

**Part 2A of Form ADV: *Firm Brochure***

**Weather Gauge Advisory, LLC**

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This brochure provides information about the qualifications and business practices of Weather Gauge Advisory, LLC. If you have any questions about the contents of this brochure, please contact us at 757-220-3313 or [glenn@weathergauge.org](mailto:glenn@weathergauge.org). 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.

Registration with the SEC or with any state securities authority does not imply a certain level of skill or training.

Additional information about Weather Gauge Advisory, LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. Our firm's CRD number is 109395.

## **Item 2     Material Changes**

This Firm Brochure, dated 01/26/2018, provides you with a summary of Weather Gauge Advisory, LLC's advisory services and fees, professionals, certain business practices and policies, as well as actual or potential conflicts of interest, among other things. This Item is used to provide our clients with a summary of new and/or updated information; we will inform of the revision(s) based on the nature of the information as follows.

1. Annual Update: We are required to update certain information at least annually, within 90 days of our firm's fiscal year end (FYE) of December 31. We will provide you with either a summary of the revised information with an offer to deliver the full revised Brochure within 120 days of our FYE or we will provide you with our revised Brochure that will include a summary of those changes in this Item.
2. Material Changes: Should a material change in our operations occur, depending on its nature we will promptly communicate this change to clients (and it will be summarized in this Item). "Material changes" requiring prompt notification will include changes of ownership or control; location; disciplinary proceedings; significant changes to our advisory services or advisory affiliates – any information that is critical to a client's full understanding of who we are, how to find us, and how we do business.

The following summarizes new or revised disclosures based on information previously provided in our Firm Brochure dated 01/17/2017

Since the last filing on 1-17-2017, no material changes have occurred.

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## **Item 4     Advisory Business**

Weather Gauge Advisory, LLC (also referred to as Weather Gauge Advisory or the "firm") is a SEC-registered investment adviser with its principal place of business located in Virginia. Weather Gauge Advisory began conducting business in 1996.

Weather Gauge Advisory, LLC offers personalized investment advisory services to individuals, pension and profit sharing plans, trusts, estates and corporations or other business entities. Weather Gauge Advisory, LLC is strictly a fee-only investment management firm. The firm does not sell annuities, insurance, or other commissioned products. No commissions or finder's fee in any form are accepted.

Listed below are the firm's principal shareholders (i.e., those individuals and/or entities controlling 25% or more of this company).

- S. Glenn Krochmal

Weather Gauge Advisory, LLC offers the following advisory services to our clients:

### **INVESTMENT SUPERVISORY SERVICES ("ISS")**

#### **INDIVIDUAL PORTFOLIO MANAGEMENT**

Our firm provides continuous asset management of client funds based on the individual needs of the client. Clients are required to complete an Investor Suitability form and through personal discussions in which goals and objectives based on the client's particular circumstances are established, we develop the client's personal investment policy. We create and manage a portfolio based on that policy. During our data-gathering process, we determine the client's individual objectives, time horizons, risk tolerance, and liquidity needs. As appropriate, we may also review and discuss a client's prior investment history, as well as family composition and background.

We manage these advisory accounts on a discretionary basis. Account supervision is guided by the client's stated objectives (i.e., maximum capital appreciation, growth, income, or growth and income), as well as tax considerations.

Clients have the option to impose reasonable restrictions on investing in certain securities, types of securities, or industry sectors.

Weather Gauge Advisory shall never have custody of any client funds or securities, as the services of a qualified independent custodian will be used for these asset management services. The client always maintains asset control. Weather Gauge Advisory places trades for clients under a limited power of attorney.

Our investment recommendations are not limited to any specific product or service offered by a broker-dealer or insurance company and will generally include advice regarding the following securities:

- Exchange-listed securities
- Securities traded over-the-counter
- Foreign issuers
- Warrants
- Corporate debt securities (other than commercial paper)
- Certificates of deposit
- Municipal securities
- Variable annuities
- Mutual fund shares
- United States governmental securities
- Options contracts on securities
- Interests in partnerships investing in real estate
- Real Estate Investment Trusts

Generally, asset management for qualified plans will be different than for non-qualified plans. Non-tax qualified plans will be managed keeping in mind the tax implications and best efforts will be made to minimize tax liabilities. This is not an issue for qualified plans.

Because some types of investments involve certain additional degrees of risk, they will only be implemented when consistent with the client's stated investment objectives, tolerance for risk, liquidity and suitability.

Weather Gauge Advisory does not participate in any wrap fee programs.

