of the investment allocation and determines the allocation between stocks, bonds and cash. The program is typically weighted 70% equities and 30% bonds. During periods when the various investment models indicate that there is little or no potential for gain over the intermediate-term in their respective categories, the asset allocation for that model will typically be moved to money markets or inverse positions to hedge long positions, or allocated to another model. (1-8)

**DIVERSIFIED GROWTH** - The Diversified Growth program is designed for investors seeking long-term growth of their capital over time. The program will typically be invested in stock mutual funds when conditions for a rising stock market exist. The program uses many of the same investment models as the Focused Growth Program, and adds additional diversification by including tactical mutual funds, which typically provide additional managers who have the ability to utilize innovative strategies that can adapt to changing market environments. During periods when the various investment models indicate that there is little or no potential for gain over the intermediate-term in their respective categories, the asset allocation for that model will typically be moved to money markets or inverse positions to hedge long positions, or allocated to another model. (1-8)

**SECTOR ROTATION** - The objective of the Sector Rotation Program is to tactically alter equity exposure across 10 industry sectors, based upon quantitative models. The primary quantitative econometric model evaluates factors such as the overall economy, fundamental variables that measure relative value of various equity markets versus bonds, risk metrics which are designed to capture the level of uncertainty in the markets, and technical factors such as momentum and market conviction metrics which are used to quantify the strength of market movements.

When a sector model is on a “buy” 10% of the portfolio will be allocated to that sector. On a “sell” there is a 0% weighting to the sector and the money is allocated either to a money market fund or one of six bond asset classes. (2, 5, 8)

**FOCUSED GROWTH** - The Focused Growth Program is an investment strategy that typically invests in mutual funds that focus on specific investment sectors, styles, or international regions and countries. Selected funds for the asset allocation are chosen for their potential to outperform their long-term average rate of return over a short to intermediate-term time frame. Investments are chosen through a screening process that evaluates the general background environment for the financial markets, as well as through additional screening which looks at which areas of the market are most likely to perform well based upon historical profiles, cash flows, relative strength and a variety of other indicators. Additional screening may be done using various technical filters, as well as the judgment of the portfolio manager. The program will typically be fully invested in equities when market environments are positive;



however, during periods of market weakness, up to 100% of the portfolio may be allocated to money market funds or bond funds. The portfolio also has the ability to utilize 'bear' funds that may rise in value during a market decline.(1-8)

**COUNTRY ROTATION** - The objective of the Country Rotation Program is to maximize opportunity with defined risk controls by trying to consistently invest in those countries around the world that have strong-risk-adjusted performance potential. The strategy assesses market conditions across 20 countries, including several emerging markets. It uses an econometric multifactor model based on economic, fundamental, risk and technical analysis that evaluates the risk-adjusted potential of investing in a country's equity market versus fixed income. If the expected return per unit of risk for the country is less favorable than that of a fixed income alternative, the potential 5% allocation for each country is deployed to the actively managed fixed income portion of the portfolio. (2, 5, 6, 7, 8)

**GLOBAL OPPORTUNITIES** - This strategy invests in country and region specific exchange-traded mutual funds, open-end mutual funds and closed-end mutual funds. The goal of the program is long-term capital growth that segments the world through developed markets, emerging markets, regions (Europe, Asia, and Latin America) individual countries, etc. When conditions are positive based upon the various investment models and the managers evaluation up to 100% of the portfolio can be invested in equities, the program has the ability to move 100% of its assets in money market funds, or may utilize inverse funds in situations where the portfolio manager finds risk/return levels advantageous. Primary screening methods include various mechanical models, relative momentum and the strength of trends across regions and countries. Manager discretion and various technical filters may be used. Due to the more volatile nature of the international equity and currency markets, it is expected that this strategy will experience greater levels of volatility when compared to our other equity-based, tactical programs. (1-7)

**US TACTICAL CORE** - The U.S. Tactical Core program is a long only strategy seeking to outperform the S&P 500 index over a full market cycle by aligning capital with the U.S. equity market during sustained rallies and positioning defensively in weak equity market conditions. The strategy is not restricted to a minimum percentage in stocks or bonds, and may at times be fully invested in either asset class. This strategy is the culmination of a decade of research covering over 100 years of market data. The underlying premise of the strategy is that equity prices are driven by investor risk premiums and that these premiums vary with the business cycle. By combining momentum measures, economic data and yield curve dynamics, the model seeks to assess these risk premiums in order to participate in equities during sustained rallies and move defensively into Government bond funds when weaker market conditions are experienced. The U.S. Tactical Core strategy typically re-balances monthly. Portfolios in this strategy have increased market exposure through the use of leveraged index products. (1-5)