## **SELECTION AND MONITORING OF THIRD-PARTY MONEY MANAGERS**

### **(SEPARATELY MANAGED ACCOUNTS - "SMA'S")**

We also offer advisory management services to our clients through Separately Managed Account managers.

We will identify categories of money managers that are compatible with the client's investment objectives, risk tolerance and other criteria.

We will assist in selecting a suitable money manager and assist the client in establishing an account with the SMA manager. Clients should refer to the selected SMA's Firm Brochure or other disclosure document for a full description of the services offered. The SMA manager will have full investment discretion and trading authority.

We monitor the performance of the SMA manager. If we determine that a particular SMA 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 wishes, we will suggest that the client contract with a different SMA. Under this scenario, our firm assists the client in selecting a new SMA. However, any move to a new SMA manager is solely at the discretion of the client.

## **PUBLICATION OF PERIODICALS**

Weather Gauge Advisory, LLC publishes a quarterly newsletter providing general information on various financial topics including, but not limited to, estate and retirement planning, market trends, etc. No specific investment recommendations are provided in this newsletter and the information provided does not purport to meet the objectives or needs of any individual. This newsletter is distributed free of charge to our advisory clients.

## **AMOUNT OF MANAGED ASSETS**

As of 12/31/2017, we were actively managing \$147,361,878 of clients' assets on a discretionary basis. We do not manage any non-discretionary assets.

## **Item 5 Fees and Compensation**

### **PORTFOLIO MANAGEMENT SERVICES FEES**

Our annual fees for Portfolio Management Services are based upon a percentage of assets under management and generally range from 0.25% to 1%.

The annualized fee for Portfolio Management Services will be charged as a percentage of assets under management, according to the following schedule:

<b><u>Assets Under Management</u></b>	<b><u>Annual Fee</u></b>
First \$500,000	1.00%
\$500,001- \$1,500,000	.85%
\$1,500,001-\$4,000,000	.75%
All Additional Funds	.65%

Our fees are billed in arrears at the end of each calendar quarter based upon the value (market value or fair market value in the absence of market value) of the client's account at the end of the previous quarter. Fees will be debited from the account in accordance with the client authorization in the Client Services Agreement. Fees will be assessed pro rata in the event the portfolio management agreement is executed at any time other than the first day of a calendar

quarter.

In addition, we charge an administrative fee of \$25.00 to \$50.00 per quarter per client for costs incurred of printing and mailing quarterly portfolio reports. This fee will be debited from the account in accordance with the client authorization in the Client Services Agreement. This fee may be waived at our discretion.

It is the client's responsibility to verify the accuracy of the fee calculation as the custodian will not determine whether the fee is properly calculated. All investment advisory fees debited from the client's account by the custodian will be clearly reflected on the client's brokerage statements that are sent to the client by the custodian.

**Limited Negotiability of Advisory Fees:** Although Weather Gauge Advisory, LLC has established the above fee schedule(s), we retain the discretion to negotiate alternative fees on a client-by-client basis. Client facts, circumstances and needs will be considered in determining the fee schedule. These include the complexity of the client, assets to be placed under management, anticipated future additional assets; related accounts; portfolio style, account composition, reports, among other factors. The specific annual fee schedule will be identified in the contract between the adviser and each client.

We group certain related client accounts for the purposes of achieving the minimum account size requirements and determining the annualized fee.

Discounts, not generally available to our advisory clients, are offered to family members and friends of associated persons of our firm.

**Compensation for Sale of Securities:** Weather Gauge Advisory, LLC does not accept compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds.

## **SELECTION and MONITORING of THIRD-PARTY MONEY MANAGERS FEES**

### **(SEPARATELY MANAGED ACCOUNTS)**

Weather Gauge Advisory, LLC's fee for this service does not include the independent investment adviser's fee for that entity's advisory/management services. The independent investment adviser's management fee is disclosed in the independent investment adviser's Firm Brochure or other disclosure document.

Our annual fee for Separately Managed Accounts is charged as a percentage of assets under management, according to the following schedule:

<b><u>Assets Under Management</u></b>	<b><u>Annual Fee (%)</u></b>
First \$500,000	1.00%
\$500,001- \$1,500,000	.85%

\$1,500,001-\$4,000,000	.75%
All Additional Funds	.65%

## GENERAL INFORMATION

***Termination of the Advisory Relationship:*** A client agreement may be canceled at any time, by either party, for any reason upon receipt of 30 days written notice. In calculating a client's final management fees, we will pro rate the reimbursement according to the number of days in the current billing period that we were still managing the account.

***Mutual Fund Fees:*** All fees paid to Weather Gauge Advisory, LLC for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds and/or EFTs to their shareholders. These fees and expenses are described in each fund's prospectus. These fees will generally include a management fee, other fund expenses, and a possible distribution fee. If the fund also imposes sales charges, a client may pay an initial or deferred sales charge. A client could invest in a mutual fund directly, without our services. In that case, the client would not receive the services provided by our firm which are designed, among other things, to assist the client in determining which mutual fund or funds are most appropriate to each client's financial condition and objectives. Accordingly, the client should review both the fees charged by the funds and our fees to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

***Separately Managed Account Fees:*** Clients participating in separately managed account programs may be charged various program fees in addition to the advisory fee charged by our firm. Such fees may include the investment advisory fees of the independent advisers. We will review with clients any separate program fees that may be charged to clients.

***Additional Fees and Expenses:*** In addition to our advisory fees, clients are also responsible for the fees and expenses charged by custodians and imposed by broker dealers, including, but not limited to, any transaction charges imposed by a broker dealer with which an independent investment manager effects transactions for the client's account(s). Please refer to the "Brokerage Practices" section (Item 12) of this Form ADV for additional information.

***ERISA Accounts:*** Weather Gauge Advisory, LLC is deemed to be a fiduciary to advisory clients that are employee benefit plans or individual retirement accounts (IRAs) pursuant to the Employee Retirement Income and Securities Act ("ERISA"). As such, our firm is subject to specific duties and obligations under ERISA and the Internal Revenue Code that include among other things, restrictions concerning certain forms of compensation. To avoid engaging in prohibited transactions, Weather Gauge Advisory, LLC only charges fees for investment advice about products for which our firm and/or our related persons do not receive any commissions or 12b-1 fees. It is our practice not to use any product that would pay us a commission or 12-b1 fees.

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



**Prepayment of Fees:** Under no circumstances do we require or solicit payment of any fees in advance of services rendered.

## **Item 6 Performance-Based Fees and Side-By-Side Management**

Weather Gauge Advisory, LLC does not charge any performance-based fees (fees based on a share of capital gains or capital appreciation of the assets of a client) because of the potential conflict of interest. Performance based compensation may create an incentive for the adviser to recommend an investment that may carry a higher degree of risk to the client, or to favor performance fee accounts.

## **Item 7 Types of Clients**

Weather Gauge Advisory, LLC provides advisory services to a variety of client types. Clients may include the following:

- Individuals (other than high net worth individuals)
- High net worth individuals
- Trusts
- Estates
- Pension and profit sharing plans (other than plan participants)
- Corporations or other businesses not listed above

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

### **METHODS OF ANALYSIS**

We use the following methods of analysis in formulating our investment advice and/or managing client assets:

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

Fundamental analysis does not attempt to anticipate market movements. This presents a potential risk, as the price of a security can move up or down along with the overall market

regardless of the economic and financial factors considered in evaluating the stock.

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

## **INVESTMENT STRATEGIES**

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

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

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

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

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

**Option writing.** We sometimes use options as an investment strategy. An option is a contract that gives the buyer the right, but not the obligation, to buy or sell an asset (such as a share of stock) at a specific price on or before a certain date. An option, just like a stock or bond, is a security. An option is also a derivative, because it derives its value from an underlying asset.

The two types of options are calls and puts:

- A call gives us the right to buy an asset at a certain price within a specific period of time. We will buy a call if we have determined that the stock will increase substantially before the option expires.
- A put gives us the right to sell an asset at a certain price within a specific period of time. We will buy a put if we have determined that the price of the stock will fall before the option expires.

We will use options to speculate on the possibility of a sharp price swing. We will also use options to "hedge" a purchase of the underlying security; in other words, we will use an option

purchase to limit the potential upside and downside of a security we have purchased for your portfolio.

We use "covered calls", in which we sell an option on security you own. In this strategy, you receive a fee for making the option available, and the person purchasing the option has the right to buy the security from you at an agreed-upon price.

We use a "spreading strategy", in which we purchase two or more option contracts (for example, a call option that you buy and a call option that you sell) for the same underlying security. This effectively puts you on both sides of the market, but with the ability to vary price, time and other factors.