**CUSTOM PROGRAMS** - Custom programs have the ability to utilize customized strategies and investment options that will not normally be used in a standard portfolio. In addition custom portfolios may also be used on platforms not typically utilized because of their difficulty in managing larger number of accounts at a particular custodian. These accounts may trade in a delayed status (Tier II) compared to the regular strategies; generally a one-day delay if operationally necessary. The ability to utilize a custom strategy requires the prior approval of applicant.

## OPTIMIZED PROGRAMS

OPTIMIZED CONSERVATIVE is designed to provide risk-adverse investors with an investment portfolio that provides for income and moderate growth with below-average volatility. The Program has the ability to allocate assets among all of the investment programs offered by Weatherstone Capital Management. By combining multiple programs within the portfolio, there is more opportunity for protection and profit in a wide range of market conditions through the use of extensive diversification. The majority of assets will be allocated among the income and conservative equity programs with smaller portions potentially allocated to programs that are more growth oriented. The growth oriented positions are designed to provide diversification benefits to the entire portfolio and minimize the impact of a rising interest rate environment on the income portion of the allocation.

We will periodically monitor the programs over which the assets are currently allocated. Periodic adjustments will be made to the asset allocation among programs when it appears likely that such a shift in allocation will improve the intermediate and long-term performance or risk profile of the portfolio. (1-8)

OPTIMIZED BALANCED is designed to provide investors with an investment portfolio that allocates assets among equity and income-oriented programs to provide growth through participation in the equity markets and income from bond and income producing asset classes. The Program has the ability to allocate assets among all of the investment programs offered by Weatherstone Capital Management. By combining multiple programs within the portfolio, there is more opportunity for protection and profit in a wide range of market conditions through the use of extensive diversification. Typically 60% to 70% of assets will be allocated among the growth oriented programs. The remaining portion of the allocation will be allocated to income and conservative equity programs. The income oriented positions are designed to provide diversification benefits to the entire portfolio and minimize the impact of a declining stock market on the equity portion of the allocation. Weatherstone will periodically monitor the programs over which the assets are currently allocated. Periodic adjustments will be made to the asset allocation among programs when it appears likely that such a shift in allocation will improve the intermediate and long-term performance or risk profile of the portfolio. (1-8)

OPTIMIZED GROWTH is designed to provide investors with an investment portfolio that can achieve growth in rising market environments while minimizing the risk of loss associated with a significant market decline. The portfolio allocates assets among several growth-oriented equity strategies and actively manages the allocation in a manner that is designed to provide for above-average growth potential with below-average volatility over a full market cycle. The Program has the ability to allocate assets among all of the investment programs we offer. The growth oriented positions are designed to be fully invested when the manager of each strategy sees attractive return/risk profiles in the equity markets in which it invests. When return potential is not favorable, positions will typically move into cash, bonds or in some cases "inverse" funds which are designed to make money in a declining market. Weatherstone Capital Management will periodically monitor the programs over which the assets are currently allocated. Periodic adjustments will be made to the asset allocation among programs when it appears likely that such a shift in allocation will improve the intermediate and long-term performance or risk profile of the portfolio. (1-8)

## PROGRAM RISKS

The investment programs listed above may not be appropriate for all investors. There is no assurance that the Program's separate objectives will be achieved. Because most investment positions will be held less than one year, our investment strategies are best suited for tax deferred accounts. The items listed below are additional risks associated with our programs. We have numbered them and listed the numbers associated with each risk for the particular program after the program descriptions on the previous pages.