**Risk of loss.** Clients should understand that investing in any securities, including mutual funds, involves a risk of loss of both income and principal. While our investment approach constantly keeps the risk of loss in mind, investors may still face the following investment risks:

- Interest rate risk - Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on bonds become less attractive, causing their market values to decline.
- Market risk - The price of a security, bond or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.
- Inflation risk - When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.
- Currency risk - Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as the exchange rate risk.
- Reinvestment risk - This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed-income securities.
- Business Risk - These risks are associated with a particular industry or a particular company within an industry. For example, highly regulated businesses face the risk that a change in government regulations could adversely impact the industry. For a particular company, a change in competitive position, a change in management or a change in management's capital allocation decisions could adversely impact the business.
- Liquidity Risk - Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.
- Financial Risk - Excessive borrowing to finance a business operation increases the risk of probability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in

bankruptcy and/or declining market value.

## **Item 9 Disciplinary Information**

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

Our firm has no reportable disciplinary events to disclose.

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

Our firm is not engaged in other financial industry activities and we have no other industry affiliations. We have no related persons.

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

Our firm has adopted a Code of Ethics which sets forth high ethical standards of business conduct that we require of our employees, including compliance with applicable federal securities laws.

Weather Gauge Advisory, LLC and our personnel owe a duty of loyalty, fairness and good faith towards our clients, and have an obligation to adhere not only to the specific provisions of the Code of Ethics but to the general principles that guide the Code. Briefly, our Code of Ethics requires that:

- We act with integrity, competence, diligence, respect and in an ethical manner with the public, clients, prospective clients, and colleagues in the investment profession;
- We place the interests of our clients above our own interests and not to mislead clients in any way;
- We will provide full and fair disclosure of all material facts;
- We will not take inappropriate advantage of our position and will act with all good faith;
- We will follow the rules and provisions of all applicable federal securities law
- We will not disclose, directly or indirectly, any clients' confidential information to anyone other than WGA, LLC personnel and client authorized professional advisers, such as broker-dealers, attorneys, and accountants.

Our Code of Ethics includes policies and procedures for the review of quarterly securities transactions reports as well as initial and annual securities holdings reports that must be submitted by the firm's access persons. Our code also provides for oversight, enforcement and

record keeping provisions.

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

A copy of our Code of Ethics is available to our advisory clients and prospective clients. You may request a copy by email sent to [glenn@weathergauge.org](mailto:glenn@weathergauge.org), or by calling us at 757-220-3313.

Weather Gauge Advisory, LLC and individuals associated with our firm are prohibited from engaging in agency cross transactions.

Our Code of Ethics is designed to assure that the personal securities transactions, activities and interests of our employees will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts.

Our firm and/or individuals associated with our firm may buy or sell for their personal accounts securities identical to or different from those recommended to our clients. In addition, any related person(s) may have an interest or position in a certain security(ies) which may also be recommended to a client.

It is the expressed policy of our firm that no person employed by us may purchase or sell any security prior to a transaction(s) being implemented for an advisory account, thereby preventing such employee(s) from benefiting from transactions placed on behalf of advisory accounts.

We may aggregate our employee trades with client transactions where possible and when compliant with our duty to seek best execution for our clients. In these instances, participating clients will receive an average share price. Charles Schwab & Co., Inc. generally charges the same commission rate or minimum transactions charges for trades placed in a client's account, regardless of whether or not the client's transaction was part of an aggregated trade or not. Charles Schwab's commissions rates may vary from client to client, based upon the amount of assets with Schwab, or whether or not the clients have elected electronic delivery of their monthly account statements. In the instances where there is a partial fill of a particular batched order, we will allocate all purchases pro-rata, with each account paying the average price. Our employee accounts will be included in the pro-rata allocation.

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

1. No principal or employee of our firm will put his or her own interest above the interest of an advisory client.
2. No principal or employee of our firm is allowed to buy or sell securities for their personal portfolio(s) where their decision is a result of information received as a result of his or her

employment unless the information is also available to the investing public.

3. It is the expressed policy of our firm that no person employed by us may purchase or sell any security prior to a transaction(s) being implemented for an advisory account. This prevents such employees from benefiting from transactions placed on behalf of advisory accounts.
4. We maintain a list of all reportable securities holdings for our firm and anyone associated with this advisory practice that has access to advisory recommendations ("access person"). These holdings are reviewed on a regular basis by our firm's Chief Compliance Officer.
5. We have established procedures for the maintenance of all required books and records.
6. All of our principals and employees must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.
7. We require delivery and acknowledgment of the Code of Ethics by each supervised person of our firm.