**Investment returns and the value of your investment will fluctuate and may lose money. Investing involves risk that you should be prepared to bear.**

- (1) Some of our Programs can invest in small/mid-cap and micro-cap stocks. The risks associated with investments in smaller companies include less experienced management, limited product lines and financial resources, shorter operating histories, less publicly available information, which may have more limited marketability and may be subject to more abrupt or erratic market movements than large-cap stocks. This may result in greater share price volatility.
- (2) Some of our Programs can invest in fixed income securities. Fixed income securities are subject to credit risk, interest rate risk and liquidity risk. Generally the value of fixed-income securities rises when prevailing interest rates fall and falls when interest rates rise. High-yield bonds, also known as "junk" bonds are subject to greater credit risks and market risks, and are subject to adverse changes in general market conditions and in the industries in which the issuers are engaged, and to changes in the financial conditions of the issuers.
- (3) Some Programs may also invest in "short" or "inverse" mutual funds which are designed to profit from declining securities prices, which involve certain risks that may include increased volatility due to the funds possible use of short sales of securities and derivatives such as options and futures. Short funds are typically used to offset the risk of "long" positions that may continue to be held in the portfolio.
- (4) Some strategies will invest in leveraged mutual funds. The more a fund invests in leveraged instruments, the more the leverage will magnify any gains or losses on those investments. Leveraged mutual funds are typically used for short or intermediate-term trades and enable us to achieve market exposure without selling positions such as bonds or holdings that may move from being taxed as short-term capital gains to being taxed as long-term capital gains. With the exception of the US Tactical Core program, we do not typically use leveraged funds in order to increase the stock market exposure to more than 100% invested. As an example, a 50% allocation in an index fund that is leveraged 2-1 would be expected to provide 100% of the return of an index. The impact of compounding often makes it difficult to achieve a perfect correlation with an index.
- (5) Money market funds are not insured or guaranteed by the Federal Deposit Insurance Corporation (FDIC) or any other government agency.
- (6) International funds that invest in the securities of foreign companies involve considerations and potential risks not typically associated with investment in domestic corporations. Funds allocated in an international/global/emerging markets investment could be subject to risks associated with changes in currency values, economic, political, social conditions and local regulatory environments.
- (7) The securities markets of many of the emerging markets in which the strategies may invest are substantially smaller, less developed, less liquid and more volatile than the securities markets of the United States.
- (8) Sector specific funds invest in a single sector mutual fund which involves greater risk and potential reward than investing in a more diversified mutual fund. Additional information regarding the risks associated with the investments that may be owned are more fully explained in the prospectus provided by the investment companies. Please read the prospectus for more information.

#### ***Possible Conflict of Interest:***

Weatherstone Capital Management manages some of the tactical programs with in-house staff while other programs are managed by sub-advisors who provide us with trading instructions. In the event that we use sub-advisors, they are paid for their services. We receive more income for programs managed in-house and it may be considered a conflict of interest to recommend our own investment programs over those of a sub-advisor.

## **Item 9      Disciplinary Information**

Neither the Firm nor any of our management persons have been involved in any event that are material to a client's or prospective client's evaluation of the Firm or the integrity of its management.

## **Item 10      Other Financial Industry Activities and Affiliations**

We have no other financial industry activities or affiliations.

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

Associated persons may buy or sell for their own accounts the same securities recommended to you. Associated persons seek to ensure that they do not personally benefit from the short-term market effects of their recommendations to you and we monitor their personal trading.

Associated persons are aware of the rules regarding material non-public information and insider trading. Associated persons may also buy or sell a specific security for their own account based on personal investment considerations, which the Advisor does not deem appropriate to buy or sell for clients.

Very rarely, we may enter into a principal transaction, in which we or our associated person buy or sell a security directly to or from a client.

We have adopted a Code of Ethics to instruct our personnel in their ethical obligations and to provide rules for their personal securities transactions. The Firm and our personnel owe a duty of loyalty, fairness and good faith to our clients, and the obligation to adhere not only to the specific provisions of the code but also to the general principles that guide the Code. The Code covers a range of topics including general ethical principles, reporting personal securities trading, exceptions to reporting securities trading, reportable securities, initial public offerings and private placements, reporting ethical violations, distribution of the Code, review and enforcement processes, amendments to Form ADV and supervisory procedures. We will provide a copy of the Code to any client or prospective Client upon request.

## **Item 12      Brokerage Practices**

When recommending custodians to our clients, we consider the availability of investment products, the cost to clients for custodial and trading services, and the ease of doing business.

We typically recommend Trust Company of America, a trust company, for our client's custodial needs. They have no minimum commission or trading fee. They use up to 25 basis points of the shareholder servicing fees they receive from the mutual funds we use in accounts to offset the costs that would be levied on your accounts held with them. This offset is only available to customers at Trust Company of America, and not to our clients with other custodians.

For clients who have fewer trades or with a customized account, we recommend TD AMERITRADE Institutional, a division of TD AMERITRADE, Inc. Member FINRA/SIPC/NFA as a custodian. We chose TD Ameritrade as an optional custodian because of their customer service, technology, trade execution, and low expenses to clients. They have relatively low transaction fees, low custodial fees, provide many client services free of charge, and provide and document data on best execution for our review and monitoring. We do not recommend TD Ameritrade if it is

anticipated that account will trade very frequently, because TD Ameritrade may charge their own short-term redemption fee on mutual funds.

The pricing and execution that a client will receive will vary between TD Ameritrade and Trust Company of America. There is no guarantee that one will offer better execution than the other will. Choosing one over the other could cost you more money or could result in less favorable execution.

At Trust Company of America, we may opt to use liquidity providers, who assist us in achieving better execution in less frequently traded securities. Those liquidity providers are compensated for their assistance. We opt to use their services only when it seems reasonable that the overall execution quality will benefit.

We receive referrals from representatives associated with broker-dealers. Those broker-dealers may place limitations on the custodial platforms they permit, and may have an incentive to recommend a particular custodian because of additional compensation or reduced clearing fees they may pay for other services.

We may also receive marketing money from product sponsors we recommend. Any compensation we receive from product sponsors is not tied to a particular amount of assets invested in their mutual funds but it may create a conflict of interest as we have an implied incentive to invest in their products.

Not all Advisers recommend a custodian. There is no certainty that Trust Company of America or TD Ameritrade Institutional will provide the most favorable execution. Using a custodian we recommend could cost you more money.

We permit clients to direct brokerage. If you do so, we may be unable to achieve the most favorable execution of your transactions. For example, you may pay higher brokerage commissions and you may receive less favorable prices.

### ***Aggregated Trading***

We engage in aggregated/blocked trading so as to avoid the time and expense of simultaneously entering similar orders for many individual client accounts that are managed similarly and to ensure that accounts managed in a similar style at a particular custodian receive the same execution to minimize the difference in performance.

Weatherstone has established procedures to comply with its obligations associated with bunched/aggregated orders. More information about these procedures is available upon request.

## **Item 13    Review of Accounts**

Accounts are under the supervision of a team of at least two account administrators. Account administrator's duties include auditing the accuracy of information downloaded into our portfolio reporting system. Administrators also audit a sample of client accounts after adjustments are made to asset allocations to determine if transactions were processed properly. Because of the nature of the managed account strategies, all accounts in those strategies are under regular review. Accounts in custom programs are reviewed at least semi-annually.

For accounts custodied with firms that provide us with electronic downloads, we will provide quarterly performance statements. Clients with these types of accounts may view their account information and run reports by going to the client section of our website at [www.weatherstonecm.com](http://www.weatherstonecm.com)

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

We may compensate firms or people who refer us clients. We call these firms or people, Referral Advisors. Through these arrangements, we pay a referral fee to the Solicitor based on a percentage of our advisory fee. This fee is paid based on a written agreement to properly licensed Solicitors. The specific information about the referral is disclosed to

prior to or at the time you enter into an investment advisory agreement. We will pay some Solicitors and/or Referral Advisors marketing reimbursements.

Certain product sponsors may assist us in our marketing efforts. These sponsors may provide us with marketing assistance. This relationship is not based upon the specific advice we give to you and does not relate to any achieved level of client investment in the products managed by the product sponsors.

## **Item 15 Custody**

We have custody of client assets only due to our ability to withdraw fees from customer accounts. The qualified custodian of client assets sends account statements directly to Clients. You will receive account statements from the broker-dealer or other qualified custodian. You should carefully review those statements because they are the independent custodian who holds your investments. An independent custodian is an important safeguard to protect your account.

We provide some of our clients with portfolio reports. If you receive these types of reports, we urge you to compare their contents with the statements you receive from your custodian.

## **Item 16 Investment Discretion**

We ask you to provide us with investment discretion with respect to securities to be bought and sold and amount of securities to be bought and sold. You will grant us this authority by signing a discretionary asset management agreement.