## **Item 12 Brokerage Practices**

### **The Custodian and Broker-Dealer(s) We Use**

Weather Gauge Advisory, LLC does not maintain custody of your assets that we manage, although we may be deemed to have custody of your assets if you give us authority to withdraw assets from your account (see *Item 15- Custody*, below). Your assets must be maintained in an account at a "qualified custodian", generally a broker-dealer or bank. We recommend that our clients use Charles Schwab & Co., Inc. (Schwab), a registered broker-dealer, member SIPC, as the qualified custodian. When recommending a broker, our firm will attempt to minimize the total cost for all brokerage services paid by the client. However, it may be the case that the recommended broker charges a higher fee for a particular type of service, such as commission rates, than can be obtained from another broker.

Our firm is independently owned and operated and are not affiliated with Schwab. Schwab will hold your assets in a brokerage account and buy and sell securities when we instruct them to. You will open your account with Schwab by entering into an account agreement directly with them. We do not open the account for you, although we assist you in doing so.

### **How we Select Broker(s)/Custodian**

We seek to select a custodian/broker who will hold your assets and execute transactions on terms that are, overall, most advantageous when compared to other available providers and their services. We consider a wide range of factors, including, among others:

- Combination of transaction execution services and asset custody services (generally without a separate custody fee)

- Capability to execute, clear, and settle trades (buy and sell securities for your account)
- Capability to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.)
- Breadth of available investment products (stocks, bonds, mutual funds, exchange-traded funds, etc.)
- Availability of investment research and tools that assist us in making investment decisions
- Quality of services
- Competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate those prices
- Reputation, financial strength, and stability
- Prior service to us and our other clients
- Availability of other products and services that benefit us, as discussed below (see *"Products and Services Available to Us From Schwab"*)

### **Your Brokerage and Custody Costs**

For our clients' accounts that Schwab maintains, Schwab generally does not charge you separately for custody services but is compensated by charging you commissions or other fees on trades that it executes or that settle into your Schwab account. This commitment benefits you because the overall commission rates you pay are lower than they would be otherwise. In addition to commissions, Schwab charges a flat dollar amount as a "prime broker" or "trade away" fee for each trade that we have executed by a different broker-dealer but where the securities bought or the funds from the securities sold are deposited (settled) into your Schwab account. These fees are in addition to the commissions or other compensation you pay the executing broker-dealer. Because of this, in order to minimize your trading costs, we have Schwab execute most trades for your account. We have determined that having Schwab execute most trades is consistent with our duty to seek "best execution" of your trades. Best execution means the most favorable terms for a transaction based on all relevant factors, including those listed above (see *"How We Select Broker(s)/Custodian"*).

### **Products and Services Available to Us From Schwab**

Schwab provides Weather Gauge Advisory, LLC and our clients with access to its institutional brokerage - trading, custody, reporting, and related services - many of which are not typically available to Schwab retail customers. Schwab also makes available various support services. Some of those services help us manage or administer our clients' accounts. These services generally are available to independent investment advisers on an unsolicited basis (we don't have to request them), at no charge to them so long as a total of at least \$10 million of the adviser's clients' assets are maintained in accounts at Schwab. If our clients collectively have less than \$10 million in assets at Schwab, Schwab may charge us fees for these services.

### **Services That Benefit You**

Schwab's institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through Schwab include some to which we might not otherwise have access, or that would require a significantly higher minimum initial investment. Schwab's services described in this paragraph generally benefit you and your account.

### **Services That May Not Directly Benefit You**

Schwab Institutional also makes available to our firm other products and services that benefit Weather Gauge Advisory, LLC but may not directly benefit our clients' accounts. These products and services assist us in managing and administering our clients' accounts. They include investment research, both Schwab's own and that of third parties. Many of these products and services may be used to service all or some substantial number of our client accounts, including accounts not maintained at Schwab.

Schwab's products and services that assist us in managing and administering our clients' accounts include software and other technology that:

- i. provide access to client account data (such as trade confirmations and account statements);
- ii. facilitate trade execution and allocate aggregated trade orders for multiple client accounts;
- iii. provide research, pricing and other market data;
- iv. facilitate payment of our fees from clients' accounts; and
- v. assist with back-office functions, recordkeeping and client reporting.

Schwab Institutional also offers other services intended to help us manage and further develop our business enterprise. These services may include:

- i. compliance, legal and business consulting;
- ii. publications and conferences on practice management and business succession; and
- iii. access to employee benefits providers, human capital consultants and insurance providers.