We use this investment discretion to be able to rapidly adjust our asset allocations as market conditions and investment opportunities change. We may also use this discretion to select different sub-advisers to use to help us manage our programs.

## **Item 17 Voting Client Securities**

We do not vote proxies. You retain that right unless otherwise agreed upon by you and your custodian.

## **Item 18 Financial Information**

We have no financial condition that is reasonably likely to impair our ability to meet contractual commitments to clients.

## Brochure Supplement

Part 2B of Form ADV

Michael Ball

Linda Penfold

Daniel Graff

Luke Nagell

Weatherstone Capital Management

11152 Huron Street, Suite 105

Northglenn, CO 80234

[www.weatherstonecm.com](http://www.weatherstonecm.com)

Phone: (303) 452-4374

Date: March 28, 2014

### Item 1 Cover Page

This brochure supplement provides information about Michael Ball, Linda Penfold, Daniel Graff and Luke Nagell that supplements our Firm Brochure. Please contact our sales team at (303) 452-4374 if you did not receive Weatherstone Capital Management's brochure or if you have any questions about the contents of this supplement.

### Item 2 Educational Background and Business Experience

We have an investment committee that makes decisions about the overall advice we give to you. The members of the investment committee are Michael Ball and Luke Nagell. Michael Ball and Linda Penfold are the two investment advisory representatives who provide investment advice to customers. Mr. Nagell does not provide investment advisory services.

#### Education and Business Background

Name: Michael Ball

Born: 1967

Education: Brigham Young University - Idaho: Associates degree in Arts & Sciences (1989)

Utah State University: B.A. Corporate Finance, Minor in Accounting (1992)

College for Financial Planning: CFP Professional Education Program (2000)

Experience: 12/90 to Present: Weatherstone Capital Mgmt.(including preceding firms)/Portfolio Manager

11/01 to 08/09: Centaurus Financial, Inc. Financial Advisor

07/96 to 11/01: United Pacific Securities/Sentra Securities, Financial Advisor

04/92 to 07/96: Investment Centers of America, Financial Advisor

Name: Linda K Penfold

Born: 1957

Education: Western State College, Gunnison, Colorado: B.A. Business Administration and B.S. History, 1980

Experience: 2000 – Present: Weatherstone Capital Management, Director Client Services

1997 – 2000: Consultant, independent product development for financial applications for MarketGuide, Inve\$tware, WorldVest and National Assoc of Investors

1980 – 1996: Director, Data and Custom Investment Products, Standard & Poor's Compustat

Name: Daniel J. Graff

Born: 1985

Education: Clemson University Calhoun Honors College, 2007

College for Financial Planning CFP Education Program, 2012

Experience: 2014 – Present: Weatherstone Capital Management, Director of Financial Planning

2013 – 2014: Ronald Blue & Company, Sr. Financial Planner

2012 – 2013: Ronald Blue & Company, Financial Planner

2009 – 2012: Ronald Blue & Company, Financial Planning Associate

2003 – 2009: Foundation & CityGate Mortgage Companies, Mortgage Consultant

Name: Luke P Nagell

Born: 1980

Education: University of Colorado, Boulder, CO: MBA, 2011

Montana State University – Bozeman, MT: Business Administration, 2005

Experience: 2009 – Present: Weatherstone Capital Management, Associate Portfolio Manager

2007 – 2009: Weatherstone Capital Management, Lead Investment Analyst

2006 – 2007: Ameriprise Financial, Income Specialist

2005: Wells Fargo Securities Lending, Compliance Consultant



### **Item 3      Disciplinary Information**

Neither our investment committee members nor our investment adviser representatives have any material disciplinary issue to disclose.

### **Item 4      Other Business Activities**

Luke Nagell, one of the investment committee members started his own registered investment advisory firm in November of 2011. At this time, he is in the process of building his client base and has a small number of clients. We do not anticipate any conflicts of interest. None of our other advisory representatives have any other material business activities.

### **Item 5      Additional Compensation**

There are no such issues to be disclosed.

### **Item 6      Supervision**

Ann Zemann, Chief Compliance Officer, supervises our representatives. She does so through regular meetings, reviewing emails and personal trades, and by enforcing our written supervisory procedures. You may contact her at (402) 502-2881 with any concerns or questions.