Schwab may make available, arrange and/or pay third-party vendors for the types of services rendered to Weather Gauge Advisory, LLC. Schwab Institutional may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to our firm. Schwab Institutional may also provide other benefits such as educational events or occasional business entertainment of our personnel.

Weather Gauge Advisory uses many of the services Schwab offers, especially their software and technology which permits us to more efficiently manage and administer your accounts.



## **Our Interest in Schwab's Services**

The availability of these services from Schwab benefits us because we do not have to produce or purchase them. We don't have to pay for Schwab's services so long as our clients collectively keep a total of at least \$10 million of their assets in accounts at Schwab. Beyond that, these services are not contingent upon us committing any specific amount of business to Schwab in trading commissions or assets in custody. The \$10 million minimum may give us an incentive to recommend that you maintain your account with Schwab, based on our interest in receiving Schwab's services that benefit our business rather than based on your interest in receiving the best value in custody services and the most favorable execution of your transactions. This is a potential conflict of interest. We believe, however, that our selection of Schwab as custodian and broker is in the best interests of our clients. Our selection is primarily supported by the scope, quality, and price of Schwab's services (see "*How We Select Broker(s)/Custodian*") and not Schwab's services that benefit only us. We have more than \$100,000,000 in client assets under management, and we do not believe that recommending our clients to collectively maintain at least \$10 million of those assets at Schwab in order to avoid paying Schwab service fees presents a material conflict of interest.

## **Directed Brokerage**

As our firm does not have the discretionary authority to determine the broker-dealer to be used or the commission rates to be paid, clients must direct Weather Gauge Advisory, LLC as to the broker-dealer to be used.

Weather Gauge Advisory, LLC recommends that clients direct us to place trades through Charles Schwab & Co., Inc. (Schwab). The Investment Advisory Agreement that clients sign with Weather Gauge Advisory, LLC indicates that clients direct that transactions for the account should be executed through Charles Schwab & Co., Inc. (the "Directed Broker").

Weather Gauge Advisory, LLC has evaluated Charles Schwab & Co., Inc. and believes that it will provide our clients with a blend of execution services, commission costs and professionalism that will assist our firm to meet our fiduciary obligations to clients.

We reserve the right to decline acceptance of any client account for which the client directs the use of a broker-dealer other than Charles Schwab & Co., Inc. if we believe that this choice would hinder our fiduciary duty to the client and/or our ability to service the account. In directing the use of a particular broker-dealer, it should be understood that we will not have the authority to negotiate commissions among various broker-dealers or obtain volume discounts, and best execution may not be achieved. Not all investment advisers require clients to direct it to use a particular broker-dealer.

Clients should note, while Weather Gauge Advisory, LLC has a reasonable belief that Charles Schwab & Co., Inc. is able to obtain best execution and competitive prices, our firm will not be independently seeking best execution price capability through other brokers, which may cost clients more money.

## **Aggregation of Orders**

Weather Gauge Advisory, LLC will sometimes block trades where possible and when advantageous to clients, and is primarily done on the "sell" side when eliminating an entire position from all the portfolios. From time to time we will submit a block trade on the "buy" side. The number of shares ordered is determined by the number of shares planned for specific accounts that have available cash at the time and the appropriateness of the investment to the client.

When trade aggregation does occur, all participating clients receive an average share price; Charles Schwab & Co., Inc. generally charges the same commission rate or minimum transactions charges for trades placed in a client's account, regardless of whether or not the client's transaction was part of an aggregated trade or not. Charles Schwab's commissions rates may vary from client to client, based upon the amount of assets a client has with Schwab, or as to whether or not the client has elected electronic delivery of their monthly account statements.

Weather Gauge Advisory, LLC's block trading policy and procedures are as follows:

- 1) Transactions for any client account will not be aggregated for execution if the practice is prohibited by or inconsistent with the client's advisory agreement with Weather Gauge Advisory, LLC, or our firm's order allocation policy.
- 2) Weather Gauge Advisory, LLC must determine that the purchase or sale of the particular security involved is appropriate for the client and consistent with the client's investment objectives and with any investment guidelines or restrictions applicable to the client's account.
- 3) Weather Gauge Advisory, LLC must reasonably believe that the order aggregation will benefit, and will enable us to seek best execution for each client participating in the aggregated order. This requires a good faith judgment at the time the order is placed for the execution. It does not mean that the determination made in advance of the transaction must always prove to have been correct in the light of a "20-20 hindsight" perspective. Best execution includes the duty to seek the best quality of execution, as well as the best net price.
- 4) Generally, each client that participates in the aggregated order must do so at the average price for all separate transactions made to fill the order.
- 5) Weather Gauge Advisory, LLC's client account records separately reflect, for each account in which the aggregated transaction occurred, the securities which are held by, and bought and sold for, that account.
- 6) No client or account will be favored over another.

Weather Gauge Advisory, LLC will receive no additional compensation or remuneration of any kind as a result of the aggregation of client trades.

### **Trade Error Correction Procedures**

On infrequent occasions, a trade error could be made in a client account. For example, a security may be erroneously purchased for a client, instead of sold. In these situations, Weather Gauge Advisory, LLC generally seeks to rectify the error by placing the client account

in a similar position as it would have been had there been no error. Depending on the circumstances, various corrective steps may be taken, including, but not limited to, canceling the trade, adjusting the allocation, and/or reimbursing the account.

## **Item 13 Review of Accounts**

### **INDIVIDUAL PORTFOLIO MANAGEMENT**

**REVIEWS:** While the underlying securities within Individual Portfolio Management Services accounts are continually monitored, these accounts are reviewed at least quarterly. Accounts are reviewed in the context of each client's stated investment objectives and guidelines. More frequent reviews could be triggered by material changes in variables such as the client's individual circumstances, or the market, political or economic environment.

These accounts are reviewed by: S. Glenn Krochmal, Manager and Chief Compliance Officer

**REPORTS:** In addition to the monthly or quarterly statements and confirmations of transactions that clients receive from their broker-dealer, we provide written quarterly reports summarizing account performance, balances and holdings that are mailed to our clients. A billing statement is also included in each quarterly report providing the client with a detailed computation of the management fees being billed for the quarter. Other reports, such as projected dividend and interest information are available to clients upon request.

### **(SEPARATELY MANAGED ACCOUNTS)**

**REVIEWS:** These client accounts should refer to the independent registered investment adviser's Firm Brochure (or other disclosure document used in lieu of the brochure) for information regarding the nature and frequency of reviews provided by that independent registered investment adviser.

Weather Gauge Advisory, LLC will provide reviews on a quarterly basis.

These accounts are reviewed by: S. Glenn Krochmal, Manager & Chief Compliance Officer

**REPORTS:** These clients should refer to the independent registered investment adviser's Firm Brochure (or other disclosure document used in lieu of the brochure) for information regarding the nature and frequency of reports provided by that independent registered investment adviser.

Weather Gauge Advisory, LLC will provide these client accounts with written quarterly reports, summarizing account performance, balances and holdings, as well as a billing statement providing the client with a detailed computation of the management fees charged by Weather Gauge Advisory, LLC for the quarter.

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

### **CLIENT REFERRALS**

Our firm pays referral fees to independent persons or firms ("Solicitors") for introducing clients to us, whereby the firm shares a portion of their fees charged to clients with the Solicitor. Whenever we pay a referral fee, we require the Solicitor to provide the prospective client with a copy of this document (our *Firm Brochure*) and a separate disclosure statement that includes the following information:

- the Solicitor's name and relationship with our firm;
- the fact that the Solicitor is being paid a referral fee;
- the amount of the fee; and
- whether the fee paid to us by the client will be increased above our normal fees in order to compensate the Solicitor.

As a matter of firm practice, the advisory fees paid to us by clients referred by solicitors are not increased as a result of any referral.

It is Weather Gauge Advisory, LLC's policy not to accept any form of compensation, including cash, sales awards or other prizes, from a non-client in conjunction with the advisory services we provide to our clients.

## **Item 15 Custody**

We previously disclosed in the "Fees and Compensation" section (Item 5) of this Brochure that our firm directly debits advisory fees from client accounts. Under government regulations, we are deemed to have custody due to this direct debiting of fees; however, Charles Schwab & Co., Inc. maintains actual custody of your assets.

As part of this billing process, the client's custodian is advised of the amount of the fee to be deducted from that client's account. On at least a quarterly basis, the custodian is required to send to the client a statement showing all transactions within the account during the reporting period.

Because the custodian does not calculate the amount of the fee to be deducted, it is important for clients to carefully review their custodial statements to verify the accuracy of the calculation, among other things. Clients should also compare the custodian's account statements to Weather Gauge Advisory, LLC's quarterly statements sent to clients. Clients should contact us directly if they believe that there may be an error in their statement.

Our firm also maintains Standing Letters of Authorization granting third party money movement authority to us with the custodian, Charles Schwab & Co., Inc. for a number of our clients. Under government (SEC) guidance we are deemed to have custody; however, Charles Schwab

& Co., Inc. maintains actual custody of your assets.

We follow the seven conditions below in order to avoid the SEC's Custody Rule's annual surprise exam requirement:

- Client must provide signed instructions to the custodian that includes client's signature, the third party's name, and either the third party's address or account number at a custodian to which the transfer should be directed.
- Client authorizes our firm in writing, over their signature, to direct transfers to the third party either on a specified schedule or from time to time.
- The custodian (Charles Schwab & Co., Inc.) verifies client instruction, such as signature review or other method to verify the client's authorization, and provides a transfer of funds notice to the client promptly after each transfer.
- Client may terminate or change the instruction with the custodian.
- Our firm has no authority or ability to change the identity of the third party, the address, or any other information about the third party contained in the client's instruction.
- Our firm maintains records showing that the third party is not a related party of the investment adviser or located at the same address as the investment adviser.
- The custodian sends the client, in writing, an initial notice confirming the instruction and an annual notice reconfirming the instruction.

## **Item 16 Investment Discretion**

Clients hire us to provide discretionary asset management services, in which case we place trades in a client's account without contacting the client prior to each trade to obtain the client's permission.

Our discretionary authority includes the ability to do the following without contacting the client:

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

Clients give us discretionary authority when they sign an Investment Advisory Agreement with our firm that states the client is opening a discretionary advisory account and the client authorizes our firm to buy, sell, or otherwise trade securities or other investments in the account without discussing the transactions with the client. Clients will also be indicating on the new account application with the broker-dealer that they are granting our firm trading authorization

to execute trades at our direction.

Clients can limit this authority by giving us written instructions. For example, a client may restrict our firm from buying securities in certain industries, i.e. alcohol, tobacco, or gaming, as it may be against their religious or moral beliefs. Clients can also change/amend such limitations by once again providing us with written instructions.

As previously disclosed in Item 4 of this brochure, our firm does not provide non-discretionary asset management services.

## **Item 17 Voting Client Securities**

We vote proxies for all client accounts; however, you always have the right to vote proxies yourself. You can exercise this right by instructing us in writing to not vote proxies in your account.

We will vote proxies in the best interests of our clients and in accordance with our established policies and procedures. We vote all proxies so as, in our opinion, to maximize shareholder value which is defined as long-term value through dividend and price appreciation. We will vote proxies in a way that we believe will cause a stock to increase the most, or decline the least in value.

Our firm will retain all proxy voting books and records for the requisite period of time, including a copy of each proxy statement received (for which we rely upon the electronic format of the proxy statement on EDGAR due to space limitations), a record of each vote cast, a copy of any document created by us that was material to making a decision how to vote proxies, and a copy of each written client request for information on how the adviser voted proxies. If our firm has a conflict of interest in voting a particular action, we will notify the client of the conflict and retain an independent third-party to cast a vote.

Clients may obtain a copy of our complete proxy voting policies and procedures by contacting S. Glenn Krochmal by telephone, email, or in writing. Clients may request, in writing, information on how proxies for his/her shares were voted. If any client requests a copy of our complete proxy policies and procedures or how we voted proxies for his/her account(s), we will promptly provide such information to the client.

With respect to ERISA accounts, we will vote proxies unless the plan documents specifically reserve the plan sponsor's right to vote proxies. To direct us to vote a proxy in a particular manner, clients should contact S. Glenn Krochmal by telephone, email, or in writing.

You can instruct us to vote proxies according to particular criteria (for example, to always vote with management, or to vote for or against a proposal to allow a so-called "poison pill" defense against a possible takeover). These requests must be made in writing. You can also instruct us on how to cast your vote in a particular proxy contest by contacting us at our e-mail address of [glenn@weathergauge.org](mailto:glenn@weathergauge.org). Written requests may be sent to 128 Richmond Hill Court, Williamsburg, VA 23185 and telephone request may be made to us at 866-239-4536, or 757-220-3313.

## **Item 18   Financial Information**

As an advisory firm that maintains discretionary authority for client accounts, we are also required to disclose any financial condition that is reasonable likely to impair our ability to meet our contractual obligations. Weather Gauge Advisory, LLC has no such financial circumstances to report.

Under no circumstances do we require or solicit payment of fees in excess of \$1200 per client more than six months in advance of services rendered. Therefore, we are not required to include a financial statement.

Weather Gauge Advisory, LLC has not been the subject of a bankruptcy petition at any time during the past ten years.